Lancashire County Council

Lancashire County Council

Audit, Risk and Governance Committee

Monday 22nd April 2024 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No.	Item	
1.	**Apologies**	
2.	**Disclosure of Pecuniary and Non-Pecuniary Interests** Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.	
3.	**Minutes of the Meeting held on 29 January 2024** To be confirmed and signed by the Chair.	(Pages 1 - 8)
4.	**Updated Terms of Reference**	(Pages 9 - 14)
5.	**The Council's Statement of Accounts for 2022/23 and Letters of Representation**	(Pages 15 - 284)
6.	**External Audit - Lancashire County Council Audit Findings Report 2022/23**	(Pages 285 - 356)
7.	**External Audit - Lancashire County Pension Fund Audit Findings Report 2022/23**	(Pages 357 - 402)
8.	**External Audit - Interim Auditor's Annual Report on Lancashire County Council 2022/23**	(Pages 403 - 440)
9.	**Internal Audit Progress Report**	(Pages 441 - 502)
10.	**Internal Audit Annual Plan**	(Pages 503 - 518)

11. **The Council's Annual Governance Statement 2023/24 and Code of Corporate Governance 2024/25** (Pages 519 - 570)

12. **Corporate Risk and Opportunity Register - Quarter 1 Update** (Pages 571 - 592)

13. **Local Member Grants Scheme Annual Report** (Pages 593 - 598)

14. **Annual Report on the Lancashire Culture and Sport Fund** (Pages 599 - 622)

15. **Urgent Business**

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

16. **Date of Next Meeting**

The next meeting of the committee will be held on Monday 22 July at 2.00 pm at County Hall, Preston.

17. **Exclusion of Press and Public**

The committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not Open to Press and Public)

18. **Appendix 'E' to Item 9** (Pages 623 - 630)

(Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

19. Appendix 'C' to Item 12 (Pages 631 - 636)

(Not for Publication – Exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

H MacAndrew
Director of Law and Governance

County Hall
Preston

Lancashire County Council

Audit, Risk and Governance Committee

Minutes of the Meeting held on Monday 29th January 2024 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Alan Schofield (Chair)

County Councillors

J R Singleton JP
N Aziz
J Berry
M Clifford
J Couperthwaite
J Shedwick
D Westley

County Councillor David Westley replaced County Councillor Charlie Edwards for this meeting.

1. Apologies

None.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

County Councillor Alan Schofield declared a non-pecuniary interest in Item 19 as a Non-Executive Director of Local Pensions Partnership Ltd.

3. Minutes of the Meeting held on 16 October 2023

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 16 October 2023 be confirmed as an accurate record, subject to resolution iii) of Item 9 being amended with the correct meeting date (29 January 2024).

4. Treasury Management Activity 2023/24

Mike Jensen, Director of Investment presented an overview of the council's treasury management activity for the period April to November 2023.

In response to questions from members it was clarified that:

- The difference between the adherence to the authorised/operational limits for debt on agenda page 14 and the liability benchmark on page 15 related to the difference in timeframe for these assessments.

- Further information on the difference in reported figures for debt held on behalf of other local authorities would be provided after the meeting.

Resolved: That the review of Treasury Management Activity 2023/24 be noted.

5. Treasury Management Strategy 2024/25

Mike Jensen, Director of Investment presented the proposed Treasury Management Strategy, Investment Strategy and Minimum Revenue Policy Statement for 2024/25.

It was highlighted that there were no significant changes to the strategies from the previous year.

In response to a question about succession planning, members were informed that other members of the Treasury Management team were involved in training to build their experience in managing the portfolios.

Resolved: That the Full Council be recommended to approve the Treasury Management Strategy, Investment Strategy and Minimum Revenue Policy Statement for 2024/25.

6. Significant Accounting Policies Used in the Preparation of the Council's Statement of Accounts 2023/24

Khadija Saeed, Head of Corporate Finance presented the accounting policies to be used in preparing the council's 2023/24 Statement of Accounts.

It was highlighted that there were no significant changes to the policies from the previous year.

Resolved: That the accounting policies to be used in preparing the council's 2023/24 Statement of Accounts be approved.

7. External Audit: Audit Progress Report and Sector Update

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Audit Progress Report and Sector Update as of January 2024.

It was noted that the external auditors had intended to present the county council Audit Findings Report at this meeting, but delays relating to the collection of audit evidence had resulted in the target completion date being pushed back to the end of March. The Audit Findings Report was therefore expected at the next committee meeting on 22 April 2024.

In response to a question about the audit delays, members were informed that most of the sector were awaiting audit opinions for 2022/23, so the county council was not unusual in that sense. The delays to this audit largely related to the volume of work arising from the audit of the new ledger. Conversations with officers at the council were ongoing in order to resolve the outstanding queries.

Resolved: That the Audit Progress Report and Sector Update for January 2024 be noted.

8. External Audit: Lancashire County Pension Fund Audit Findings Report 2022/23

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Lancashire County Pension Fund Audit Findings Report for 2022/23.

It was highlighted that:

- The Pension Fund's audit could not be formally signed off until the county council's audit was also finalised; however, the auditors expected at this stage to issue an unqualified opinion.

- The Pension Fund used the same IT systems and ledger as the county council, but due to the significantly lower number of transactions this audit had not been delayed to the same extent.

- The auditors had experienced notable delays in receiving requested information from Local Pensions Partnership Administration Ltd (LPPA), which had resulted in an additional fee.

In response to questions, members were informed that:

- The Audit Findings Report would also be presented to the council's Pension Fund Committee at its meeting on 8 March 2024.

- The new audit fees set by Public Sector Audit Appointments Ltd included an increase to account for unexpected work and delays. Those fees applied from the 2023/24 audit, hence why an additional fee had been applied this time.

Resolved: That the Lancashire County Pension Fund Audit Findings Report 2022/23 be noted.

9. Internal Audit Progress Report

Andy Dalecki, Head of Internal Audit presented an update on the Internal Audit Service's work and outcomes for 2023/24, for the period to 2 January 2024.

It was highlighted that a new approach had been implemented to request quarterly updates from Heads of Service and Directors, as appropriate, about outstanding management actions relating to previous years' audits.

In response to questions, members were informed that:

- Regarding the audit of school financial controls at Wellfield Academy, the council's accounting team worked with schools on deficit recovery, but responsibility lay with the school's headteacher and governing body. In the case of schools which became academies, their outstanding debt would remain with the county council and therefore it was in the council's interest to work closely with the schools to achieve a sustainable position.

- It would be necessary to carry over some work from the 2023/24 audit plan into the next financial year, but it would be completed in Quarter 1 of 2024/25 and therefore contribute towards the overall opinion for 2023/24.

- Although some management actions from audits completed in 2021/22 were still outstanding, it was not currently necessary to invite the relevant Heads of Service to a committee meeting for more information. The committee's support was welcomed and members' concern would be shared with the relevant management teams.

Resolved: That the Internal Audit Progress Report be noted.

10. Governance Risk and Resilience Framework Review

Heloise MacAndrew, Director of Law and Governance presented the findings from the council's assessment of governance risks, which had been carried out against the Centre for Governance and Scrutiny's Risk and Resilience Framework.

It was noted that the completion dates for Action 1 and Action 5 in the report should have been March 2024 and January 2024 respectively.

In relation to concern about Cabinet decisions being announced prior to Cabinet meetings, members were informed that additional training had been put in place to respond to this issue.

Resolved: That

i) The actions set out at Appendix 'A' be approved; and

ii) Approval be given to conduct another Governance Risk and Resilience Framework review exercise in late 2025 or early 2026, following the next county council elections.

11. Code of Conduct - Annual Report of Complaints

Josh Mynott, Democratic and Member Services Manager presented a summary of all complaints received against county councillors under the Code of Conduct in 2023.

It was highlighted that:

- The low number of complaints reflected the high standard of county councillors' conduct.

- In response to some complaints relating to data protection, work had been undertaken to update and promote online information governance training for councillors.

- There were no concerning patterns relating to complaints against county councillors, and in most cases the subject councillors were quick to apologise.

Resolved: That the summary of complaints received in 2023 be noted.

12. Local Member Grants Scheme - Update Report

Josh Mynott, Democratic and Member Services Manager presented an update on the outcomes of the Local Member Grants Scheme monitoring activity carried out by Democratic Services, for the period January 2022 to June 2023.

It was highlighted that:

- The number of outstanding responses for grants awarded in 2022/23 had halved since the last report to the committee in October 2023.

- Following the committee's previous recommendation, the appropriate councillors were now informed when an organisation did not respond to Democratic Services' requests for evidence of expenditure and when they reapplied for a new grant.

It was requested that the annual report, due to be presented at the committee meeting on 22 April 2024, include year-end totals for the number and amount of grants awarded and any remaining funding allocated to care leavers.

Resolved: That the Local Member Grants Scheme - Update Report for January 2022 to June 2023 be noted.

13. Corporate Risk and Opportunity Register - Quarter 4 Update

Heloise MacAndrew, Director of Law and Governance presented the updated Corporate Risk and Opportunity Register for Quarter 4 of 2023/24.

It was noted that four risk entries contained exempt information and were included in Part II of the agenda.

In response to queries from members, it was noted that information on the following would be provided after the meeting:

- The direction of travel for CORP5 (school places);

- The availability of data for CORP 10 (mental health beds) prior to Quarter 2 of 2023/24; and

- A key for the blue-coloured ratings for the opportunities included on the risk register.

It was commented that progress in relation to CORP 1 (financial sustainability) was heavily dependent on the delivery of circa £80m of savings targets. Members were informed that the finance team met regularly with each directorate, to hold directors accountable for the savings agreed for their areas and to identify other opportunities for savings. The Cabinet and the Scrutiny Management Board also received quarterly reports on the council's financial position.

Resolved: That the updated Corporate Risk and Opportunity Register be approved.

14. Urgent Business

None.

15. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 22 April 2024 at 2.00 pm at County Hall, Preston.

16. Exclusion of Press and Public

Resolved: That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information, as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act 1972.

It was considered that in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

17. Appendix 'C' to Item 13

(Not for Publication – Exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

The committee considered the private and confidential Appendix C to Item 13 – Corporate Risk and Opportunity Register – Quarter 4 Update.

Resolved: That Appendix C to Item 13 – Corporate Risk and Opportunity Register – Quarter 4 Update, be noted.

18. Appendix 'E' to Item 9

(Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

The committee considered the private and confidential Appendix E to Item 9 – Internal Audit Progress Report.

It was requested that an update on work relating to this internal audit summary be provided at the next meeting.

Resolved: That Appendix E to Item 9 – Internal Audit Progress Report, be noted.

19. Local Pensions Partnership Investment Ltd – Internal Audit Summaries

(Not for Publication – Exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

Andy Dalecki, Head of Internal Audit presented a private and confidential summary of Local Pensions Partnership Investment Ltd's internal audits for 2022/23, which had not been available at the time of writing the Internal Audit Annual Report for 2022/23.

Resolved: That the internal audit summaries for Local Pensions Partnership Investment Ltd be noted.

20. Counter Financial Crime, Investigations and Whistleblowing Update Report

(Not for Publication – Exempt information as defined in Paragraphs 2, 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

Peter Walker, Investigations Manager and Deputy Money Laundering Reporting Officer presented a private and confidential update on the counter financial crime, investigations and whistleblowing work so far in 2023/24.

Resolved: That the Counter Financial Crime, Investigations and Whistleblowing Update Report be noted.

21. Cyber Security Risk Update

(Not for Publication – Exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

Carol Groom, Head of ICT Strategy and Assurance and Peter Lloyd, Director of Digital presented a private and confidential update on cyber security across the council.

It was commented that awareness amongst councillors about cyber security issues was low and therefore it was requested that increased training and information be made available for members.

It was noted that the updated information governance training for councillors covered cyber security-related topics and a reminder to all councillors to complete the online training would be shared after the meeting.

Resolved: That

i) The Cyber Security Risk Update be noted; and

ii) A further report on cyber security risks be provided in 12 months' time, at the Audit, Risk and Governance Committee meeting on 27 January 2025.

22. Update on the Overpayment of Salaries

(Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

Neil Kissock, Director of Finance presented a private and confidential report which provided the requested twice-yearly update on the overpayment of salaries.

It was requested that additional information on the council's legal position when recovering overpayments be provided after the meeting.

Resolved: That the report on the overpayment of salaries be noted.

H MacAndrew
Director of Law and Governance

County Hall
Preston

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected: N/A;

Updated Terms of Reference
(Appendix 'A' refers)

Contact for further information:
Hannah Race, Senior Democratic Services Officer, Tel: 01772 530655,
Hannah.Race@lancashire.gov.uk

Brief Summary

At its meeting on 14 March 2024, the Full Council approved a new Constitution for Lancashire County Council, including updated terms of reference for the Audit, Risk and Governance Committee.

Recommendation

The Audit, Risk and Governance Committee is asked to consider the committee's updated terms of reference, as set out at Appendix 'A'.

Detail

In May 2023, the Political Governance Working Group agreed to undertake a full review of the council's Constitution to ensure it is accurate, up to date, and properly reflects the council's operational arrangements.

The Political Governance Working Group subsequently met throughout 2023 and early 2024 to make recommendations and oversee the development of the new Constitution. Its review was guided by the following key principles: accessibility, accountability, accuracy, clarity, efficiency and transparency.

The new Constitution was considered and approved by Full Council at its meeting on 14 March 2024 and subsequently came into effect on 1 April 2024.

In approving the new Constitution, Full Council made the following changes to the Audit, Risk and Governance Committee's terms of reference:

- The headings used in each council committee's terms of reference have been standardised, so they now follow a slightly revised format; and

- The addition of at least one independent member to the Audit, Risk and Governance Committee's membership, which aims to bring the committee's membership in line with guidance issued by the government and the Chartered Institute for Public Finance and Accountancy (CIPFA).

The process for appointing a new independent member to the committee is yet to be decided. The committee will be kept informed and asked to agree how the arrangement best works in Lancashire at a future meeting date, to be agreed.

The Audit, Risk and Governance Committee is asked to consider and note the committee's updated terms of reference.

Appendices

Appendix	**Title**
Appendix 'A'	Audit, Risk and Governance Committee Terms of Reference

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Legal

N/A

Finance

N/A

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Audit, Risk and Governance Committee

Purpose

a) The Audit, Risk and Governance Committee is a key element of the Council's corporate governance. It provides an independent and high-level focus on the risk management, audit, ethics, assurance and reporting arrangements that underpin good governance and financial standards.

b) The primary purpose of the Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

c) The Committee's members should therefore behave objectively and independently in their deliberations and decisions.

d) The Committee is also required to fulfil other functions relevant to its overall responsibilities as required by the Council. In particular, the Committee oversees the Council's treasury management activity.

Composition

a) Meetings are open to the public, but they may be excluded where information of an exempt or confidential nature is being discussed – see Access to Information Rules (lancashire.gov.uk).

b) The Committee shall comprise eight county councillors and at least one independent, non-voting co-opted member.

c) The quorum of the Committee shall be three.

Terms of Reference

Governance

a) Review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

b) Review and recommend the Code of Corporate Governance for adoption by the Council.

c) Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's governance framework, risk management and control.

d) Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

e) Consider the Council's assurance framework and ensure that it adequately addresses the risks and priorities of the Council.

f) Consider the Council's arrangements for discharging its duties in relation to promoting and maintaining high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011.

Risk Management and Control

g) Monitor the effective development and operation of the risk management framework and processes across the Council.

h) Monitor progress in addressing risk-related issues reported to the Committee.

i) Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

j) Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

k) Monitor and approve the counter-fraud strategy, actions and resources.

Internal Audit

l) Approve the Internal Audit Charter.

m) Approve the risk-based Internal Audit Plan, including the Internal Audit Service's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

n) Approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.

o) Make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

p) Consider reports from the Head of Internal Audit on the Internal Audit Service's performance during the year, including the performance of external providers of internal audit services. These will include:

   (i) Updates on the work of the Internal Audit Service, including key findings, issues of concern and action in hand as a result of internal audit work.

   (ii) Regular reports on the results of the quality assurance and improvement programme.

   (iii) Reports on instances where the Internal Audit Service does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

q) Consider the Head of Internal Audit's annual report including:

   (i) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement.

(ii) The opinion on the overall adequacy and effectiveness of the Council's governance framework, risk management and control together with the summary of the work supporting the opinion, which will assist the Committee in reviewing the Annual Governance Statement.

(iii) Consider summaries of specific internal audit reports as requested.

(iv) Receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.

(v) Contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

(vi) Support the development of effective communication with the Head of Internal Audit.

(vii) Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

External Audit

r) Consider appointment of the Council's External Auditor proposed by the appointing person under the Local Audit (Appointing Person) Regulations 2015 and assess whether there are any valid reasons for the Council to object.

s) Approve the letters of representation required by the External Auditor and consider the External Auditor's annual letter, audit opinion, relevant reports and the report to those charged with governance.

t) Consider specific reports as agreed with the External Auditor.

u) Comment on the scope and depth of external audit work and to ensure it gives value for money.

v) Commission additional work from the External Auditor as necessary.

Financial Reporting

w) Review and approve the Annual Statement of Accounts of the Council and the Lancashire County Pension Fund. Specifically, it will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit work that need to be brought to the attention of the Council.

x) Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

y) Report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements; and internal and external audit functions.

z) Prepare a report annually on the Committee’s performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

Treasury Management

aa) Oversee and scrutinise the Council's treasury management function, receiving regular advice and reports on treasury management activity.

ab) Consider and recommend the Treasury Management Strategy for Council's approval.

ac) Consider and recommend changes to the Borrowing and Investment Strategy for Council's approval.

ad) Consider and recommend the prudential indicators for Council's approval.

ae) Consider and recommend the treasury management indicators for Council's approval.

Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected:
(All Divisions);

The Council's Statement of Accounts for 2022/23 and Letters of Representation
(Appendices 'A' – 'C' refer)

Contact for further information:
Khadija Saeed, Head of Corporate Finance and Exchequer Services, Tel: 01772 536195, khadija.saeed@lancashire.gov.uk

Brief Summary

At its meeting held on 16 October 2023, the Audit, Risk and Governance Committee approved the council's statement of accounts for 2022/23. Following this, the accounts have been subject to extensive audit, and there are some adjustments that are required to be made to ensure that the balances reported present a materially correct position.

These adjustments are largely technical in nature and do not affect the council's reported outturn position for the financial year. The revised statement of accounts is presented at Appendix A and includes the following adjustments since last reviewed by the committee:

- Amended accounting treatment of a pension prepayment;
- Correction in the recognition of a payment in advance;
- Increased disclosure in the note describing 'Related parties'; and
- Correction of a historic misalignment in the fixed asset records

In addition, to enable the conclusion of the audit, the committee must provide to the auditor with written representation on matters material to the financial statements where other appropriate audit evidence cannot reasonably be expected to exist. The council's representation letter is attached at Appendix B and the Pension Fund's representation letter is attached at Appendix C.

Recommendation

The Audit, Risk and Governance Committee is asked to:

(i) Approve the council's statement of accounts for 2022/23, as set out at Appendix A;

(ii) Authorise the Chief Financial Officer to approve any further changes to the accounts; and

(iii) Agree for the management representation letters at Appendices B and C to be signed by the Chief Financial Officer and the Chair of the Audit, Risk and Governance Committee, prior to them being made available to the external auditor.

Detail

At its meeting held on 16 October 2023, the Audit, Risk and Governance Committee approved the council's statement of accounts for 2022/23. At that time the council's external audit of the accounts had not yet been concluded.

The external audit is now close to completion and as a result, there are some adjustments that are required to be made to the accounts to ensure that they present a materially correct position, alongside some minor wording changes. The following amendments have been made to the accounts since the last review by the committee with the revised accounts presented at Appendix A.

These amendments are largely technical in nature and do not affect the council's reported outturn position for the financial year.

<u>Amended accounting treatment of a pension prepayment</u>

In the financial year 2020/21, the county council made a prepayment to the Pension Fund to pay in advance the equivalent of three years of pension contributions, totalling £120.5m. This enabled the council to receive a discount in the amount paid.

The accounting treatment applied by the council was to reduce the council's pension liability in year one and then to recognise the cost of the pension contribution in each of the three years to which the contribution related through reducing the benefit to the pension liability.

In years two and three of this accounting treatment, the council reduced the pension liability directly, rather than actioning this through the pension reserve. The net effect of correcting this is that the pension liability is reduced in each of the years two and three by circa £40m with the corresponding reduction in the pension reserve. These changes can be seen on the balance sheet and the reserve note of the revised accounts. As this related to both 2021/22 and 2022/23, a prior period adjustment note is also included in the revised accounts.

<u>Correction in the recognition of a payment in advance</u>

Supplier payments totalling circa £14m were made on 4 April 2023, although the recognition of the related costs occurred in March 2023. As the transactions were for services in 2023/24, these were accounted for as a payment in advance. However, as the payment only left the accounts in April 2023, this should have been recognised as a debtor instead.

This correction can be seen in the revised accounts on the balance sheet, notes to the payment in advance and debtors.

This resulted from two accounting periods being open at the same time at the year-end 2022/23 due to technical problems in being able to close the accounting periods down. This technical issue is now resolved, so accounting periods are not open concurrently.

Increased disclosure in the note describing 'Related parties'

The council reports all material related parties per the Chartered Institute for Public Finance and Accountancy (CIPFA) accounting regulations. However, the auditors have brought to the council's attention related parties to the council that, although not material to the council's accounts, they are material to the related entity.

To satisfy the regulations, additional text disclosing these related parties is included in the relevant section of the revised accounts. These total £742,762, and include the following:

Organisation	**£**
Haslingden Community Link	256,459
Lancashire BME Network Ltd	256,483
Scaitcliffe Community Centre	4,115
The Prospects Foundation	38,000
Winckley Square CIC	187,705

Correcting a historic misalignment in the fixed asset records

A historic misalignment was identified as part of the audit work between the council's fixed asset records and the amount in the Property, Plant and Equipment note in the accounts.

Correcting this misalignment has resulted in a net reduction of £8m in fixed assets and a corresponding £8m increase in the capital adjustment account.

Letters of Representation

Each year, to enable the conclusion of the audit, as required by the auditor, the committee must provide written representations from those charged with governance and management of the council on matters material to the financial statements where other appropriate audit evidence cannot reasonably be expected to exist. The council's management representation letter for 2022/23 is presented at Appendix B and the Pension Fund's management representation letter is presented at Appendix C.

Appendices

Appendices A, B and C are attached to this report. For clarification they are summarised as follows and referenced at relevant points within this report.

Appendix	Title
Appendix A	Statement of Accounts 2022/23
Appendix B	Lancashire County Council Letter of Representation
Appendix C	Lancashire County Pension Fund Letter of Representation

Consultations

The Accounts and Audit Regulations 2015 require the council to make available the accounts for public inspection. This enables any member of the public to inspect the accounts, ask questions and to request copies of related documents where appropriate. The period of inspection for the 2022/23 accounts commenced on 6 September 2023 and ended on 9 October 2023.

Implications:

This item has the following implications, as indicated:

Risk management

Failure to complete the statement of accounts in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice may result in an adverse opinion from the council's external auditors.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A

Appendix A

Statement of accounts 2022/23

Lancashire County Council

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Front cover: River Ribble, Hurst Green

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Written statements to the accounts

Avenham Park, Preston

Foreword by the Chief Executive

I am pleased to introduce the statement of accounts for the 2022/23 financial year.

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

Performance

Our performance report for 2022/23 sees a continuation in improved delivery against a challenging backdrop. As well as ensuring we continue to respond to the growing number of increasingly complex cases for our vulnerable residents, we also remain focused on good quality basic services which impact on day to day living for everyone. We are also transforming our practice model in both adults and children's social care to ensure they continually improve, as well as delivering significant change programmes including Oracle Fusion. There is a lot going on with much to celebrate and some real challenges to address too.

Levelling up funding

January also saw us secure just under £50 million in Levelling up funds for safer, greener, healthier neighbourhoods, public transport and active travel improvements. In total Lancashire received over £200 million, the highest support per head of population in England reflecting the strengthening partnerships across the county under the Lancashire 2050 framework. Partnerships are particularly important as resources continue to be constrained and this is good evidence of our improvements as a place leader, a convenor, and a deliverer of services.

Cost of living

Inflation is having a significant impact across the board. We have responded positively with support to residents and businesses including our warm and welcome spaces and fair funding for adult social care providers. We have also taken the opportunity to support our partners, particularly in health, to ensure public funding in Lancashire is maximised. However, this is also impacting our costs and supply chains, particularly in construction, and we are reviewing how this may impact the sequencing of a number of our larger projects.

Outlook for the future

Our people strategy, designed to make us an employer of choice, has also been developed and is being socialised with stakeholders ahead of formal approval and then launch in the summer. This is one of our key responses to address the recruitment and retention challenges which remain as one of our highest corporate risks.

The council set a balanced budget for 2023/24 in February and teams have now completed their business plans for the coming year to ensure our resources are prioritised on achieving the ambitions set out in the corporate strategy. Significant work has been undertaken to strengthen the performance management framework creating the golden thread between corporate ambition, service delivery and individual performance.

Achievements

It was really pleasing to receive positive feedback from Ofsted when their report was published in January rating all aspects of children's social care as 'good'. This is a great recognition of the hard work and commitment from across the council and we are already mapping out our pathway to 'outstanding' which is nothing less than our children and families deserve.

Finally, Adult Social Care has been shortlisted for two national awards: the Municipal Journal awards for hospital aftercare and Local Government Chronicle awards for the mental health trailblazer. This showcases the best practice and innovative approach adopted by our staff and the council. Fingers crossed for the finals.

A Ridgwell

Angie Ridgwell
Chief Executive

The county of Lancashire

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

Lancashire contrasts a network of densely populated urban centres set within countryside of outstanding natural beauty. At £27 billion, it is one of the largest economies in the north of England, with around 44,000 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.

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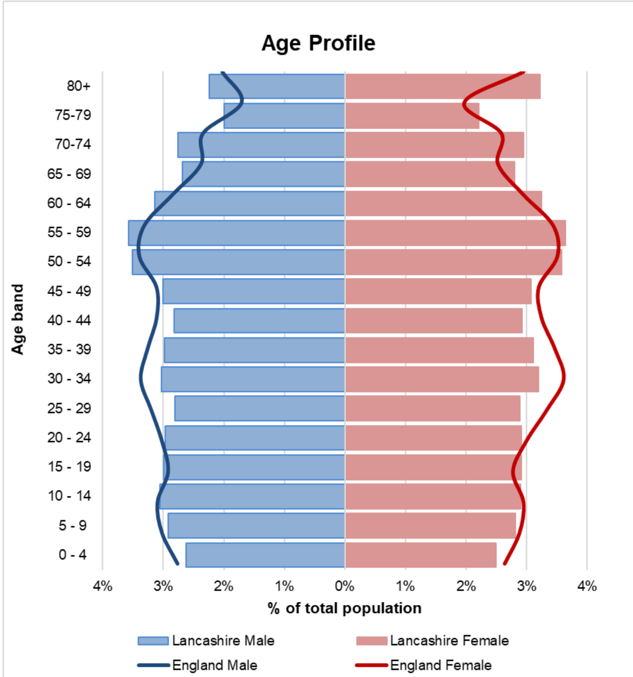
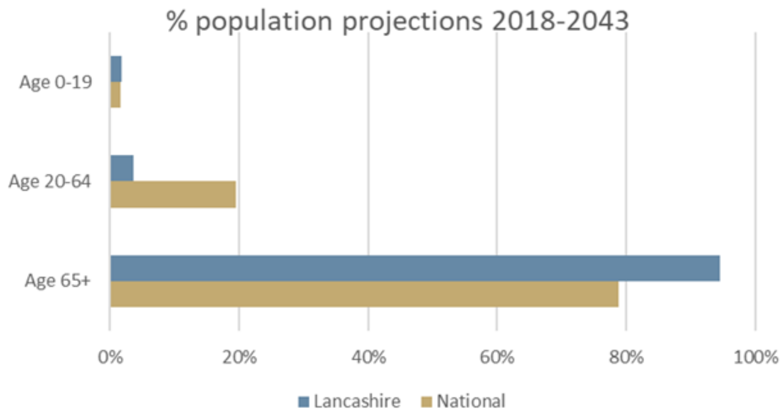
Demographic profile of Lancashire

The Office of National Statistics (ONS) mid-year population estimate for Lancashire in 2021 showed that there were 1,236,035 people living in the county. The population is projected to increase to 1.3 million by 2043, with significant increases forecast in the age over 65 population.

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



ONS mid-2021 population estimates



2018-based subnational principal population projections for local authorities

About Lancashire County Council

Lancashire County Council is the fourth largest council in the UK covering a geographic area of 2,894km^2. It provides services to residents of the 12 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

"Here at Lancashire County Council we are helping you to make Lancashire the best place to live, work, visit and prosper."

Our Vision for Lancashire forms part of the county council's planning and performance framework. It sets out our priorities in an open and transparent way.

We want Lancashire to be the county people choose to create a home, raise their children, develop a career and grow old in. We are committed to developing and celebrating our diverse communities, heritage and landscape to create a strong sense of place we can all be proud of.

Our vision is focused around five objectives, which we set out on the following pages.

Lancashire will be the place to live

Lancashire is a county of diverse communities.

It is a place where people are valued and will feel able to have their say. It will be a county where housing meets the needs of all ages, where people are safe and feel safe, surrounded by clean, green spaces where everyone can enjoy a good quality of life and be happy.

It will be a county where:

- Children of all abilities do well in our first class schools, colleges and universities, gaining skills for life
- People have good housing
- People live healthier lives for longer
- People can travel on good quality, reliable public transport
- People get on well together and are connected to their local community
- Our most vulnerable people are protected and supported
- People make use of technology to access services, support and information

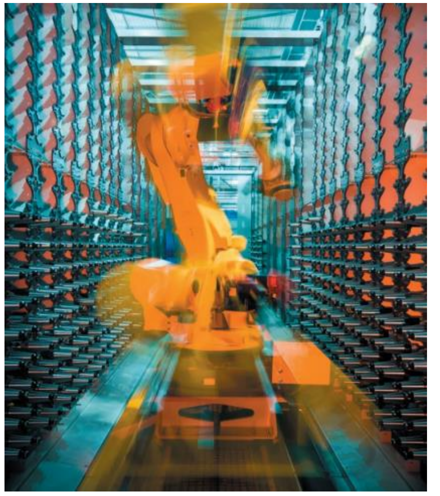
Lancashire will be the place to work

Lancashire will be a county that supports a flexible and inclusive labour market, where skills development is championed and where talented individuals choose to live and work.

It will be a county where:

- We support people of all ages and abilities to learn and develop their skills
- Significant new, good job opportunities are created
- We support and encourage business investment, innovation and growth
- We aim to increase the earning power of our residents and communities
- We build and develop effective infrastructure and transport links

Lancashire will be the place to prosper



Lancashire will be a county that promotes strong economic growth in both urban and rural economies.

It will be a county that actively boosts productivity and prosperity for everyone.

It will be a county where:

- We invest in industry, and promote innovation to secure Lancashire's growth potential
- Businesses are supported to start up, to thrive and to grow
- We build on the strengths and resilience of local industry
- Our residents, businesses and places are enabled to be more productive
- We promote Lancashire as a national and globally connected destination and a well performing place to do business

Lancashire will be the place to visit

Lancashire is a beautiful county with a wealth of culture.

From green fields and rolling hills to coastal towns and country villages – Lancashire really does have it all as a place for people to enjoy.

It will be a county where:

- We celebrate our beautiful, clean landscapes
- We encourage the visitor economy and the opportunities for growth
- People enjoy our culture and heritage, diverse communities and local attractions
- We promote our wonderful sporting attractions and hidden gems

Lancashire will be the place where everyone acts responsibly

The county council will work closely with our partners to enable people in Lancashire to develop and thrive.

We will listen to the needs of people and work with our partners and communities to empower them to meet their own needs. We will help people to look after themselves and help them to provide care and support to their families, friends, neighbours and colleagues.

It will be a county where:

- We will equip our most vulnerable people with the support and skills they need to do more for themselves
- We commission, procure and provide services that provide maximum benefit to Lancashire residents
- We recruit and retain a workforce that meets service needs
- We prevent waste and use money wisely
- We learn from others

Our corporate priorities

DELIVERING BETTER SERVICES

- Provide services that are effective, efficient and appropriate to local circumstances.
- Improve services by changing the way we do things.
- Help people and families live healthier lifestyles and enjoy a better quality of life.

CARING FOR THE VULNERABLE

- Protect, safeguard, support and enable the most vulnerable residents in our society.
- Challenge and reduce areas of inequality and provide opportunity for all.
- Ensure children of all abilities do well in our schools and colleges, gaining important skills and expertise for life.

PROTECTING OUR ENVIRONMENT

- Lead on environmental improvement schemes and renewable energy initiatives.
- Work with businesses and communities on flood prevention, decarbonisation projects and climate change resilience.
- Promote more recycling and better waste management.

SUPPORTING ECONOMIC GROWTH

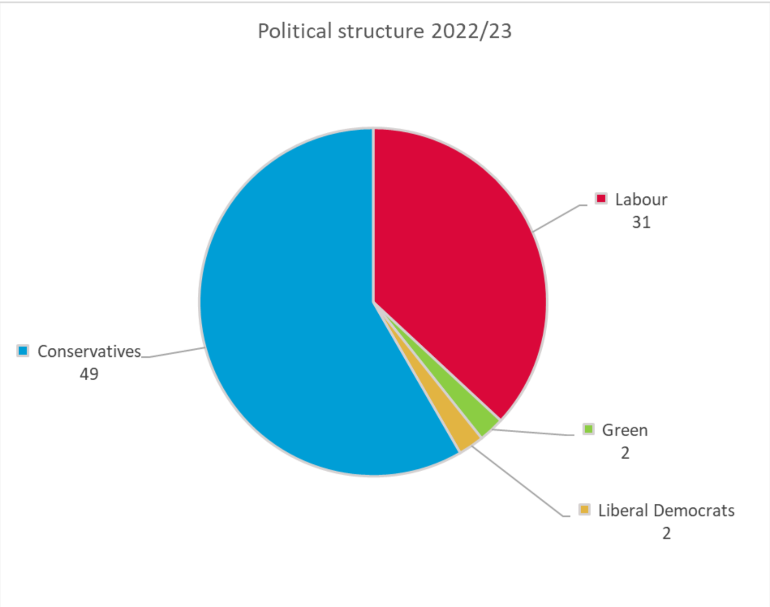
- Develop and build effective infrastructure and transport networks, to help people and businesses connect and grow.
- Secure inward investment, to boost and level up the county.
- Invest in skills and innovation, to secure economic growth and maximise Lancashire's potential.

Our governance structure

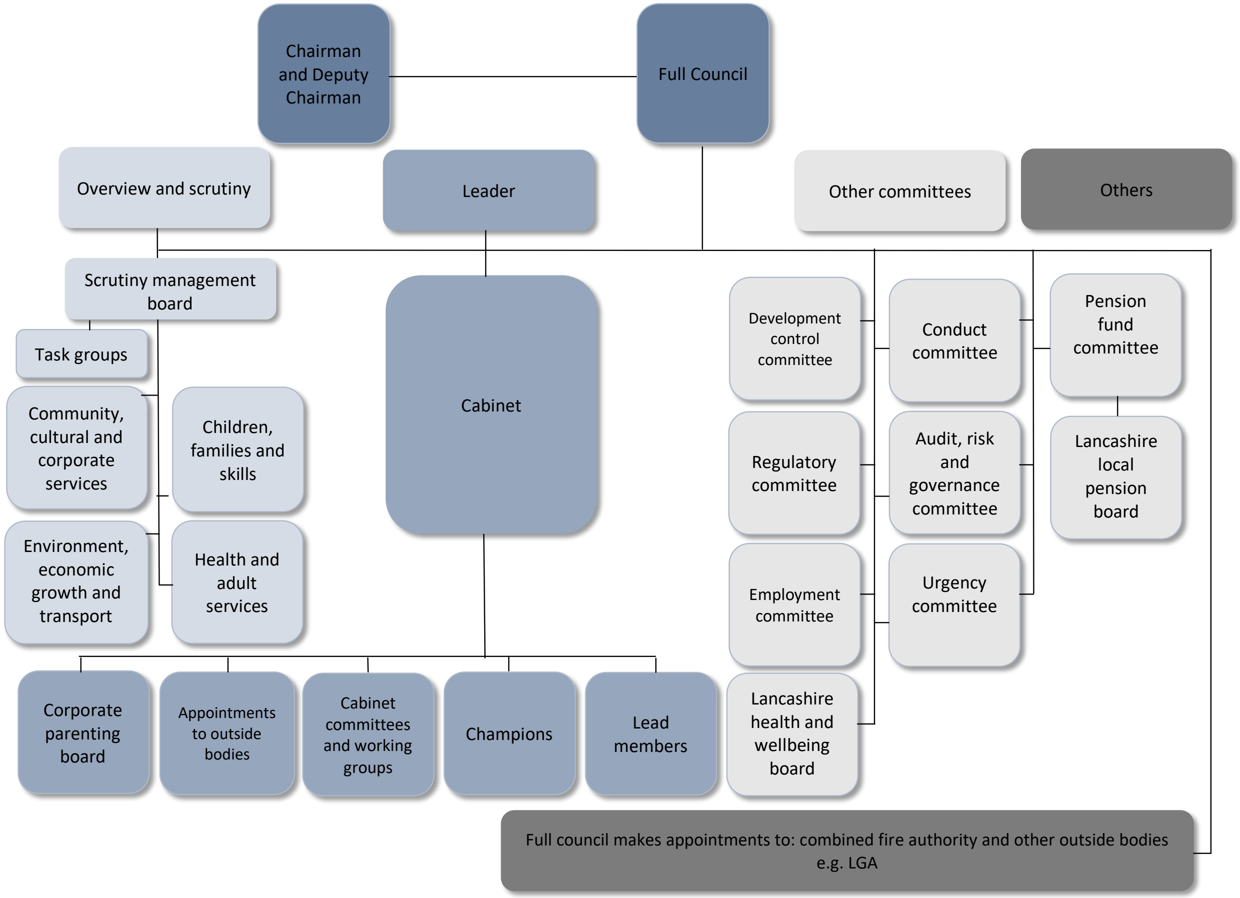
There are 84 county councillors elected to cover all the electoral divisions in the 12 Lancashire district areas. County councillors represent their communities in the council's decision-making processes.

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 2023.



The political management structure of the council is shown below.



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

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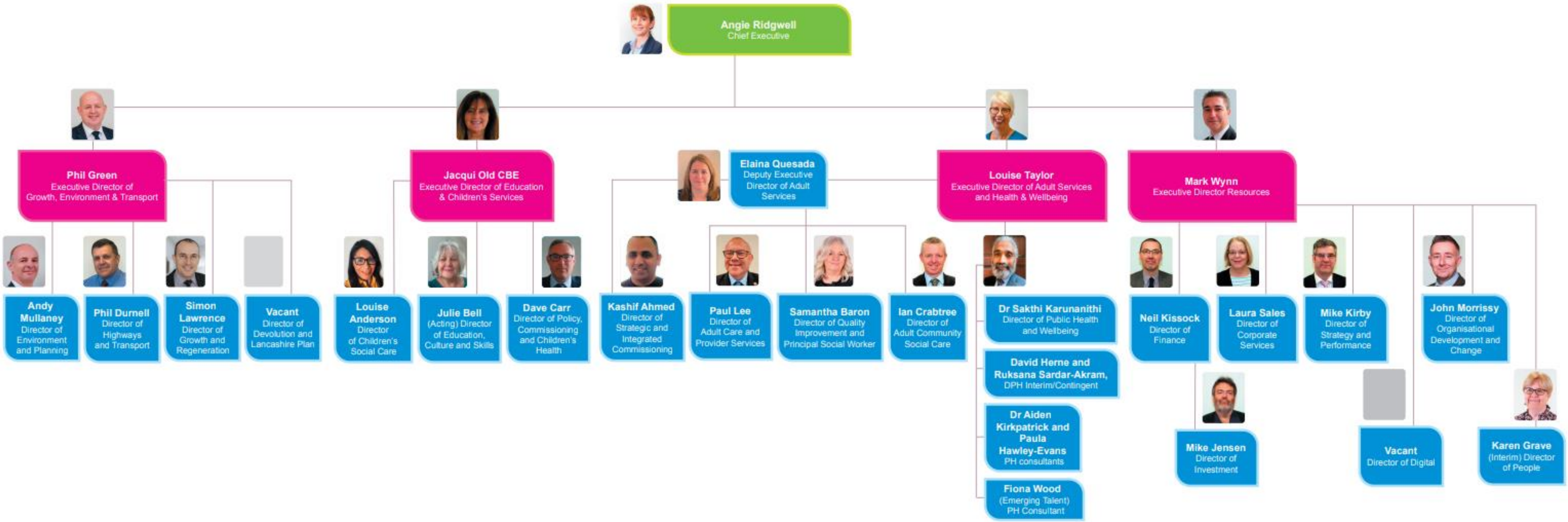
Our staff

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 12,900 people in full time and part time contracts with around a further 28,800 people employed in schools.

The council's management structure on 31 March 2023 is shown below.



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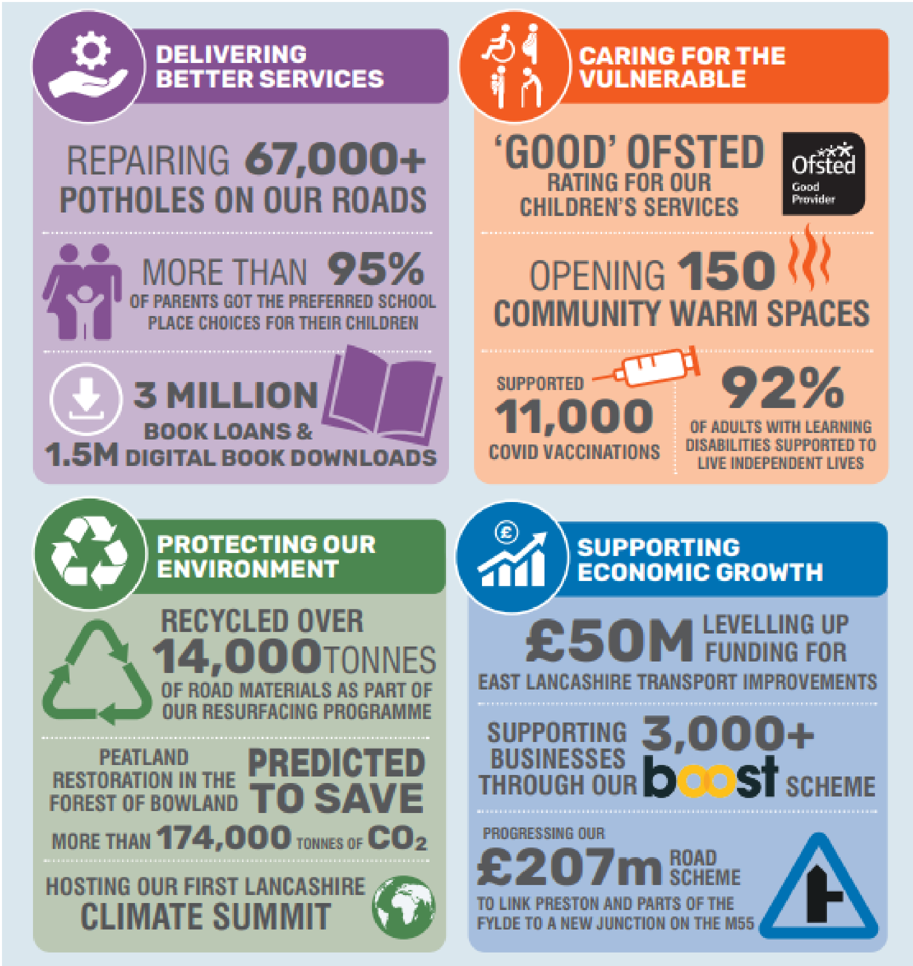
Our performance

The corporate performance report provides information on performance across the key performance indicators which monitor progress towards achieving our four priorities: delivering better services, caring for the vulnerable, protecting the environment, and supporting economic growth. The full performance report can be found using the following link: Performance report and is summarised in this section.



DELIVERING BETTER SERVICES

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

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
Quartile 2	High	2022/23	% of parents who get one of three preferred school places (Primary)	98.6	✓
Quartile 2	High	2022/23	% of parents who get one of three preferred school places (Secondary)	95.9	✓
80%	High	2023 a Autumn term Final	% of 2 year old children eligible for free funded education	93.3	✓
Maintain national quartile A	High	2023 a Autumn term Final	% of 3 and 4 year old children eligible for free funded education	100.6	✓
2022/23 2 Million Visits	High	2022/23 Q4	Number of visits to libraries (annual cumulative indicator)	655,434	✓
2022/23 200,000	High	2022/23 Q4	Libraries – PNET sessions	72,044	✓
2022/23 3,900,000	High	2022/23 Q4	Libraries - Physical issues & e- downloads combined	1,439,366	✓
OP 85%	High	2023 03	% of NoWcards processed and dispatched within 5 working days of receipt of initial application a) OP	98.8	✓
DP 80%	High	2023 03	% of NoWcards processed and dispatched within 5 working days of receipt of initial application b) disabled	97.3	✓
Renewals 90%	High	2022 09	% of NoWcards processed and dispatched within 5 working days of receipt of initial application c) Renewals	100.0	✓
90% Quarterly (2022/23)	High	2022/23 Q4	Safety carriageway defects repaired within 4 hours (emergency) %	87.5	!
90% Quarterly (2022/23)	High	2022/23 Q4	Safety carriageway defects repaired within 2 working days (urgent) %	92.6	✓
90% Quarterly (2022/23)	High	2022/23 Q4	Safety carriageway defects repaired within 5 working days (non-urgent) %	87.3	!
90% Quarterly (2022/23)	High	2022/23 Q4	Safety carriageway defects repaired within 10 working days (non-urgent) %	92.4	✓
90% Quarterly (2022/23)	High	2022/23 Q4	Safety carriageway defects repaired within 20 working days (non-urgent) %	96.0	✓

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
90% Quarterly (2022/23)	High	2022/23 Q4	Non-Traffic Management (NTM) lamp-out faults repaired within 5 working days %	98.62	✓
90% Quarterly (2022/23)	High	2022/23 Q4	Traffic Management (TM) lamp-out faults repaired within 20 working days %	100.00	✓
90% Quarterly (2022/23)	High	2022/23 Q4	Highways safety inspections on time %	99.38	✓
99.5% Quarterly (2022/23)	High	2023 03	% of times that a child with SEND is successfully transported to school	99.72	✓
88.75% Quarterly (2022/23)	High	2022/23 Q4	% of calls presented to the Customer Access Service answered	87.09	✓
90% Quarterly (2022/23)	High	2022/23 Q4	Customer Access Service - Customer Satisfaction %	92.32	✓
100% of the eligible population over a 5 year period	High	2022/23 Q3	Patients invited for an NHS Health Check (proportion of eligible population per year) %	118.24	✓
National ambition is 75%	High	2022/23 Q3	NHS Health Checks undertaken (proportion of eligible population per year) %	44.45	!
Targets to achieve 5% or more of the Lancashire smokers to set a quit date per year.	High	2022/23 Q3	Tobacco Control: Total persons setting a quit date %	69.71	!
5% of smokers in Lancashire to set a 4 week quit date. Of those, 50% of those to quit.	High	2022/23 Q3	Tobacco control: Total persons successfully quit %	58.51	✓
National 95%	High	2022/23 Q4	PH 0-19: Mothers who received a first face to face antenatal contact with a health visitor at 28 weeks or above %	72.40	✗
National 95%	High	2022/23 Q4	PH 0-19: Infants that receive a face-to-face NBV within 14 days by a health visitor %	79.40	!
National 95%	High	2022/23 Q4	PH 0-19: Infants who received a 6–8-week review by the time they turned 8 weeks %	86.00	!
National 95%	High	2022/23 Q4	PH 0-19: Children who turned 12 months in the quarter who received a 12-month review, by the age of 12 months %	74.00	!
National 95%	High	2022/23 Q4	PH 0-19: Children who received a 2-2 1/2-year review by the time they turned 2 1/2 %	69.00	✗

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
Upward trend	High	2022/23 Q3	Sexual Health: Number attending for contraception	4,481	✓
45%	High	2022/23 Q3	Sexual Health: LARC is the main method of contraception %	70.40	✓
3 year planning, review and amendment cycle governed, assessed and quality assured by HSE/EA or ONR as applicable	Other	2022/23	Control of Major Accident Hazards (COMAH 2015) and Radiation (Emergency & Public Information) Regulations (REPPIR 2019) Report meetings with CoMAH Competent Authority (HSE/EA) and for REPPIR (ONR); deadlines set out in statute. - see link for RAG Status	0.00	✓
75%	High	2021/22	EOSV percentage buy in (75%+) by Academies across Lancashire	84.00	✓
75%	High	2022/23	Service Level Agreement for all aspects of Health and Safety for Lancashire Schools	89.00	✓
Maintain all statutory returns and plans	Other	2021/22	Trading Standards - Submission of compliant statutory performance returns to and production of plans for central government agencies & departments and requirements met - see link for RAG Status	0.00	✓
To protect Lancashire Consumers and maximise the level of detriment avoided.	Other	2022/23	Trading Standards -Estimate of Consumer detriment saved or prevented for Lancashire Consumers £	7,191,863.00	✓
Maintain and improve satifaction rates	Other	2021/22	Scientific Services - Customer and Client Satisfaction Survey- see link for RAG Status	0.00	✓
0 Percent	Low	2022/23 Q3	% Revenue forecast outturn variance to budget	0.27	!
4 Year Target of 8 absence days per FTE by 2025/26 Year End	Low	2022/23 Q4	Sickness Absence days per FTE	3.34	!

CARING FOR THE VULNERABLE

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
3.2-4.3	Low	2022/23 Q4	Number of New Requests received for support from New Clients, per % of population 18+	3.6	✓
90	High	2022/23 Q4	% of CQC registered locations rated Good or Outstanding vs. Target - Community Based	96.0	✓
90	High	2022/23 Q4	% of CQC registered locations rated Good or Outstanding vs. Target - Residential	80.5	✗
66.2	High	2022/23 Q4	Making Safeguarding Personal - % of Section 42 Safeguarding enquiries where desired outcomes were asked for and expressed, where outcomes were Fully Achieved.	63.5	!
1294	Low	2022/23 Q4	Number of people waiting over 5 days for an Adult Social Care Assessment	1193.0	✓
19.1	High	2021/22	Social Care-Related quality of life score	19.3	✓
13.3	Low	2022/23 Q4	Permanent admissions to residential and nursing care homes per 100,000 population aged 18-64 during the year	16.9	✗
637.6	Low	2022/23 Q4	Permanent admissions to residential and nursing care homes per 100,000 population aged 65+ during the year	710.1	✗
75.3	High	2022/23 Q4	Proportion of Registered carers receiving formal support from the County Council (via carers direct payments)	92.6	✓
1.69	Low	2022/23 Q4	Total number of people in receipt of long term support plus trend over time / per % population	1.8	✗
90	High	2022/23 Q4	The Proportion of people aged 65 and over who were still at home 91 days after discharge from hospital into reablement/rehabilitation services %	88.7	!
90	High	2022/23 Q4	The Proportion of adults with a learning disability who live in their own home or with their family %	92.2	✓
530	Low	2022/23 Q4	£ Long Term Support Average Cost Per Person Per Week vs. Budget	542.5	!

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Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
70	High	2022/23 Q4	% of children and young people who received targeted early help support from Children and Families Wellbeing service which successfully met their identified needs	73.0	✓
80	High	2022/23 Q4	% of children looked after actually living in Lancashire	80.6	✓
Not Appropiate	Low	2022/23 Q4	Children becoming looked after (Rate and Number)	5.8	✓
Other	Other	2022/23 Q4	Domestic Abuse Safe Accommodation: Referrals for service	330.0	
Other	Other	2022/23 Q4	Domestic Abuse Safe Accommodation: Families supported in safe accommodation %	23.9	
60 per year	High	2022/23	Domestic Abuse Perpetrator Programme: Referrals completed (inc partial completion) %	70.0	!
Above national average	High	2022/23 Q3	Substance Misuse and Alcohol: Proportion of all in treatment, who successfully completed treatment and did not re-present within 6 months: alcohol %	47.0	✓
Above national average	High	2022/23 Q3	Substance Misuse and Alcohol: Proportion of all in treatment, who successfully completed treatment and did not re-present within 6 months: opiates %	5.4	✓
85	Low	2022/23 Q3	Substance Misuse and Alcohol: The estimated proportion of people in your area who are dependent on Alcohol not in the treatment system %	83.9	!
40	Low	2022/23 Q3	Substance Misuse and Alcohol: The estimated proportion of people in your area who are dependent on opiates, not in the treatment system %	41.4	✓

PROTECTING OUR ENVIRONMENT

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
65% by 2035	High	2022/23 Q4	% of Waste Re-used, Recycled and Composted	42.00	!
60% Quarterly (2022/23)	High	2022/23 Q4	% of Waste Re-used, Recycled or Composted at Household Waste Recycling Centres (Excluding Inert Waste)	56.60	!
2% by end 2022/23, 5% by end 23/24, 15% by end 24/25 25% by end 25/26, 50% by end 30/31 and 100% by end 35/36	High	2022/23 Q4	% of LCC Vehicle Fleet that is Ultra-low Emission	2.10	✓

SUPPORTING ECONOMIC GROWTH

Target	Good Is	As of Date	Metric Name	Latest Value	RAG Status
To be agreed	High	2021/22	% Good Level of Development at Early Years Foundation Stage	62.1	
To be agreed	High	2021/22 b Final	% Expected Standard in Reading, Writing & Maths at Key Stage 2	57.0	
To be agreed	High	2021/22	% SEND Pupils Expected Standard in RWM at KS2	16.0	
To be agreed	High	2021/22 Revised	Pupils Average Attainment 8 Score at Key Stage 4	47.6	
To be agreed	High	2021/22 Revised	SEND Pupils Average Attainment 8 Score at Key Stage 4	33.4	
Previous Target: 94.7% New service Target 94.9%	High	2022/23 Q4	% of Young People in Employment Education or Training	95.1	✓
Previous Target: 87.1% New Target: 91.2%	High	2022/23 Q4	% of Young People with SEND in Employment, Education or Training	90.4	!
55%	High	2022/23 Q4	% of Care Leavers in Education, Employment or Training	48.7	!
5-year revised target is £8.77m covering circa 57 investments (July 2019 - June 2024)	High	2022/23 Q4	£ Number Rosebud Loans Provided to New or Existing Businesses	640,000	✓
New contract target (Jan 22 to June 23) 681	High	2022/23 Q4	No of Jobs Created by Boost	11.6	✗
New contract target (Jan 22 to June 23) 103	High	2022/23 Q4	No of New Businesses Established by Boost	0.0	✗

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Our risk management

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

Risk description	Possible consequences	Mitigating actions
Financial sustainability	Services become unsustainable and we cannot fulfil our statutory duties resulting in an adverse impact on clients/residents.	The council has an appropriate level of reserves available to manage the financial risks it is facing to 2026/27. However, additional savings will be required to bring the council to a financially sustainable position.
Workforce recruitment and retention	Unable to attract and recruit candidates and retain staff leading to an inability to deliver services.	Corporate people strategy developed and is subject to approval which will give a coherent and cohesive direction of travel for the business in terms of attraction, recruitment, retention and development. Talent attraction team to be in place as part of People Services operating model. Leadership capability framework drafted pending approval and adoption, to further develop leadership capability. Succession planning work commenced.
Increased service demand impact on community and services	Potential adverse impact on quality of service provision. Additional pressure on services which are already under strain. Could result in safeguarding alerts.	New practice focussed project Living Better Lives in Lancashire will fundamentally change the approach and ways of working particularly around current front-line assessment and determination of services. Undertaking an evaluation in terms of demand and capacity to ensure we have the right capacity within our workforce to respond to the demand. Working closely with providers to review capacity in the domiciliary care sector and how to improve. Winter resilience planning in progress in collaboration with the NHS.

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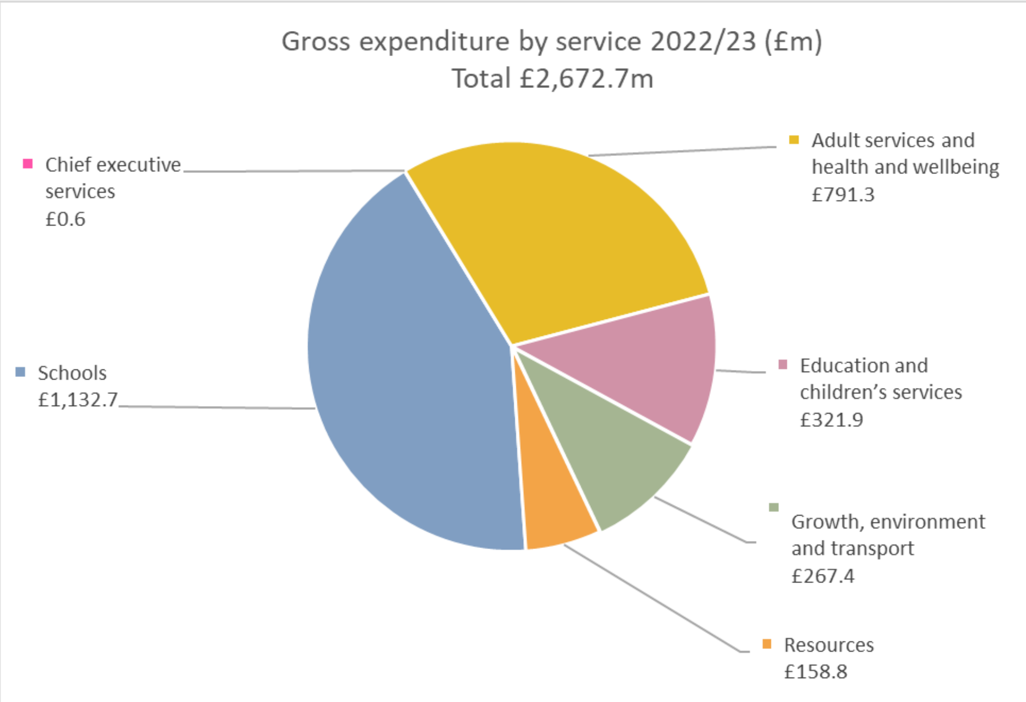
Our financial performance

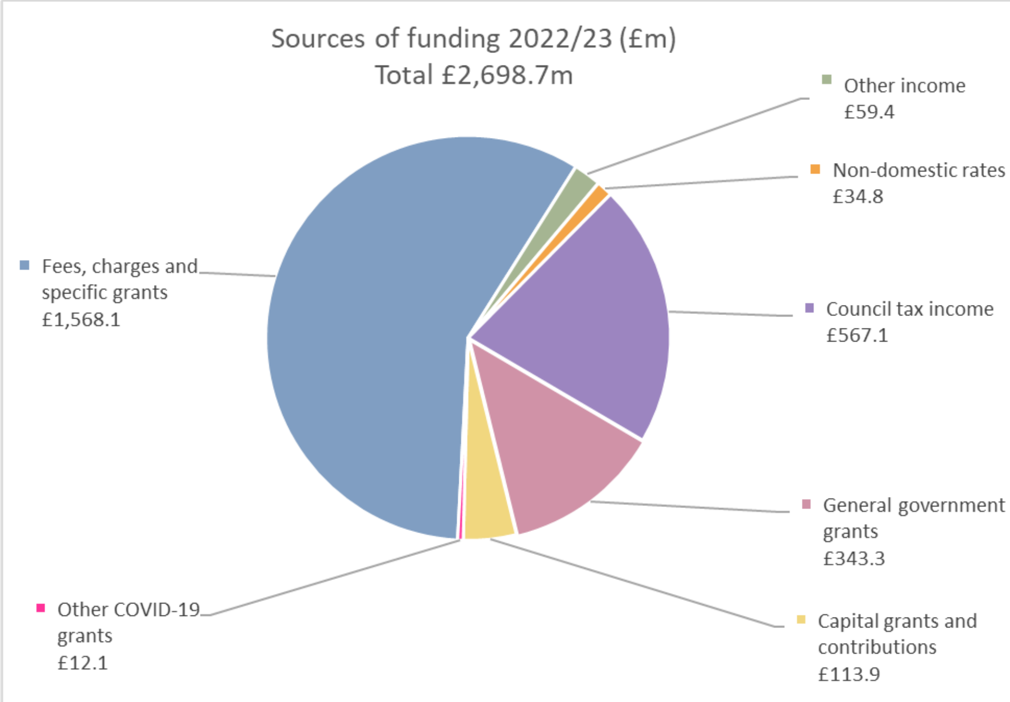
Revenue summary

The council receives funding from three main sources:

- Government grants
- Council tax
- Business rates

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





Revenue outturn

In February 2022, the council approved a net revenue budget of £948.107 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	421.237	413.685	(7.552)
Education and children's services	229.376	241.266	11.890
Growth, environment and transport	158.488	160.495	2.007
Resources	155.149	151.701	(3.448)
Chief executive services	(16.143)	(18.290)	(2.147)
Sub total	**948.107**	**948.857**	**0.750**
Schools	0	17.995	17.995
Total	**948.107**	**966.852**	**18.745**

The overspend reported is 0.08% of the 2022/23 budget (excluding schools) and includes a mixture of variances across services. Pressures continue to be experienced across social care, particularly in relation to commissioned services at home in Adult Services, and transport and placement costs in Children's Social Care. The council has received funding from the NHS and government grants to support the 2022/23 position. The outturn position is also supported by good investment return performance on cash balances.

The level of schools' in-year spending in 2022/23 has shown an increase over historic levels with energy and general price pressure and the reinstatement of one off delayed project spend during the covid lockdown driving the increase. The deficit has led to the decrease of ringfenced schools' reserves.

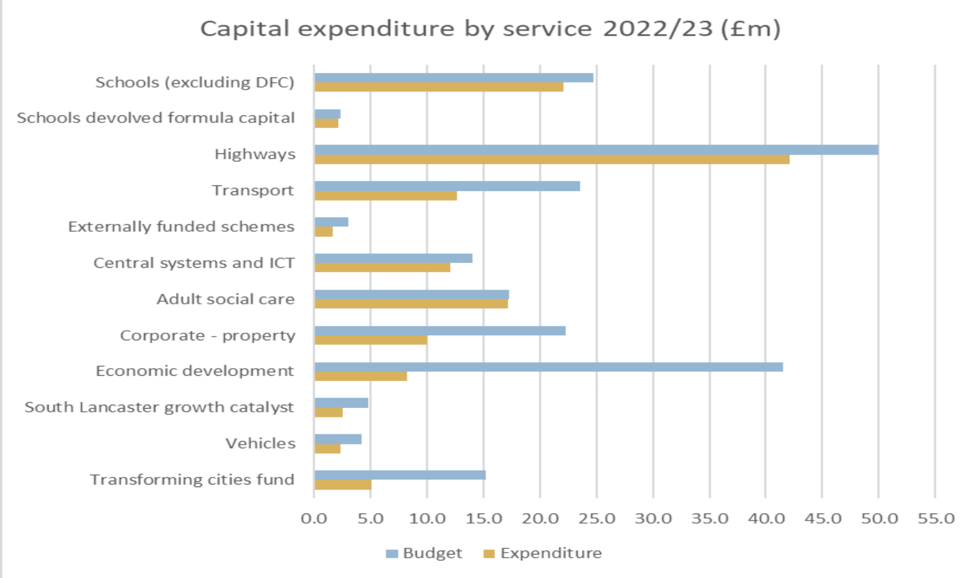
The outturn position is reconciled to the figures shown in the comprehensive income and expenditure statement in Note 5 - expenditure and funding analysis.

Capital investment programme

In February 2022, the council approved an initial capital budget of £206.263 million for 2022/23. The final capital programme for the year following review and subsequent investment decisions totalled £223.115 million, and included:

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

The total spend on capital works in 2022/23 was £138.585 million which represents 62.1% of the budgeted programme.

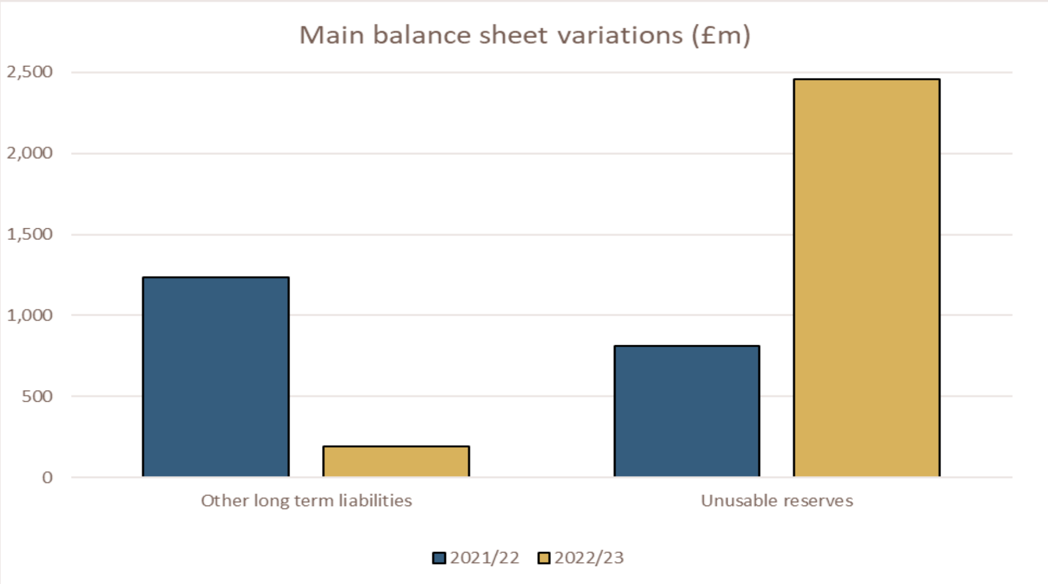


	Revised budget £m	Expenditure £m	Variation £m
Schools (excluding DFC)	24.768	22.099	(2.669)
Schools devolved formula capital	2.338	2.098	(0.240)
Highways	49.962	42.130	(7.832)
Transport	23.591	12.659	(10.932)
Externally funded schemes	3.072	1.675	(1.397)
Central systems and ICT	13.989	12.100	(1.889)
Adult social care	17.255	17.197	(0.058)
Corporate – property	22.285	10.016	(12.269)
Economic development	41.565	8.236	(33.329)
South Lancaster growth catalyst	4.828	2.560	(2.268)
Vehicles	4.212	2.323	(1.889)
East Lancashire levelling up fund	0	0.406	0.406
Transforming cities fund	15.250	5.086	(10.164)
Total expenditure	**223.115**	**138.585**	**(84.530)**

Assets and liabilities

The balance sheet summarises the council's financial position at the year-end and reports the assets, liabilities and reserves of the council which show what the council owns and how much it owes. The net assets of the council have increased by £1,635.2 million from £1,528.0 million at 31 March 2022 to £3,163.2 million at 31 March 2023, with the main balance sheet variations shown in the following chart:

Summary financial position	**31 March 2022 restated**	**31 March 2023**	**Movement**
	£m	**£m**	**£m**
What we own (assets)	4,469.6	5,039.3	569.7
What we owe (liabilities)	(2,941.6)	(1,876.1)	1,065.5
Net financial position (assets less liabilities)	**1,528.0**	**3,163.2**	**1,635.2**
The net financial position is held in reserves as follows:			
General reserves available to the council (usable)	(713.8)	(704.6)	9.2
Other reserves held for statutory or specific purposes (unusable)	(814.2)	(2,458.6)	(1,644.4)
Total reserves	**(1,528.0)**	**(3,163.2)**	**(1,635.2)**



Other long term liabilities

The movement in long term liabilities results from a reduction in the pension liability valuation which has moved into a surplus position. The contra entry is reflected in the unusable reserves.

Pension fund asset/liability

The council has a net future pension asset of £690.9 million and a net liability of £75.1 million for the local government pension scheme and teachers' pensions respectively (£1,108.1 million liability as at 31 March 2022) on an International Accounting Standard (IAS) 19 basis.

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

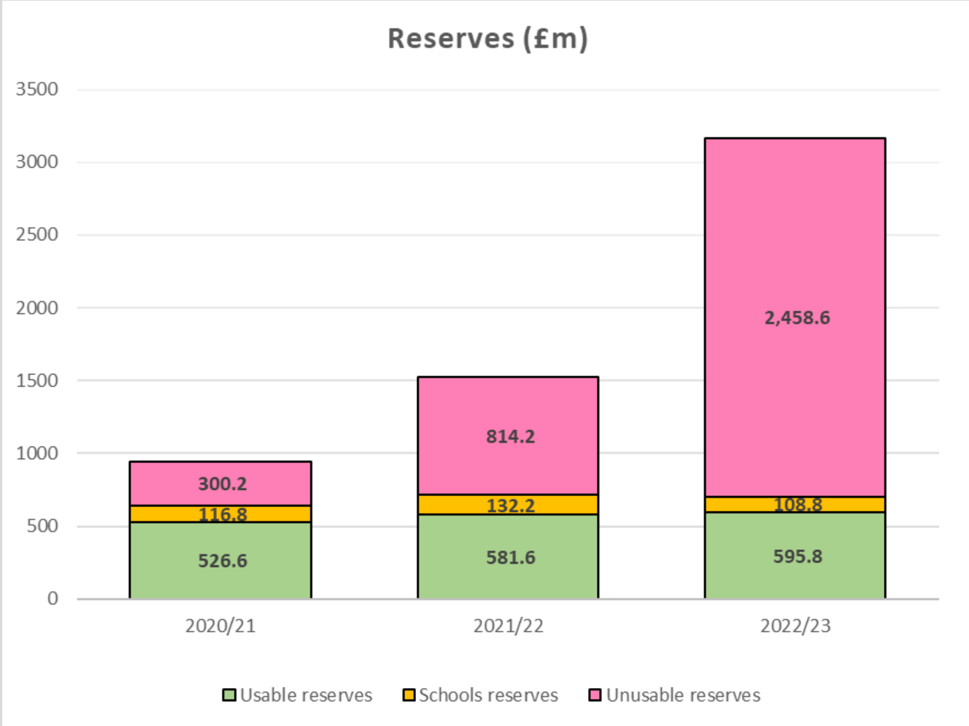
The financial assumptions depend on AA-rated corporate bond yields at the accounting date which increased significantly, and in addition to a decrease in assumed Consumer Price Index inflation (CPI) the combined effect has significantly decreased pension liabilities and resulted in a surplus position for the council.

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

Reserves

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

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



Usable reserves

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

Unusable reserves

The council also holds a number of unusable reserves, which arise as a result of statutory or accounting adjustments and cannot be used for expenditure on services. These include unrealised gains and losses, particularly in relation to the revaluation of property, and adjustment accounts, which absorb the timing difference between the outcome of applying accounting practice and the amounts required to be charged to the financial statements under statute. The adjustments are described in more detail in the following section - 'explanation of the accounting statements'.

The following accounts normally represent the most significant movements in unusable reserves and are explained further in Note 31:

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

The decrease in unusable reserves is largely due to changes in the pension liability.

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 pay this amount back.

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	6
Associates	2
Joint ventures	2

In 2022/23, 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 2022 restated**	**31 March 2023**	**Movement**
	£m	**£m**	**£m**
What we own (assets)	4,554.3	5,119.5	565.2
What we owe (liabilities)	(2,946.4)	(1,882.6)	1,063.8
Net financial position (assets less liabilities)	**1,607.9**	**3,236.9**	**1,629.0**
The net financial position is held in reserves as follows:			
General reserves available to the council (usable)	(713.8)	(704.6)	9.2
Other reserves held for statutory or specific purposes (unusable)	(814.2)	(2,458.6)	(1,644.4)
Subsidiary reserves	(79.9)	(73.7)	6.2
Total reserves	**(1,607.9)**	**(3,236.9)**	**(1,629.0)**

Prior period adjustments

The council has restructured its services during 2022/23. The 2021/22 comparative figures have been restated to reflect the new structure.

The council has corrected it's accounting entries for the early payment of the pension contributions in 2021/22.

The adjustments are shown in detail in Note 4 – 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 14 – adjustments between accounting basis and funding basis under regulations.

Expenditure and funding analysis

The expenditure and funding analysis reconciles the outturn position reported to management with the movement in reserves statement and the comprehensive income and expenditure statement, detailing the adjustments described above.

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

The 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 Chief Executive and Director of 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

I certify that the statement of accounts gives a true and fair view of the financial position of the council and its income and expenditure for the year ended 31 March 2023.

Angie Ridgwell
Chief Executive and Director of Resources
22 April 2024

Approval of accounts

I confirm that these accounts were approved at the meeting of the Audit, Risk and Governance Committee on 22 April 2024.

A Schofield
Chair of Audit, Risk and Governance Committee
22 April 2024

Financial statements

Halo, Rossendale

Comprehensive income and expenditure statement

2021/22 restated				2022/23		
Gross expenditure	**Gross income**	**Net expenditure**		**Gross expenditure**	**Gross income**	**Net expenditure**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
745.8	(344.6)	401.2	Adult services and health and wellbeing [1]	791.3	(316.5)	474.8
264.2	(42.8)	221.4	Education and children's services [1]	321.9	(67.7)	254.2
259.6	(61.5)	198.1	Growth, environment and transport [1]	267.4	(75.2)	192.2
136.8	(50.5)	86.3	Resources [1, 2]	158.8	(52.7)	106.1
2.4	(6.3)	(3.9)	Chief executive services [1]	0.6	(3.1)	(2.5)
1,097.8	(1,029.4)	68.4	Schools	1,132.7	(1,065.0)	67.7
2,506.6	**(1,535.1)**	**971.5**	**Cost of services** [2]	**2,672.7**	**(1,580.2)**	**1,092.5**
23.8	(6.0)	17.8	Other operating income and expenditure (Note 6)	103.6	(16.8)	86.8
57.3	(35.1)	22.2	Financing and investment income and expenditure (Note 7)	77.8	(42.6)	35.2
0	(1,009.4)	(1,009.4)	Taxation and non-specific grant income and expenditure (Note 8)	0	(1,059.1)	(1,059.1)
2,587.7	**(2,585.6)**	**2.1**	**(Surplus)/deficit on provision of services** [2]	**2,854.1**	**(2,698.7)**	**155.4**
		(85.6)	(Surplus)/deficit on revaluation of non-current assets (Note 31)			(111.1)
		(538.4)	Re-measurement of the net defined benefit pension liability/(asset) (Note 31)			(1,861.7)
		37.5	(Surplus)/deficit on financial assets measured at fair value through other comprehensive income			182.2
		(586.5)	**Other comprehensive (income) and expenditure**			**(1,790.6)**
		(584.4)	**Total comprehensive (income) and expenditure** [2]			**(1,635.2)**

[1] The council has restructured its services during 2022/23. The 2021/22 comparative figures have been restated to reflect the new structure.
[2] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

2022/23

	General fund / earmarked reserves	Capital receipts reserve	Capital grants unapplied	Total usable reserves (Note 31)	Unusable reserves (Note 31)	Total reserves
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2022	**(563.2)**	**(10.3)**	**(140.3)**	**(713.8)**	**(814.2)**	**(1,528.0)**
Movement in reserves during 2022/23						
Total comprehensive income and expenditure (Note 5)	155.4	0	0	155.4	(1,790.6)	(1,635.2)
Adjustment between accounting basis and funding basis under regulations (Note 14)	(110.4)	(10.8)	(25.0)	(146.2)	146.2	0
(Increase)/decrease in year	**45.0**	**(10.8)**	**(25.0)**	**9.2**	**(1,644.4)**	**(1,635.2)**
Balance at 31 March 2023	**(518.2)**	**(21.1)**	**(165.3)**	**(704.6)**	**(2,458.6)**	**(3,163.2)**

2021/22 restated

	General fund / earmarked reserves	Capital receipts reserve	Capital grants unapplied	Total usable reserves (Note 31)	Unusable reserves (Note 31)	Total reserves
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2021	**(492.9)**	**(8.4)**	**(142.1)**	**(643.4)**	**(300.2)**	**(943.6)**
Movement in reserves during 2021/22						
Total comprehensive income and expenditure (Note 5) [1]	2.1	0	0	2.1	(586.5)	(584.4)
Adjustment between accounting basis and funding basis under regulations (Note 14) [1]	(72.4)	(1.9)	1.8	(72.5)	72.5	0
(Increase)/decrease in year	**(70.3)**	**(1.9)**	**1.8**	**(70.4)**	**(514.0)**	**(584.4)**
Balance at 31 March 2022 [1]	**(563.2)**	**(10.3)**	**(140.3)**	**(713.8)**	**(814.2)**	**(1,528.0)**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

31 March 2022 restated		Note	31 March 2023
£m			£m
3,231.1	Property, plant and equipment	18	3,288.8
28.7	Heritage assets	20	28.7
17.4	Intangible assets		24.4
605.4	Long term investments	26	413.5
39.5	Long term debtors	21	37.7
0	Pension fund asset		690.9
3,922.1	**Long term assets**		**4,484.0**
132.4	Short term investments	26	125.8
4.0	Inventories		4.0
228.4	Short term debtors	22	277.6
18.5	Payments in advance		27.1
164.2	Cash and cash equivalents	23	120.8
547.5	**Current assets**		**555.3**
(325.1)	Short term borrowing	26	(310.4)
(311.2)	Short term creditors	24	(339.2)
(66.3)	Receipts in advance	24	(82.6)
(15.2)	Short term provisions	25	(9.7)
(71.5)	Other current liabilities	27	(27.2)
(789.3)	**Current liabilities**		**(769.1)**
(35.6)	Long term provisions	25	(41.2)
(881.0)	Long term borrowing	26	(870.8)
(1.3)	Long term creditors	26	(1.3)
(1,234.4)	Other long term liabilities [1]	28	(193.7)
(2,152.3)	**Long term liabilities** [1]		**(1,107.0)**
1,528.0	**Net assets** [1]		**3,163.2**
(713.8)	Usable reserves	31	(704.6)
(814.2)	Unusable reserves [1]	31	(2,458.6)
(1,528.0)	**Total reserves** [1]		**(3,163.2)**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

2021/22 restated		Note	2022/23
£m			£m
(2.1)	Net surplus/(deficit) on the provision of services [1]		(155.4)
248.6	Adjustments to net surplus/deficit on the provision of services for non-cash movements [1]	32	297.8
(130.4)	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities	32	(131.8)
116.1	**Net cash flows from operating activities**		**10.6**
(12.9)	Investing activities	33	0.2
(206.1)	Financing activities	34	(54.2)
(102.9)	**Net increase/(decrease) in cash or cash equivalents**		**(43.4)**
267.1	Cash and cash equivalents at the beginning of the reporting period		164.2
164.2	**Cash and cash equivalents at the end of the reporting period**	23	**120.8**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions. The adjustments are shown in detail in Note 4 – Prior period adjustments.

Explanatory notes to the financial statements

Pendle

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 2023/24 Code will introduce the following amendments:

IAS 8 *Accounting policies, changes in accounting estimates and errors*

The amendments introduced a definition of accounting estimates to help entities distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates "are monetary amounts in financial statements that are subject to measurement uncertainty".

IAS 1 *Presentation of financial statements*

The amendments to IAS 1 provide additional guidance on the disclosure of accounting policies in the accounts.

IAS 12 *Income taxes (Deferred tax related to assets and liabilities arising from a single transaction)*

Amendments to IAS 12 address uncertainty in practice about how an entity applies the initial recognition exemption to transactions that give rise to both an asset and liability.

IFRS 3 *Business combinations*

The amendments update an outdated reference in IFRS 3 without significantly changing its requirements.

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

IFRS 16 *Leases*

IFRS 16 *Leases* will lead to a substantial change in accounting practice for lessees, the current distinction between finance and operating leases will be removed. Instead, lessees are required to recognise assets and liabilities for all leases i.e. the lessee will recognise a right-of-use asset representing its right to use the leased asset; and a lease liability representing the lessee's obligation to make lease payments for the asset.

Lessees will have a single accounting model for all leases with two exemptions:

- Low-value assets
- Short term leases (lease term of 12 months or less)

The implementation of IFRS 16 *Leases* has been deferred until 1 April 2024. The council is currently reviewing its leases to assess the impact of the change.

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 property, plant and equipment on the council's balance sheet. The buildings have been valued at £205.0 million as at 31 March 2023 (31 March 2022: £172.7 million).

School assets

In assessing the most appropriate accounting treatment for balances and transactions in relation to schools, the council has considered the circumstances of each of the categories of school, such as ownership, control and access to economic benefits and service potential. Further details are included in Note 19.

The property, plant and equipment balance includes properties valued at £838.5 million, which are not owned by the council. These are principally voluntary aided, voluntary controlled and foundation schools for which the trustees have legal ownership rights. It is the council's policy to include these school assets on the balance sheet as the council benefits from using these properties in terms of delivery of service and meets the costs of service provision. These assets are retained on the balance sheet of the council to fairly reflect the value of assets used in providing the service.

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 36).

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.

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 2023 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	The council's internal valuers provide valuations as at 31 March based on a 3-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. The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.	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. 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. A variation of 10% in the value of the council's land and buildings would be approximately £205.6 million. 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. 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.

Fair value measurement	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: • 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. 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.	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. The group investment properties are valued using level 3 inputs. Further information is provided in the group accounts section. All valuations are undertaken by expert valuers in accordance with the methodologies and bases for estimation set out in the professional standards.

Item	Uncertainties	Consequence if actual results differ from assumptions
Pensions liability/asset	The net liability 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. 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. The combined effect of an increase in the discount rate assumption from last year and a decrease in Consumer Prices Index (CPI) inflation has significantly decreased liabilities with the deficit moving into an accounting surplus.	The effects on the net pension surplus of changes in individual assumptions can be measured. For instance, • A 0.5% increase in the discount rate assumption would increase the value of the net pension surplus by approximately £295.7 million; • A 0.25% increase in assumed earnings inflation would decrease the value of the net pension surplus by approximately £19.9 million; • An increase of one year in assumed life expectancy would decrease the net pension surplus by approximately £77.1 million.

Note 4 – Prior period adjustments

Adjustments to the comprehensive income and expenditure statement

In 2022/23 the council has restructured its services. The 2021/22 comparator figures in the comprehensive income and expenditure statement have been restated to reflect the revised structure. The 2021/22 figures have also been adjusted to correct the accounting entries between the pension liability and the pension reserve in respect of the early payment of pension contributions.

	Net expenditure audited 2021/22	Services adjustment	Pensions adjustment	Net expenditure restated 2021/22
	£m	£m	£m	£m
Adults	402.2	(402.2)	0	0
Policy, information, commissioning and safeguarding	9.0	(9.0)	0	0
Public health and wellbeing	(10.1)	10.1	0	0
Education and children's services	224.0	(2.6)	0	221.4
Growth, environment and planning	16.0	(16.0)	0	0
Highways and transport	112.0	(112.0)	0	0
Organisational development	2.1	(2.1)	0	0
Waste management	70.1	(70.1)	0	0
Finance	18.2	(18.2)	0	0
Corporate	24.5	(24.5)	0	0
Strategy and performance	20.1	(20.1)	0	0
Chief executive services	23.7	(27.6)	0	(3.9)
Schools	68.4	0	0	68.4
Digital services	31.4	(31.4)	0	0
Adult services and health and wellbeing	0	401.2	0	401.2
Growth, environment and transport	0	198.1	0	198.1
Resources	0	126.4	(40.1)	86.3
Cost of services	**1,011.6**	**0**	**(40.1)**	**971.5**

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	Gross expenditure audited 2021/22	Services adjustment	Pensions adjustment	Gross expenditure restated 2021/22
	£m	£m	£m	£m
Adults	657.4	(657.4)	0	0
Policy, information, commissioning and safeguarding	10.3	(10.3)	0	0
Public health and wellbeing	78.1	(78.1)	0	0
Education and children's services	251.4	12.8	0	264.2
Growth, environment and planning	25.7	(25.7)	0	0
Highways and transport	146.0	(146.0)	0	0
Organisational development	2.1	(2.1)	0	0
Waste management	87.9	(87.9)	0	0
Finance	28.7	(28.7)	0	0
Corporate	30.8	(30.8)	0	0
Strategy and performance	48.1	(48.1)	0	0
Chief executive services	48.6	(46.2)	0	2.4
Schools	1,097.8	0	0	1,097.8
Digital services	33.8	(33.8)	0	0
Adult services and health and wellbeing	0	745.8	0	745.8
Growth, environment and transport	0	259.6	0	259.6
Resources	0	176.9	(40.1)	136.8
Cost of services	**2,546.7**	**0**	**(40.1)**	**2,506.6**

	Gross income audited 2021/22	Services adjustment	Gross income restated 2021/22
	£m	£m	£m
Adults	(255.2)	255.2	0
Policy, information, commissioning and safeguarding	(1.3)	1.3	0
Public health and wellbeing	(88.2)	88.2	0
Education and children's services	(27.4)	(15.4)	(42.8)
Growth, environment and planning	(9.7)	9.7	0
Highways and transport	(34.0)	34.0	0
Waste management	(17.8)	17.8	0
Finance	(10.5)	10.5	0
Corporate	(6.3)	6.3	0
Strategy and performance	(28.0)	28.0	0
Chief executive services	(24.9)	18.6	(6.3)
Schools	(1,029.4)	0	(1,029.4)
Digital services	(2.4)	2.4	0
Adult services and health and wellbeing	0	(344.6)	(344.6)
Growth, environment and transport	0	(61.5)	(61.5)
Resources	0	(50.5)	(50.5)
Cost of services	**(1,535.1)**	**0**	**(1,535.1)**

Adjustments to the movement in reserves statement

	Balance audited 2021/22	Pension adjustment	Balance restated 2021/22
	£m	£m	£m
Total comprehensive income and expenditure (Note 5)	42.2	(40.1)	2.1
Adjustment between accounting basis and funding basis under regulations (Note 14)	(112.5)	40.1	(72.4)
(Increase)/decrease in year	**(70.3)**	**0**	**(70.3)**

Adjustments to the balance sheet

	Balance audited 2021/22	Pension adjustment	Balance restated 2021/22
	£m	£m	£m
Other long term liabilities	(1,274.5)	40.1	(1,234.4)
Unusable reserves	(774.1)	(40.1)	(814.2)

Adjustments to the cash flow statement

	Balance audited 2021/22	Pension adjustment	Balance restated 2021/22
	£m	£m	£m
Net surplus/(deficit) on the provision of services	(42.2)	40.1	(2.1)
Adjustments to net surplus/deficit on the provision of services for non-cash movements	288.7	(40.1)	248.6

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

- Note 5 - Expenditure and funding analysis
- Note 14 - Adjustments between accounting basis and funding basis under regulations
- Note 28 – Other long term liabilities
- Group comprehensive income and expenditure statement
- Group movement in reserves statement
- Group balance sheet
- Group cash flow statement
- Note 11 - Group cash flows from operating activities

Note 5 - 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 - 2022/23

	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	413.7	34.9	448.6	26.2	474.8
Education and children’s services	241.3	(9.0)	232.3	21.9	254.2
Growth, environment and transport	160.5	(12.2)	148.3	43.9	192.2
Resources	151.7	(48.7)	103.0	3.1	106.1
Chief executive services	(18.3)	15.8	(2.5)	0	(2.5)
Schools	18.0	(0.4)	17.6	50.1	67.7
Net cost of services	**966.9**	**(19.6)**	**947.3**	**145.2**	**1,092.5**
Other income and expenditure	(948.1)	45.8	(902.3)	(34.8)	(937.1)
(Surplus)/deficit	**18.8**	**26.2**	**45.0**	**110.4**	**155.4**
Opening general fund balance at 1 April			**(563.2)**		
(Surplus)/deficit			**45.0**		
Closing general fund balance at 31 March			**(518.2)**		

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

Expenditure and funding analysis - 2021/22 restated

	Outturn position as reported to management	Adjustments to arrive at the net amount chargeable to the general fund *	Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis *	Net expenditure comprehensive income and expenditure statement
	£m	£m	£m	£m	£m
Adult services, health and wellbeing [1]	378.7	(2.1)	376.6	24.6	401.2
Education and children's services [1]	213.4	(8.3)	205.1	16.3	221.4
Growth, environment and transport [1]	151.8	(6.5)	145.3	52.8	198.1
Resources [1, 2]	135.4	(46.0)	89.4	(3.1)	86.3
Chief executive services [1]	(27.8)	23.9	(3.9)	0	(3.9)
Schools	(16.0)	0	(16.0)	84.4	68.4
Net cost of services [2]	**835.5**	**(39.0)**	**796.5**	**175.0**	**971.5**
Other income and expenditure	(881.4)	14.6	(866.8)	(102.6)	(969.4)
(Surplus)/deficit [2]	**(45.9)**	**(24.4)**	**(70.3)**	**72.4**	**2.1**
Opening general fund balance at 1 April			**(492.9)**		
(Surplus)/deficit			(70.3)		
Closing general fund balance at 31 March			**(563.2)**		

* Further details on the adjustments are shown in the following tables.
[1] The council has restructured its services during 2022/23. The 2021/22 comparative figures have been restated to reflect the new structure.
[2] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

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.

2021/22 restated				2022/23		
Adjustments relating to other income and expenditure	Adjustments relating to transfers to and from reserves	Total adjustments		Adjustments relating to other income and expenditure	Adjustments relating to transfers to and from reserves	Total adjustments
£m	£m	£m		£m	£m	£m
8.2	(10.3)	(2.1)	Adult services, health and wellbeing [1]	(1.6)	36.5	34.9
0.2	(8.5)	(8.3)	Education and children's services [1]	0.1	(9.1)	(9.0)
(0.7)	(5.8)	(6.5)	Growth, environment and transport [1]	(1.1)	(11.1)	(12.2)
(0.8)	(45.2)	(46.0)	Resources [1]	(4.5)	(44.2)	(48.7)
0.3	23.6	23.9	Chief executive services [1]	0	15.8	15.8
0	0	0	Schools	0	(0.4)	(0.4)
7.2	**(46.2)**	**(39.0)**	**Net cost of services**	**(7.1)**	**(12.5)**	**(19.6)**
(7.2)	21.8	14.6	Other income and expenditure	7.2	38.6	45.8
0	**(24.4)**	**(24.4)**	**(Surplus)/deficit**	**0.1**	**26.1**	**26.2**

[1] The council has restructured its services during 2022/23. The 2021/22 comparative figures have been restated to reflect the new structure. The adjustments are shown in detail in Note 4 – Prior period adjustments.

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.

Adjustments between the funding and accounting basis - 2022/23

	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	0.3	26.6	(0.7)	26.2
Education and children's services	6.2	16.4	(0.7)	21.9
Growth, environment and transport	30.5	13.7	(0.3)	43.9
Resources	25.0	(21.5)	(0.4)	3.1
Schools	20.4	31.6	(1.9)	50.1
Net cost of services	**82.4**	**66.8**	**(4.0)**	**145.2**
Other income and expenditure from the expenditure and funding analysis	(60.2)	29.2	(3.8)	(34.8)
Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services	**22.2**	**96.0**	**(7.8)**	**110.4**

Adjustments between the funding and accounting basis - 2021/22 restated

	Adjustments for capital purposes	Net change for the pensions adjustments	Other statutory differences	Total statutory adjustments
	£m	£m	£m	£m
Adult services, health and wellbeing [1]	5.2	19.4	0	24.6
Education and children's services [1]	5.2	11.1	0	16.3
Growth, environment and transport [1]	40.4	12.4	0	52.8
Resources [1, 2]	19.5	(22.6)	0	(3.1)
Schools	45.5	39.6	(0.7)	84.4
Net cost of services [2]	**115.8**	**59.9**	**(0.7)**	**175.0**
Other income and expenditure from the expenditure and funding analysis	(108.6)	30.3	(24.3)	(102.6)
Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services [2]	**7.2**	**90.2**	**(25.0)**	**72.4**

[1] The council has restructured its services during 2022/23. The 2021/22 comparative figures have been restated to reflect the new structure.

[2] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.

The adjustments are shown in detail in Note 4 – Prior period adjustments.

Expenditure and income analysed by nature

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

2021/22 restated £m		2022/23 £m
882.8	Employee expenses (excluding voluntary aided schools) [1]	940.3
265.8	Employee expenses for voluntary aided schools	269.7
1,271.3	Other service expenses	1,403.6
86.7	Depreciation, amortisation and impairment	59.1
26.8	Interest payments	48.6
1.1	Precepts and levies	1.1
30.5	Net pension interest costs	29.2
22.7	Loss on disposal of non-current assets	102.5
2,587.7	**Total expenditure** [1]	**2,854.1**
(310.6)	Fees, charges and other service income	(342.7)
(35.1)	Interest and investment income	(42.6)
(550.1)	Income from council tax precept	(567.1)
(26.8)	Income from business rates precept	(34.8)
(1,657.0)	Government grants and contributions	(1,694.7)
(6.0)	Gain on disposal of non-current assets	(16.8)
(2,585.6)	**Total income**	**(2,698.7)**
2.1	**(Surplus)/deficit on the provision of services** [1]	**155.4**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions. The adjustments are shown in detail in Note 4 – Prior period adjustments.

Note 6 - Other operating income and expenditure

2021/22		2022/23
£m		£m
1.1	Levies for flood defences and inshore fisheries and conservation authorities	1.1
(1.7)	(Gain) or loss on disposal of non-current assets	10.8
18.4	Loss on transfer of schools to academy status	74.9
17.8	**Total**	**86.8**

Note 7 - Financing and investment income and expenditure

2021/22		2022/23
£m		£m
22.6	Interest payable and other similar charges	34.3
13.7	Interest payable on PFI unitary payments	13.0
(9.5)	Impairment of financial instruments	1.3
30.5	Net interest of the net defined benefit liability	29.2
(35.1)	Interest receivable and similar income	(42.6)
22.2	**Total**	**35.2**

Note 8 - Taxation and non-specific grant income

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

2021/22		2022/23
£m		£m
(336.6)	Non-ringfenced Government grants	(343.3)
(95.9)	Capital grants and contributions	(113.9)
(432.5)	**Total non-specific grant income**	**(457.2)**
(550.1)	Council tax income	(567.1)
(26.8)	Non-domestic rates income	(34.8)
(1,009.4)	**Total**	**(1,059.1)**

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

Non-ringfenced government grants

2021/22		2022/23
£m		£m
(33.6)	Revenue support grant	(34.7)
(158.2)	Top-up grant (business rates retention scheme)	(158.1)
(17.5)	S31 grant	(27.2)
(45.5)	Improved better care	(47.1)
(41.9)	Adult social care	(57.1)
(2.4)	New homes bonus	(2.5)
(26.0)	Covid-19 grant	0
(11.5)	Other	(16.6)
(336.6)	**Total**	**(343.3)**

Capital grants and contributions

2021/22		2022/23
£m		**£m**
(36.3)	Department for transport	(41.5)
(33.8)	Department of education	(46.5)
(16.7)	Department for levelling up, housing and communities	(17.1)
0.9	Other government grants	(3.4)
(10.0)	Other grants	0
0	Other contributions	(5.4)
(95.9)	**Total**	**(113.9)**

Note 9 - 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.

2021/22		2022/23
£m		**£m**
(893.8)	Dedicated schools grant	(911.1)
(44.3)	Pupil premium grant	(45.7)
(89.3)	Other Government grants	(152.3)
(21.9)	PFI grant	(21.9)
(70.2)	Public health grant	(72.2)
(1.1)	Other grants	(1.1)
(0.9)	Teachers' pension employer contribution grant	(0.8)
(31.8)	Other contributions	(20.3)
(71.2)	Covid-19 grants	(12.1)
(1,224.5)	**Total**	**(1,237.5)**

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.

2021/22		2022/23
£m		£m
(15.6)	Infection control fund for adult social care	0
(6.7)	Contain outbreak management fund	0
(4.8)	Coronavirus (COVID-19) catch-up premium	0
(10.0)	Adult social care rapid testing fund	0
(1.4)	COVID winter grant scheme	0
(10.6)	Workforce capacity fund for adult social care	0
(0.4)	Additional dedicated school and college transport	0
(0.4)	Local transport authority COVID-19 bus service support grant	0
(0.1)	Local authority emergency assistance grant for food and essential supplies	0
(2.6)	Community testing	0
(1.0)	Community discharge grant (COVID)	(1.1)
(2.0)	COVID-19 self-isolation	0
(0.2)	Wellbeing for education return grant	(0.2)
(0.1)	National tutoring programme academic mentors	(0.1)
(4.2)	COVID Local Support Grant	0
(2.6)	Recovery Premium funding	(6.0)
(2.4)	School-led tutoring grant	(4.0)
(2.4)	(COVID-19) mass testing funding for schools and colleges	(0.4)
(1.4)	Adult Social Care Omicron Support Fund	0
(1.2)	(COVID-19) summer schools programme funding	0
(0.7)	Vaccines grant	0

(0.3)	Kickstart Scheme grant	(0.2)
(0.1)	Coronavirus (COVID 19) workforce fund	(0.1)
(71.2)	**Total**	**(12.1)**

Note 10 - Dedicated schools grant

	Central expenditure	Individual schools' budget	Total
	£m	£m	£m
Final DSG for 2022/23 before academy recoupment			(1,141.1)
Academy figure recouped for 2022/23			230.0
Total DSG after academy recoupment for 2022/23			**(911.1)**
Brought forward from 2021/22			(24.5)
Carry forward to 2023/24 agreed in advance			24.5
Agreed initial budgeted distribution for 2022/23	**(151.0)**	**(760.1)**	**(911.1)**
In-year adjustments	0	(1.8)	(1.8)
Final budget distribution for 2022/23	**(151.0)**	**(761.9)**	**(912.9)**
Actual central expenditure relating to DSG	151.5		151.5
Actual ISB deployed to schools		761.9	761.9
Local authority contribution for 2022/23	(1.8)	0	(1.8)
In-year carry forward to 2023/24	**(1.3)**	**0**	**(1.3)**
Carry forward to 2023/24 agreed in advance			(24.5)
Carry forward to 2023/24			**(25.8)**

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

The table details how the DSG has been utilised.

Note 11 - 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.

2022/23

Post holder	Notes	Salary, fees and allowances	Benefits in kind	Pension contributions	Total
		£	£	£	£
Chief Executive (S151) - A Ridgwell	1	227,845	0	0	227,845
Executive Director of Adult Services and Health & Wellbeing - L Taylor	2	154,505	0	24,698	179,203
Executive Director of Education and Children's Services - E Grant	3	98,141	0	0	98,141
Executive Director of Education and Children's Services - J Old	3	83,572	0	13,757	97,329
Executive Director of Resources	4	0	0	0	0
Executive Director of Growth, Environment and Transport		139,137	0	22,752	161,889
Director of Finance	5	30,050	2,273	5,109	37,432
Director of Strategy and Performance	6	36,360	3,424	6,181	45,965
Director of Corporate Services		111,956	7,992	18,255	138,203
Director of Public Health		134,828	0	18,626	153,454
Head of Service Communications	7	20,694	0	3,518	24,212

Notes

1 The Chief Executive (S151) held the post of Chief Executive and Director of Resources until a new Interim Executive Director of Resources was appointed on 14 July 2022.

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

3 The Executive Director for Education and Children's Services, Edwina Grant OBE left the council on 4 October 2022 and was replaced by Jacqui Old CBE who commenced in the role on 1 October 2022.

4 The Executive Director of Resources was seconded from Cheshire West and Chester Council to the council on 8 November 2022 and became permanent on 1 April 2023. The council paid £55,766 to Cheshire West and Chester Council for the secondment. Additional cover was undertaken from 14 July 2022 until 28 February 2023. The council paid £142,643 to Tile Hill Interim & Executive Limited for this service.

5 The Director of Finance reported to the Chief Executive (S151) until 13 July 2022 and therefore only the remuneration until that date is shown in the table.

6 The Director of Strategy and Performance reported to the Chief Executive (S151) until 13 July 2022 and therefore only the remuneration until that date is shown in the table.

7 The Head of Communications reported to the Chief Executive (S151) until 13 July 2022 and therefore only the remuneration until that date is shown in the table.

2021/22

Post holder	Notes	Salary, fees and allowances	Benefits in kind	Pension contributions	Total
		£	£	£	£
Chief Executive and Director of Resources (S151) - A Ridgwell	1	228,019	0	0	228,019
Executive Director of Adult Services and Health & Wellbeing		148,660	0	24,371	173,031
Executive Director for Education and Children's Services - E Grant		175,925	0	0	175,925
Executive Director of Growth, Environment and Transport	2 & 3	148,810	0	24,371	173,181
Director of Corporate Services	4	107,558	8,103	17,928	133,589
Director of Finance		105,459	7,979	17,928	131,366
Director of Strategy and Performance		127,603	12,017	21,692	161,312
Director of Public Health		132,903	0	18,349	151,252
Head of Communications	3	71,702	0	12,164	83,866

Notes
1 The remuneration of the Chief Executive and Director of Resources (S151) includes an allowance for acting as Returning Officer for the county council elections which took place during the year.
2 The Executive Director of Growth, Environment and Transport left the council on 31 March 2022.
3 The remuneration of the Executive Director of Growth, Environment and Transport and the Head of Communications include an election fee for assisting the Returning Officer during the county council elections which took place during the year
4 The remuneration of the Director of Corporate Services includes an allowance for acting as Deputy Returning Officer at the county council elections which took place during the year.

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

	2022/23				2021/22			
Remuneration Banding £	LCC non-schools staff [1]	Schools [2]	Total	Redundancies	LCC non-schools staff [1]	Schools [2]	Total	Redundancies
50,000 to 54,999	310	526	836	1	181	490	671	5
55,000 to 59,999	74	311	385	1	55	278	333	1
60,000 to 64,999	47	223	270	0	36	209	245	1
65,000 to 69,999	36	150	186	0	25	140	165	0
70,000 to 74,999	25	104	129	0	20	80	100	2
75,000 to 79,999	25	48	73	1	31	28	59	0
80,000 to 84,999	6	26	32	0	0	22	22	0
85,000 to 89,999	1	23	24	0	1	18	19	0
90,000 to 94,999	0	5	5	0	2	11	13	0
95,000 to 99,999	2	13	15	0	0	10	10	0
100,000 to 104,999	1	4	5	0	0	3	3	0
105,000 to 109,999	3	3	6	0	1	2	3	0
110,000 to 114,999	2	3	5	0	4	1	5	0
115,000 to 119,999	0	1	1	0	1	0	1	0
120,000 to 124,999	0	0	0	0	1	0	1	0
125,000 to 129,999	1	0	1	0	0	1	1	0
155,000 to 159,999	0	0	0	0	1	0	1	0
160,000 to 164,999	1	0	1	0	0	0	0	0
Total	**534**	**1,440**	**1,974**	**3**	**359**	**1,293**	**1,652**	**9**

[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.

Exit packages

	No. compulsory redundancies		No. other agreed departures		Total number		Total cost £000 *	
Banding (£)	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
0 to 20,000	32	9	232	189	264	198	1,230	987
20,001 to 40,000	4	0	13	8	17	8	428	183
40,001 to 60,000	7	1	1	0	8	1	372	47
60,001 to 100,000	1	0	0	0	1	0	74	0
Total	**44**	**10**	**246**	**197**	**290**	**207**	**2,104**	**1,217**

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

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

- Enhanced pension benefits
  This is a payment to compensate the pension fund for both the employer and employee contributions that will not be received due to the early payment of benefits. It occurs where the employee is able to immediately receive any benefits they have built up on the pension fund. The payment is calculated by an independent actuary and is not made to the individual.

- Redundancy payments
  These are received by the employee and are calculated in line with the relevant policies agreed by the council.

During the year the council terminated the contracts of a number of employees, incurring liabilities of £2.1 million (2021/22: £1.22 million). Of the £2.1 million, £0.5 million is enhanced pension benefits and £1.6 million is payable to the employees. The table shows the number of exit packages and total cost to the council per band.

Note 12 - Members' allowances

2021/22		2022/23
£000		**£000**
1,342.5	Allowances payable to Members	1,439.9
34.7	Expenses payable to Members	49.1
1,377.2	**Total**	**1,489.0**

Note 13 - Fees payable to auditors

The council incurred the following fees relating to external audit.

2021/22		2022/23
£000		**£000**
93.0	Fees incurred with regard to external audit services provided by Grant Thornton	103.1
7.0	Fees incurred for certification work undertaken by Grant Thornton	8.5
10.0	Fees payable in respect of other services provided by Grant Thornton	10.0
68.4	Fees payable in respect of additional prior year statutory audit work	53.0
(17.2)	Reimbursement from Public Sector Audit Appointment	0
161.2	**Total**	**174.6**

Note 14 - 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 31, which details the movements in reserves.

Adjustments between accounting basis and funding basis under regulations - 2022/23

	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 accordance with statutory requirements:					
Pensions costs (transferred to or from the pensions reserve)	(96.0)	0	0	(96.0)	96.0
Financial instruments (transferred to the financial instruments adjustments account)	3.1	0	0	3.1	(3.1)
Council tax and NDR (transferred to or from the collection fund)	0.7	0	0	0.7	(0.7)
Holiday pay (transferred to the accumulated absences adjustment account)	4.0	0	0	4.0	(4.0)
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged to the capital adjustment account)	(129.0)	0	37.0	(92.0)	92.0
Total adjustments to revenue resources	**(217.2)**	**0**	**37.0**	**(180.2)**	**180.2**
Adjustments between revenue and capital resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	16.8	(16.8)	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	34.0	0	0	34.0	(34.0)
Use of the capital receipts reserve to finance new revenue expenditure	(6.0)	6.0	0	0	0
Total adjustments between revenue and capital resources	**44.8**	**(10.8)**	**0**	**34.0**	**(34.0)**
Adjustments to capital resources					
Application of capital grants to finance capital expenditure	62.0	0	(62.0)	0	0
Total adjustments to capital resources	**62.0**	**0**	**(62.0)**	**0**	**0**
Total adjustments	**(110.4)**	**(10.8)**	**(25.0)**	**(146.2)**	**146.2**

Adjustments between accounting basis and funding basis under regulations - 2021/22 restated

	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 accordance with statutory requirements:					
Pensions costs (transferred to or from the pensions reserve) [1]	(90.2)	0	0	(90.2)	90.2
Financial instruments (transferred to the financial instruments adjustments account)	3.4	0	0	3.4	(3.4)
Council tax and NDR (transferred to or from the collection fund)	20.9	0	0	20.9	(20.9)
Holiday pay (transferred to the accumulated absences adjustment account)	0.7	0	0	0.7	(0.7)
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged to the capital adjustment account)	(81.8)	0	46.1	(35.7)	35.7
Total adjustments to revenue resources [1]	**(147.0)**	**0**	**46.1**	**(100.9)**	**100.9**
Adjustments between revenue and capital resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6.0	(6.0)	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	28.3	0	0	28.3	(28.3)
Use of the capital receipts reserve to finance new revenue expenditure	(4.0)	4.0	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0.1	0	0.1	(0.1)
Total adjustments between revenue and capital resources	**30.3**	**(1.9)**	**0**	**28.4**	**(28.4)**
Adjustments to capital resources					
Application of capital grants to finance capital expenditure	44.3	0	(44.3)	0	0
Total adjustments to capital resources	**44.3**	**0**	**(44.3)**	**0**	**0**
Total adjustments [1]	**(72.4)**	**(1.9)**	**1.8**	**(72.5)**	**72.5**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

Note 15 - Transfers to and from earmarked reserves

	Balance at 31 March 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31 March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31 March 2023
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
General fund	(23.4)	0	0	(23.4)	0	0	(23.4)
Reserves held to deliver corporate priorities							
Strategic investment reserve	(4.8)	0.6	0	(4.2)	3.7	0	(0.5)
Reserves held to deliver organisational change							
Downsizing reserve	(5.7)	0.2	0	(5.5)	0.1	0	(5.4)
Risk management reserve	(6.4)	2.0	0	(4.4)	1.2	(0.1)	(3.3)
Transitional reserve	(201.7)	24.7	(38.7)	(215.7)	63.2	(14.2)	(166.7)
School reserves							
Individual school reserves	(90.2)	10.8	(16.0)	(95.4)	27.6	(8.4)	(76.2)
Other school reserves	(20.8)	0.8	(11.6)	(31.6)	2.2	(3.2)	(32.6)
Centrally managed schools maintenance reserve	(5.8)	5.8	(5.2)	(5.2)	5.2	(9.5)	(9.5)
Reserves held to meet service priorities							
Treasury management reserve	(29.2)	13.8	(20.9)	(36.3)	0	0	(36.3)
Business rates volatility	(5.0)	0	0	(5.0)	0	0	(5.0)
Directorate reserves	(98.2)	45.4	(82.4)	(135.2)	35.4	(57.8)	(157.6)
Election reserve	(1.7)	0.4	0	(1.3)	0	(0.4)	(1.7)
Total earmarked revenue and capital reserves	**(492.9)**	**104.5**	**(174.8)**	**(563.2)**	**138.6**	**(93.6)**	**(518.2)**

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.

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.

Risk management reserve

This reserve is intended to help the council manage risks to funding and service delivery going forward.

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.

Reserves held to meet service priorities

These earmarked reserves consist of amounts carried forward for specifically agreed projects within departments. Some of these reserves are not only the funds of the county council and could relate to partners.

Note 16 - Capital expenditure and capital financing

2021/22		2022/23
£m		£m
1,109.4	**Opening capital financing requirement**	**1,142.2**
	Capital investment	
126.8	Property, plant and equipment	103.3
8.1	Intangible assets	12.0
29.2	Revenue expenditure funded from capital under statute	23.3
164.1	**Total capital investment**	**138.6**
	Sources of finance	
(0.1)	Capital receipts	0
(97.7)	Government grants and other contributions	(88.9)
	Sums set aside from revenue:	
(5.2)	Direct revenue contributions	(3.9)
(6.5)	Write down of PFI liability	(6.8)
(21.8)	Minimum revenue provision (MRP) for debt repayment	(27.2)
1,142.2	**Closing capital financing requirement**	**1,154.0**
	Explanation of movement in year	
39.3	Increase in underlying need to borrow (unsupported by Government financial assistance)	18.6
(6.5)	Write down of PFI liability	(6.8)
32.8	**Total movement**	**11.8**

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 17 - Capital contractual commitments

At 31 March 2023, the council had not entered into any contracts for the construction or enhancement of property, plant and equipment in 2023/24 or future years. (2021/22: £nil)

Note 18 - Property, plant and equipment

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

	Land and buildings	Vehicles, plant, furniture and equipment	Infrastructure	Assets under construction	Surplus assets	Total
	£m	£m	£m	£m	£m	£m
Carried at historical cost	**0.6**	**71.1**	**1,391.0**	**13.1**	**0**	**1,475.8**
Valued at current value as at:						
31 March 2023	1,010.3	0	0	0	20.8	**1,031.1**
31 March 2022	662.6	0	0	0	3.1	**665.7**
31 March 2021	446.3	0	0	0	0	**446.3**
Total cost or valuation	**2,119.8**	**71.1**	**1,391.0**	**13.1**	**23.9**	**3,618.9**

Property, plant and equipment - movements in 2022/23

	Land and buildings	Vehicles, plant, furniture, equipment	Assets under construction	Surplus assets	Total	PFI assets included in property
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2022	**2,161.8**	**67.6**	**13.9**	**27.0**	**2,270.3**	**175.2**
Additions	20.9	3.4	10.8	0.8	**35.9**	2.6
De-recognition – disposals	(146.0)	0	0	(7.3)	**(153.3)**	0
Revaluation increases/(decreases) recognised in the revaluation reserve	59.4	0	0	1.5	**60.9**	12.4
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	16.1	0	0	(2.0)	**14.1**	10.7
Assets reclassified	7.6	0.1	(11.6)	3.9	**0**	6.7
At 31 March 2023	**2,119.8**	**71.1**	**13.1**	**23.9**	**2,227.9**	**207.6**
At 1 April 2022	**(98.1)**	**(38.9)**	**0**	**(0.3)**	**(137.3)**	**(2.5)**
Depreciation charge	(45.7)	(6.6)	0	(0.2)	**(52.5)**	(4.1)
Depreciation written out to revaluation reserve	50.0	0	0	0.2	**50.2**	2.4
Depreciation written out to the surplus/deficit on provision of services	13.0	0	0	0	**13.0**	1.6
De-recognition	50.7	0	0	0.1	**50.8**	0
Reclassification	0.1	0	0	(0.1)	**0**	0
At 31 March 2023	**(30.0)**	**(45.5)**	**0**	**(0.3)**	**(75.8)**	**(2.6)**
Net book value at 1 April 2022	2,063.7	28.7	13.9	26.7	**2,133.0**	172.7
Net book value at 31 March 2023	**2,089.8**	**25.6**	**13.1**	**23.6**	**2,152.1**	**205.0**

Property, plant and equipment - movements in 2021/22

	Land and buildings	Vehicles, plant, furniture, equipment	Assets under construction	Surplus assets	Total	PFI assets included in property
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2021	**2,149.0**	**80.2**	**9.6**	**24.7**	**2,263.5**	**160.8**
Additions	20.5	5.9	11.9	0.8	**39.1**	0
De-recognition – disposals	(20.0)	(19.4)	0	(1.4)	**(40.8)**	0
Revaluation increases/(decreases) recognised in the revaluation reserve	21.5	0	0	2.5	**24.0**	12.2
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(13.0)	0	0	(2.5)	**(15.5)**	2.2
Assets reclassified	3.8	0.9	(7.6)	2.9	0	0
At 31 March 2022	**2,161.8**	**67.6**	**13.9**	**27.0**	**2,270.3**	**175.2**
At 1 April 2021	**(122.9)**	**(53.1)**	**0**	**(0.3)**	**(176.3)**	**(5.1)**
Depreciation charge	(44.4)	(5.2)	0	(0.1)	**(49.7)**	(3.7)
Depreciation written out to revaluation reserve	61.5	0	0	0.1	**61.6**	4.1
Depreciation written out to the surplus/deficit on provision of services	6.6	0	0	0	**6.6**	2.2
De-recognition	1.1	19.4	0	0	**20.5**	0
At 31 March 2022	**(98.1)**	**(38.9)**	**0**	**(0.3)**	**(137.3)**	**(2.5)**
Net book value at 1 April 2021	**2,026.1**	**27.1**	**9.6**	**24.4**	**2,087.2**	**155.7**
Net book value at 31 March 2022	**2,063.7**	**28.7**	**13.9**	**26.7**	**2,133.0**	**172.7**

Reconciliation of property, plant and equipment

31 March 2022		31 March 2023
£m		£m
1,098.1	Infrastructure assets	1,136.7
2,133.0	Other property, plant and equipment assets	2,152.1
3,231.1	**Total property, plant and equipment assets**	**3,288.8**

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 2022		31 March 2023
£m		£m
1,035.1	**Net book value at 1 April**	**1,098.1**
87.7	Additions	67.4
(24.7)	Depreciation	(28.8)
1,098.1	**Net book value at 31 March**	**1,136.7**

Note 19 - School assets

Schools included on the council's balance sheet

31 March 2022			31 March 2023	
Number of schools	Value of land and buildings		Number of schools	Value of land and buildings
	£m			£m
244	795.7	Community schools	242	852.4
11	127.5	Foundation schools	10	134.5
257	637.5	Voluntary aided schools	243	605.8
50	120.9	Voluntary controlled schools	49	98.8
562	**1,681.6**	**Total**	**544**	**1,691.5**
13	172.70	Schools subject to PFI contracts	13	205.0

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

During the year 17 schools chose to take up academy status. These are detailed in Note 39.

The council has 13 schools subject to PFI contracts, the buildings for which are shown on the council's balance sheet together with the related liability.

Note 20 - Heritage assets

	Paintings and furniture	Other museum artefacts	Manuscripts and books	Total
	£m	£m	£m	£m
Cost or valuation				
At 31 March 2023	**3.0**	**11.1**	**14.6**	**28.7**
At 31 March 2022	**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 21 - Long term debtors

31 March 2022		31 March 2023
£m		**£m**
12.6	Transferred Debt [1]	12.0
26.9	Finance Lease Debtor [2]	25.7
39.5	**Total**	**37.7**

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 30).

Note 22 - Short term debtors

31 March 2022		31 March 2023
£m		**£m**
29.5	Council tax	37.8
1.3	Non-domestic rates	0.7
43.0	Other receivables	21.1
162.8	Trade receivables	227.5
(8.2)	Less impairment allowance	(9.5)
228.4	**Total**	**277.6**

Note 23 - Cash and cash equivalents

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

31 March 2022 £m		31 March 2023 £m
0.7	Cash held by the council	1.3
49.2	Bank current accounts	45.9
114.3	Short term deposits under 3 months	73.6
164.2	**Total**	**120.8**

Note 24 - Short term creditors and receipts in advance

31 March 2022 £m		31 March 2023 £m
(217.7)	Trade payables	(241.8)
(27.1)	Council tax	(41.5)
(5.6)	Non-domestic rates	(1.4)
(60.8)	Other payables	(54.5)
(311.2)	**Total**	**(339.2)**

31 March 2022 £m		31 March 2023 £m
(13.2)	Receipts in advance	(11.8)
(0.2)	Government grants receipts in advance (revenue)	(3.1)
(52.9)	Government grants receipts in advance (capital)	(67.7)
(66.3)	**Total**	**(82.6)**

Note 25 – Provisions

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

	Balance at 1 April 2022	Additional provision made	Spending met from the provision	Unused amounts reversed	Balance at 31 March 2023
	£m	**£m**	**£m**	**£m**	**£m**
Insurance provision	(31.2)	(13.5)	8.4	0	(36.3)
MMI provision	(2.8)	0	0	0	(2.8)
Other long term provisions	(1.6)	(0.5)	0	0	(2.1)
Total long term provisions	**(35.6)**	**(14.0)**	**8.4**	**0**	**(41.2)**
Business rates appeals	(6.1)	(4.8)	0	6.1	(4.8)
Other short term provisions	(9.1)	(0.1)	4.0	0.3	(4.9)
Total short term provisions	**(15.2)**	**(4.9)**	**4.0**	**6.4**	**(9.7)**
Total provisions	**(50.8)**	**(18.9)**	**12.4**	**6.4**	**(50.9)**

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 26 - 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 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.

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 2022			Category	31 March 2023		
Long term	**Short term**	**Total**	**Category**	**Long term**	**Short term**	**Total**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
24.5	21.0	**45.5**	Amortised cost	19.5	5.1	**24.6**
580.9	30.9	**611.8**	Financial assets at fair value through other comprehensive income	394.0	49.7	**443.7**
0	80.5	**80.5**	Financial assets at fair value through profit and loss	0	71.0	**71.0**
605.4	**132.4**	**737.8**	**Total investments**	**413.5**	**125.8**	**539.3**
0	164.2	**164.2**	Cash and cash equivalents	0	120.8	**120.8**
26.9	154.6	**181.5**	Debtors #	25.7	199.9	**225.6**
632.3	**451.2**	**1,083.5**	**Total financial assets**	**439.2**	**446.5**	**885.7**
# 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						
12.6	*73.8*	*86.4*	*Debtors which do not meet the definition of a financial instrument*	*12.0*	*77.7*	*89.7*
39.5	*228.4*	*267.9*	*Balance sheet total*	*37.7*	*277.6*	*315.3*

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 2022			Category	31 March 2023		
Long term	**Short term**	**Total**		**Long term**	**Short term**	**Total**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
(881.0)	(325.1)	**(1,206.1)**	Financial liabilities at amortised cost	(870.8)	(310.4)	**(1,181.2)**
0	(64.7)	**(64.7)**	Financial liabilities at fair value through profit and loss	0	(19.6)	**(19.6)**
(1.3)	(246.5)	**(247.8)**	Creditors #	(1.3)	(277.9)	**(279.2)**
(126.2)	(6.8)	**(133.0)**	Other financial liabilities (PFI) at amortised cost	(118.6)	(7.6)	**(126.2)**
(1,008.5)	**(643.1)**	**(1,651.6)**	**Total financial liabilities**	**(990.7)**	**(615.5)**	**(1,606.2)**
# The creditors figure stated is lower than the creditors shown on the balance sheet because it excludes the following amounts which do not meet the definition of a financial liability – receipts in advance and non-exchange transactions						
0	*(64.6)*	*(64.6)*	*Creditors which do not meet the definition of a financial instrument*	*0*	*(61.3)*	*(61.3)*
(1.3)	*(311.2)*	*(312.5)*	*Balance sheet total*	*(1.3)*	*(339.2)*	*(340.5)*

Note 27 – Other current liabilities

31 March 2022		31 March 2023
£m		**£m**
(6.8)	PFI Liability	(7.6)
(64.7)	Short positions in investments	(19.6)
(71.5)	**Total**	**(27.2)**

Note 28 – Other long term liabilities

31 March 2022 restated		31 March 2023
£m		**£m**
(1,108.1)	Pension liability [1]	(75.1)
(126.2)	PFI liability	(118.6)
(0.1)	Other long term liabilities	0
(1,234.4)	**Total** [1]	**(193.7)**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions. The adjustments are shown in detail in Note 4 – Prior period adjustments.

Note 29 - 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 12.92% 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 18.

Fleetwood High School

	Payment for services	Repayment of liability	Interest charges	Total payments due
	£m	£m	£m	£m
Payment in 2023/24	0.3	0.8	0.9	2.0
Payment within 2 to 5 years	1.9	3.2	2.7	7.8
Total	**2.2**	**4.0**	**3.6**	**9.8**

Building schools for the future (BSF)

	Payment for services	Repayment of liability	Interest charges	Total payments due
	£m	£m	£m	£m
Payment in 2023/24	14.4	6.8	12.3	33.5
Payment within 2 to 5 years	83.5	32.0	42.9	158.4
Payment within 6 to 10 years	157.1	60.8	62.5	280.4
Payment within 11 to 15 years	60.5	22.6	19.5	102.6
Total	**315.5**	**122.2**	**137.2**	**574.9**

Outstanding PFI liability

31 March 2022		31 March 2023
£m		£m
(139.5)	**Balance outstanding at start of year**	**(133.0)**
6.5	Payments during the year	6.8
(133.0)	**Balance outstanding at year end**	**(126.2)**

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.

Note 30 - Leases

Council as lessor – finance leases

Finance lease debtor (net present value of minimum lease payments)

31 March 2022		31 March 2023
£m		£m
1.2	Current	1.2
26.9	Non-current	25.7
11.3	Unearned finance income	10.2
39.4	**Gross investment in the finance lease**	**37.1**

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 2022			31 March 2023	
Gross investment	Minimum lease payments		Gross investment	Minimum lease payments
£m	£m		£m	£m
2.2	1.2	Not later than one year	2.2	1.2
9.0	5.1	Later than one year and not later than 5 years	9.0	5.3
28.2	21.8	Later than 5 years	25.9	20.4
39.4	**28.1**	**Total**	**37.1**	**26.9**

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.

Note 31 - Reserves

Usable reserves

31 March 2022 £m		31 March 2023 £m
(23.4)	General fund	(23.4)
(407.6)	Earmarked reserves	(386.0)
(132.2)	School reserves	(108.8)
(563.2)	**Total earmarked reserves**	**(518.2)**
(140.3)	Capital grants unapplied reserve	(165.3)
(10.3)	Capital receipts reserve	(21.1)
(713.8)	**Total usable reserves**	**(704.6)**

Unusable reserves

31 March 2022 restated £m		31 March 2023 £m
41.3	Financial instruments adjustment account	38.2
101.7	Financial instruments revaluation reserve	283.9
(1,075.4)	Revaluation reserve	(1,104.7)
(1,059.5)	Capital adjustment account	(1,083.2)
1,149.9	Pensions reserve [1]	(615.8)
(0.6)	Collection fund adjustment account	(1.4)
28.4	Accumulated absences adjustment account	24.4
(814.2)	**Total** [1]	**(2,458.6)**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions. The adjustments are shown in detail in Note 4 – Prior period adjustments.

Financial instruments adjustment account

2021/22		2022/23
£m		**£m**
44.7	**Balance at 1 April**	**41.3**
(3.4)	Proportion of premiums incurred in previous financial years to be charged against general fund balance	(3.1)
41.3	**Balance at 31 March**	**38.2**

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

2021/22		2022/23
£m		**£m**
64.2	**Balance at 1 April**	**101.7**
(45.7)	Amounts recycled to the surplus/deficit on the provision of services	(0.4)
83.2	Downward revaluation of investments not charged to the surplus/deficit on the provision of services	182.6
101.7	**Balance at 31 March**	**283.9**

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

Revaluation reserve

2021/22		2022/23
£m		£m
(1,024.9)	**Balance at 1 April**	**(1,075.4)**
(128.9)	Upward revaluation of assets	(206.4)
43.3	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	95.3
(85.6)	**(Surplus) or deficit on the revaluation of non-current assets not posted to the surplus or deficit on the provision of services**	**(111.1)**
22.6	Difference between fair value depreciation and historical cost depreciation	23.7
12.5	Accumulated gains on assets sold or scrapped	58.1
35.1	**Amount written off to the capital adjustment account**	**81.8**
(1,075.4)	**Balance at 31 March**	**(1,104.7)**

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.

Capital adjustment account

2021/22		2022/23
£m		**£m**
(1,031.6)	**Balance at 1 April**	**(1,059.5)**
	Reversal of items relating to capital expenditure charged to the comprehensive income and expenditure statement	
74.4	Charges for depreciation and impairment of non-current assets	81.3
8.9	Revaluation losses/(gains) on property, plant and equipment including assets held for sale	(27.1)
3.3	Amortisation of intangible assets	4.9
29.2	Revenue expenditure funded from capital under statute	23.3
22.7	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	102.5
(6.5)	Write down of PFI liability	(6.8)
(35.1)	Adjusting amount written out of the revaluation reserve	(81.8)
(934.7)	**Net written out amount of the cost of non-current assets consumed in the year**	**(963.2)**
	Capital financing applied in the year	
(99.5)	Capital grants and contributions credited to the comprehensive income and expenditure statement	(63.9)
1.8	Application of capital grants to capital financing from the capital grants unapplied account	(25.0)
(0.1)	Application of capital receipts to capital financing from the capital receipts reserve	0
(21.8)	Statutory provision for the financing of capital investment charged against the general fund	(27.2)
(5.2)	Capital expenditure charged against the general fund	(3.9)
(124.8)		**(120.0)**
(1,059.5)	**Balance at 31 March**	**(1,083.2)**

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.

Pensions reserve

2021/22 restated		2022/23
£m		£m
1,598.1	**Balance at 1 April**	**1,149.9**
(538.4)	Re-measurement of the net defined benefit liability/(asset)	(1,861.7)
173.5	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 [1]	183.2
(83.3)	Employer's pension contributions and direct payments to pensioners payable in the year	(87.2)
1,149.9	**Balance at 31 March** [1]	**(615.8)**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions. The adjustments are shown in detail in Note 4 – Prior period adjustments.

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 credit balance on the pensions reserve, therefore, shows a surplus in the benefits earned by past and current employees and the resources the council has set aside to meet them.

Accumulated absences adjustment account

2021/22		2022/23
£m		£m
29.1	**Balance at 1 April**	**28.4**
(29.1)	Settlement or cancellation of accrual made at the end of the preceding year	(28.4)
28.4	Amounts accrued at the end of the current year	24.4
(0.7)	**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**	**(4.0)**
28.4	**Balance at 31 March**	**24.4**

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.

Note 32 - 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:

2021/22		2022/23
£m		£m
(35.3)	Interest received	(39.6)
37.7	Interest paid	43.6

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

2021/22 restated		2022/23
£m		£m
74.4	Depreciation	81.3
8.9	Impairment and downward/(upward) valuations	(27.1)
3.3	Amortisation of intangible assets	4.9
(2.9)	Increase/(decrease) in impairment for bad debts	(11.2)
14.2	Increase/(decrease) in creditors	123.5
(5.3)	(Increase)/decrease in debtors	(99.9)
(1.2)	(Increase)/decrease in inventories	0.3
130.4	Movement in pension liability [1]	137.8
22.7	Carrying amount of non-current assets sold	102.5
4.1	Other non-cash items charged to the surplus or deficit on the provision of services	(14.3)
248.6	**Total** [1]	**297.8**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions. The adjustments are shown in detail in Note 4 – Prior period adjustments.

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

2021/22 £m		2022/23 £m
(28.5)	Proceeds from short term (not considered to be cash equivalents) and long term investments (includes investments in associates, joint ventures and subsidiaries)	(1.1)
(6.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16.8)
(95.9)	Capital grants credited to the surplus on the provision of services	(113.9)
(130.4)	**Total**	**(131.8)**

Note 33 - Cash flows from investing activities

2021/22 £m		2022/23 £m
(134.9)	Purchase of property, plant and equipment, investment property and intangible assets	(115.3)
(5,885.8)	Purchase of short term and long term investments	(2,980.2)
6.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16.8
5,900.0	Proceeds from the sale of short term and long term investments	2,963.0
101.8	Other capital grants and receipts from investing activities	115.9
(12.9)	**Net cash flows from investing activities**	**0.2**

Note 34 - Cash flows from financing activities

2021/22		2022/23
£m		£m
1,022.3	Cash receipts from short term and long term borrowing	1,036.6
(20.8)	Appropriate to/from Collection Fund Adjustment Account	(0.6)
(1,201.1)	Repayment of short term and long term borrowing	(1,065.2)
0	Other payments for financing activities	(18.2)
(6.5)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(6.8)
(206.1)	**Net cash flows from financing activities**	**(54.2)**

Note 35 - Reconciliation of liabilities arising from financing activities

	1 April 2022	Financing cash flows		Non-cash changes	31 March 2023
		Acquisitions	Repayments		
	£m	£m	£m	£m	£m
Long term borrowing	881.0	197.6	(199.5)	(8.3)	870.8
Short term borrowing *	325.1	839.0	(865.7)	12.0	310.4
PFI liabilities *	133.0	0	(6.8)	0	126.2
Total	**1,339.1**	**1,036.6**	**(1,072.0)**	**3.7**	**1,307.4**

	1 April 2021	Financing cash flows		Non-cash changes	31 March 2022
		Acquisitions	Repayments		
	£m	£m	£m	£m	£m
Long term borrowing	897.3	249.6	(260.7)	(5.2)	881.0
Short term borrowing *	489.0	772.7	(940.4)	3.8	325.1
PFI liabilities *	139.5	0	(6.5)	0	133.0
Total	**1,525.8**	**1,022.3**	**(1,207.6)**	**(1.4)**	**1,339.1**

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

Note 36 - 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 9.

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 8 - 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 37.

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 2022/23, there are no transactions for services to organisations in which chief officers have declared interests.

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 12. Details of Members' interests are recorded in a formal Register of Interest, which is open to public inspection.

For 2022/23, there are no material transactions for services to organisations in which Members have declared interests.

Lancashire County Pension Fund

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

The council incurred costs of £1.0 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 £73.1 million to the fund in 2022/23.

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

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

2021/22		2022/23
£m		£m
2.3	Payments made during the year to Lancashire County Pension Fund	8.2
(1.0)	Income received during the year from Lancashire County Pension Fund	(1.0)
0.8	Amounts owed at the year end from Lancashire County Pension Fund	0.8
(2.3)	Amounts owed at the year end to Lancashire County Pension Fund	(10.5)

Cheshire West and Chester Council

The council paid Cheshire West and Chester Council for the provision of key management personnel.

2021/22		2022/23
£m		£m
0	Payments made during the year to Cheshire West and Chester Council	0.1

Tile Hill Interim and Executive Limited

The council paid Tile Hill Interim and Executive Limited for the provision of key management personnel.

2021/22		2022/23
£m		£m
0	Payments made during the year to Tile Hill Interim and Executive Limited	0.1

There were also related party transactions totalling £742,762 to five organisations, which whilst not material in amount for the county council, are potentially material for the related parties.

Interests in companies and other entities

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

Company	Interest	Relationship
Lancashire County Developments Limited	100%	Subsidiary
Lancashire Renewables Limited	87.5%	Subsidiary
Marketing Lancashire Limited	100%	Subsidiary
Lancashire Enterprise Partnership Limited	33%	Joint venture (Dormant company)
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 (Dormant company)
Lancashire UDF - SPV2 Limited	100%	Subsidiary (Dormant company)

Inclusion in the Lancashire County Council Group is dependent upon the extent of the council's interest and control 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.

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.

2021/22		2022/23
£m		£m
28.8	Payments made during the year to Lancashire Renewables Limited	30.7
(5.5)	Income received during the year from Lancashire Renewables Limited	(7.8)
1.3	Amounts owed at the year end from Lancashire Renewables Limited	0.3
(1.2)	Amounts owed at the year end to Lancashire Renewables Limited	(1.2)
0	Payments made in advance to Lancashire Renewables Limited	0.3

Marketing Lancashire Limited

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

2021/22		2022/23
£m		£m
0.5	Payments made during the year to Marketing Lancashire Limited	0.6

Active Lancashire Limited

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

2021/22		2022/23
£m		£m
0	Payments made during the year to Active Lancashire Limited	0.1

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.

2021/22		2022/23
£m		**£m**
1.6	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.

2021/22		2022/23
£m		**£m**
0.1	Payments made during the year to Local Pensions Partnership Limited	0.2
(0.2)	Income received during the year from Local Pensions Partnership Limited	0
0.5	Amounts owed at the year end from Local Pensions Partnership Limited	0
(0.4)	Amounts owed at the year end to Local Pensions Partnership Limited	0

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.

2021/22		2022/23
£m		£m
7.8	Payments made during the year to LCDL	0.7
(2.8)	Income received during the year from LCDL	(3.9)
0.1	Amounts owed at the year end from LCDL	2.1
(0.3)	Amounts owed at the year end to LCDL	(0.2)

Note 37 - Pooled budgets

Better care fund

2021/22		2022/23
£m	**Funding provided to the pooled budget**	**£m**
(16.7)	Lancashire County Council (Disabled facilities grant)	(16.7)
(31.2)	NHS East Lancashire CCG	(33.0)
(15.4)	NHS Greater Preston CCG	(17.0)
(14.0)	NHS Chorley and South Ribble CCG	(14.9)
(15.2)	NHS Fylde and Wyre CCG	(16.3)
(12.1)	NHS Morecambe Bay CCG	(12.3)
(8.8)	NHS West Lancashire CCG	(9.5)
(113.4)	**Total**	**(119.7)**
	Expenditure met from the pooled budget	
30.6	Lancashire County Council (Social care)	20.0
21.5	NHS East Lancashire CCG	26.7
10.5	NHS Greater Preston CCG	13.7
9.9	NHS Chorley and South Ribble CCG	12.4
10.1	NHS Fylde and Wyre CCG	12.8
8.2	NHS Morecambe Bay CCG	9.9
5.9	NHS West Lancashire CCG	7.5
16.7	Lancashire County Council (Disabled facilities grant)	16.7
113.4	**Total**	**119.7**
0	**Net surplus/(deficit) arising on the pooled budget during the year**	**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 clinical commissioning groups 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.

Pooled budget for learning disabilities

2021/22		2022/23
£m	**Funding provided to the pooled budget**	**£m**
(113.7)	Lancashire County Council	(113.7)
0	NHS Lancashire & South Cumbria Integrated Care Board	(9.3)
(1.2)	NHS Morecambe Bay CCG	0
(1.6)	NHS Fylde and Wyre CCG	0
(0.2)	NHS Blackpool CCG	0
(2.1)	NHS Chorley and South Ribble CCG	0
(1.1)	NHS Greater Preston – central pool	0
(1.1)	NHS West Lancashire CCG	0
(1.9)	NHS East Lancashire CCG	0
(0.5)	Other	(0.5)
(123.4)	**Total**	**(123.5)**
	Expenditure met from the pooled budget	
148.2	Lancashire County Council	152.8
0	NHS Lancashire & South Cumbria Integrated Care Board	12.6
1.7	NHS Morecambe Bay CCG	0
2.3	NHS Fylde and Wyre CCG	0
0.3	NHS Blackpool CCG	0
0.1	NHS Greater Preston CCG	0
3.0	NHS Chorley and South Ribble CCG	0
1.6	NHS Greater Preston – central pool	0
1.6	NHS West Lancashire CCG	0
1.7	NHS East Lancashire CCG	0
160.5	**Total**	**165.4**
37.1	**Net (surplus)/deficit arising on the pooled budget during the year**	**41.9**
34.1	**Council share of the net (surplus)/deficit**	**38.6**

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 Clinical Commissioning Groups 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.

On 1 July 2022, integrated care systems (ICSs) became legally established through the Health and Care Act 2022, and CCGs were closed down.

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

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

Note 38 – 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

2021/22		2022/23
£m		£m
(42.6)	City deal *	(44.1)
(17.0)	Getting building fund	0
(0.8)	LEP core activity funding	(1.1)
(1.0)	LEP additional projects	(1.6)
(0.3)	Growth hub	(0.3)
(61.7)	**Total income**	**(47.1)**

* The City deal total includes contributions of £3.8 million from Lancashire County Council in 2022/23. (2021/22: £3.8 million)

Expenditure

2021/22		2022/23
£m		£m
26.3	Growth deal	1.1
62.3	City deal	44.1
13.8	Get building fund	13.7
1.0	LEP core activity funding	0.9
1.0	LEP additional projects	1.6
0.3	Growth hub	0.3
104.7	**Total expenditure**	**61.7**

In 2022/23, expenditure totalling £43.7 million was spent on LCC schemes. (2021/22: £57.6 million)

Growing places

2021/22		2022/23
£m		£m
4.1	Payments out	1.8
(8.6)	Repayments	(2.2)
(0.2)	Loan interest	(0.1)
(4.7)	**Total**	**(0.5)**

Reserves

2021/22		2022/23
£m		£m
(82.6)	**Balance at 1 April**	**(44.4)**
(61.7)	Income	(47.1)
104.7	Expenditure	61.7
(4.7)	Growing places	(0.5)
(0.1)	Employment liabilities	(0.1)
(44.4)	**Balance at 31 March**	**(30.4)**

Note 39 – Significant items of income and expense

Transfers to academy status

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

During the year, 17 schools transferred to academy status. The value of the disposals totalled £74.9 million.

School	Value
	£m
Ormskirk School	24.4
St Mary Magdalene's RC Primary School	1.9
Rhyddings School	7.9
Castle View Primary School	1.6
St Mary's Catholic Primary School, Great Eccleston	0.9
St Wulstan's and St Edmund's Catholic Primary School	3.8
Christ the King RC Primary School, Burnley	2.1
Sacred Heart RC Primary School, Colne	2.4
St Teresa's RC Primary School, Preston	1.4
The Blessed Sacrament Catholic Primary School, Preston	2.6
St Joseph's Catholic Primary School, Preston	2.1
St Bernard's Catholic Primary School, Preston	2.0
St Augustine's Catholic Primary School, Preston	2.1
St Clare's Catholic Primary School, Preston	2.2
Our Lady and St Edward's Catholic Primary School	2.2
St Augustine's Roman Catholic High School, Billington	12.7
Sacred Heart Catholic Primary School, Thornton Cleveleys	2.6
Total	**74.9**

Note 40 – Events after the reporting period

The statement of accounts was authorised for issue by the Chief Executive on 31 August 2023. Events taking place after this date are not reflected in the financial statements or notes.

Pension fund payment

On 21 April 2023, the Council took advantage of the option provided by the pension fund to make a one off payment in advance 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.

Transfers to academy status

Knuzden St Oswald's Church of England Primary School converted to academy status on 1 April 2023. St John Southworth RC Primary School, Nelson converted to academy status on 1 July 2023. Their values included in the balance sheet at 31 March 2023 are shown below.

School	Value
	£m
Knuzden St Oswald's Church of England Primary School	2.5
St John Southworth RC Primary School	2.0
Total	**4.5**

Note 41 – Significant accounting policies

General principles

Basis of preparation

The Accounts and Audit Regulations 2015 require the county council to prepare an annual statement of accounts in accordance with proper accounting practices, mainly the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS).

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

Events after the reporting period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue.

Where an event occurring after the balance sheet date provides evidence of conditions that existed at the balance sheet date, the amounts recognised in the statement of accounts are adjusted.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date, the amounts recognised in the statement of accounts are not adjusted, but where this would have a material effect, it is disclosed in the notes to the accounts.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

Group accounts

The county council has a material interest in a subsidiary company, which has been consolidated into the county council's group accounts on a line-by-line basis, after eliminating intra-group transactions.

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

Pooled budgets

The county council is the host partner of the pooled funds in respect of learning disability services, Better Care Fund and integrated home response and falls lifting service. 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 arrangements are accounted for as joint operations and, therefore, the county council accounts for its share of the funds' assets, liabilities, expenditure and income.

Prior period adjustments, changes in accounting policies, estimates and errors

Prior period adjustments are made where there are material adjustments applicable to prior years arising from a change in accounting policies or to correct a material error.

Where a change to accounting policies is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively, by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively (i.e. in the current and future years affected by the change) and do not give rise to a prior period adjustment.

Accounting policies for income

Recognition of income

Income is accounted for in the financial year in which the activity it relates to takes place, which may not be the same year in which cash payments are received. This means that revenue from the sale of goods or the provision of services is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.

Interest receivable on investments is accounted for as income 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 income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the balance sheet.

Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Council tax and non-domestic rates income

Both council tax and non-domestic rates are collected by the 12 Lancashire district councils (billing authorities) on behalf of the county council.

The council tax and non-domestic rates income is accounted for on an accruals basis and included in the comprehensive income and expenditure statement within taxation and non-specific grant income. However, the amount to be reflected in the general fund is determined by regulation, therefore, there is an adjustment for the difference between the accrued income and the amount required by regulation to be credited to the general fund made through the movement in reserves statement and the collection fund adjustment account.

The year-end balance sheet includes the council's share of debtors (arrears and collection fund surpluses), creditors (prepayments, overpayments and collection fund deficits) and provisions (non-domestic rates appeals).
Lancashire has a non-domestic rates pool which was established on 1 April 2016. It comprises the county council and most but not all of the local

authorities in Lancashire, with Ribble Valley Borough Council designated as lead authority. Lancashire County Council will receive 10% of the overall retained levy with each district within the pool retaining 90% of their levy. In the Lancashire non-domestic rates pool each council bears its own risk and takes its own reward under the pool agreement.

The net retained levy for the county council is shown within non-domestic rates retention income in the comprehensive income and expenditure statement.

Government grants and other contributions

Government grants, third party contributions and donations are recognised when there is reasonable assurance that the county council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Revenue grants are recognised in the comprehensive income and expenditure statement when the conditions attached to the grant or contribution have been satisfied.

At the end of the year if any grant monies are unspent, this is transferred to an earmarked reserve. When the grant is applied, an amount equal to the expenditure is transferred back from the earmarked reserve to the general fund.

Where conditions attached to the grants or contributions have not been met, monies received to date are carried in the balance sheet as receipts in advance and credited to the comprehensive income and expenditure statement when the conditions are satisfied.

Capital grants are credited to the comprehensive income and expenditure statement when any relevant conditions have been satisfied. This income is then reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Where grant conditions have not been satisfied then the monies received are carried in the balance sheet as receipts in advance.

Accounting policies for costs

Recognition of expenditure

Expenditure is accounted for in the financial year in which the activity it relates to takes place, not simply when cash payments are made.

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.

Charges to revenue for non-current assets

Services are charged with the following amounts to record the cost of holding property, plant and equipment 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.

Employee benefits

Employee benefits payable during employment

Short term employee benefits such as wages and salaries, paid annual leave and paid sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the comprehensive income and expenditure statement.

An accrual is made for the cost of holiday entitlements 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 the surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement to the accumulated absences adjustment account.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the county council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the respective service in the comprehensive income and expenditure statement, at the earlier of when the county council can no longer withdraw the offer of those benefits or when the county council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, regulations require the general fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Adjustments are made in the movement in reserves statement to transfer the accounting standards based entries to the pension reserve and replace these with the amount payable to the pension fund.

Post-employment benefits

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;

- 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 county council recognises the cost of post-employment benefits in the cost of services when they are earned by employees, although these benefits will not actually be payable until employees retire.

Statutory provisions require the general fund to be charged with the amount payable by the county council to the pension fund or directly to pensioners in the year, not the amount calculated according to accounting standards. The real cost of post-employment benefits is reversed out of the general fund via the movement in reserves statement and replaced with the cash paid to the pension fund and pensioners.

The balance on the pensions reserve measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The arrangements for the teachers' scheme and NHS scheme mean that liabilities for these benefits cannot be identified to the county council. The schemes are accounted for as if they were a defined contributions scheme and no liability for future payments of benefits is recognised in the balance sheet. The education and public health service revenue accounts are charged with the employer's contributions payable to teachers' and NHS pensions respectively.

Local government pension scheme

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.

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.

Discretionary benefits

The county council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Long term contracts

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services, with the works and services received under the contract during the financial year.

Overheads and support services

The costs of overheads and support services are charged to services in accordance with the county council's arrangements for accountability and financial performance.

Private finance initiative (PFI)

PFI and similar contracts are agreements to receive services, where responsibility for making available the property, plant and equipment needed to provide services passes to the PFI contractor. As the county council is deemed to control the services that are provided under the PFI schemes, and as ownership of the property, plant and equipment will pass to the county council at the end of the contracts for no additional charge, the county council carries the assets used under the contracts on the balance sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability, for amounts due to the scheme operation to pay for the capital investment.

Non-current assets related to these contracts and recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the county council.

The county council makes agreed payments each year to the operators, increased in line with inflation where stated in the contract and similarly reduced if performance falls below minimum standards in any year.

The charge made up of the cost of services received during the year, which is charged to the relevant service line in the comprehensive income and expenditure statement and a charge for the property, which is split between:

- The interest charge on the outstanding liability, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement;
- The contingent rent, debited to the financing and investment income line in the comprehensive income and expenditure statement;
- The payment towards the outstanding liability which is applied to write down the balance sheet liability;
- Lifecycle replacement costs (split between revenue and capital costs). Revenue lifecycle costs are debited to the relevant service in the comprehensive income and expenditure statement. Capital lifecycle costs are posted to the balance sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Provisions, contingent assets and contingent liabilities

Provisions

Provisions are made where an event has taken place that gives the county council a legal or constructive obligation that probably requires settlement, by a transfer of economic benefits or service potential and, a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement, in the year the county council becomes aware of the 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.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent assets

A contingent asset arises where an event has taken place that gives the county council a possible asset, whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the county council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent liabilities

Contingent liabilities arise where either:

- a possible obligation has arisen from past events, whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the county council.

- a present obligation may arise from past events, but it is not recognised because either it is not probable that the outflow of resources will be required or, the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Revenue expenditure funded from capital under statute

Capital expenditure incurred during the year that does not create an asset of the county council is charged to the relevant service in the comprehensive income and expenditure statement but funded from capital sources.

An adjustment is made in the movement in reserves statement from the general fund to the capital adjustment account to reverse out the amounts charged so that there is no impact on the level of council tax.

Value added tax (VAT)

The comprehensive income and expenditure account excludes amounts relating to VAT and will be included as an expense, only if it is not recoverable from Her Majesty's Revenue and Customs. 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 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.

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

Financial instruments

Financial instruments are recognised on the balance sheet when the county council becomes a party to the contractual provisions of a financial instrument.

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by investments, borrowing, cash, debtors and creditors are carried on the balance sheet at amortised cost.

Financial assets

Financial assets are classified based on the business model for holding the financial assets and their expected cash flow characteristics.

Financial assets are classified into one of three categories:

Financial assets measured at amortised cost

Where the county council's business model is to hold investments to collect contractual cash flows, the financial assets are classified as amortised cost.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are initially measured at purchase price and are subsequently measured at their amortised cost.

Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the county council, this means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest. Interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

There is no recognition of gains or losses on fair value until reclassification or de-recognition of the asset. Any gains or losses that arise on the de-recognition of the asset are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Financial assets measured at fair value through other comprehensive income (FVOCI)

The county council also holds investments with the objective of collecting contractual cash flows and selling assets in order to meet long term investment requirements while ensuring the county council is not subject to a high degree of credit risk. These assets are measured and carried at fair value. Interest is recognised in the comprehensive income and expenditure statement on the same basis as for amortised cost financial assets, as described above.

All gains or losses due to changes in the fair value of the assets (both realised and unrealised) are charged to the other comprehensive income and expenditure line in the comprehensive income and expenditure statement and balanced by an entry in the financial instruments revaluation reserve.

Any gains or losses that arise on the de-recognition of the asset are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any accumulated gains or losses previously recognised in the financial instruments revaluation reserve.

Financial assets measured at fair value through profit of loss (FVPL)

These assets are measured and carried at fair value.

All gains and losses due to changes in fair value are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement as they arise.

Where a number of identical assets, e.g. bonds, are held but the cost differs on de-recognition the gain or loss will be determined by the principal of first in/first out. There will an exception to this where there is a clearly linked transaction.

Expected credit loss model

The county council recognises expected credit losses on its financial assets held at amortised cost or FVOCI, (subject to materiality) either on a 12-month or lifetime basis.

Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Lifetime losses are recognised for trade receivables (debtors) held by the county council.

Financial liabilities

Financial liabilities are initially recognised on the balance sheet at fair value and carried at amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The amount presented in the balance sheet is the outstanding principal repayable plus accrued interest. Interest charged to the comprehensive income and expenditure statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, in the year of repurchase or settlement. Where premiums and discounts are charged to the comprehensive income and expenditure statement, regulations allow the impact on the general fund balance to be spread over future years.

The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Highways network infrastructure

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably.

Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost.

Property, plant and equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals 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.
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 three years.

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

Valuations are provided as at 1 April and are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. Assets which are valued using the depreciated replacement cost methodology are updated based on cost prices at 31 March.

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	20-50 years
Footways and cycletracks	40-50 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.

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 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.

Investment property

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. 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.

Fair value measurement

The county council measures some of its assets such as surplus assets, investment properties and some of its financial instruments at fair value at each reporting date. 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The county council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value, the county council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

Leases

Leases are classed as finance leases, where the terms of the lease transfer the majority of the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as operating leases.

Where the county council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal and replaced by a long term debtor in the balance sheet at an amount equal to the net investment in the lease. Finance income in respect of these debtors is recognised at a constant rate of return on the net investment outstanding in respect of that finance lease.

Reserves

The county council sets aside specific amounts as reserves for future policy purposes or, to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement.

When expenditure is incurred which is to be financed from an earmarked reserve, the expenditure is charged to the appropriate service revenue account in that year. An equal amount is transferred from the reserve to the general fund in the movement in reserves statement.

Certain reserves are held for technical accounting purposes in respect of non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the county council. These reserves are explained in the relevant notes.

Schools

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all deemed to lie with the council, therefore schools' assets, liabilities, reserves and cash flows are recognised in the council's financial statements as if they were transactions of the council.

Schools' non-current assets (school buildings and playing fields) are recognised on the balance sheet where the council directly owns the assets, where the council holds the balance of control of the assets or, where the school or the school governing body own the assets or have had rights to use the assets transferred to them.

Some voluntary aided and controlled schools are owned by trustees. However, these schools are included within the council's property, plant and equipment as the council receives the benefit from using the properties in terms of delivery of services and also meets the costs of service provision.

Capital expenditure on schools is added to the balances for those schools as reported in the property, plant and equipment note.

School assets are derecognised in full on the date that a school transfers to academy status.

Dedicated Schools Grant (DSG) is credited to the comprehensive income and expenditure statement based on amounts due from the Education and Skills Funding Agency. DSG is allocated to budgets delegated to individual schools and centrally retained council budgets. Expenditure from delegated schools and centrally retained budgets is charged to the comprehensive income and expenditure statement under education and children's services.

Technical annex

Lancaster

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

2022/23

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

	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	£m
Interest expense	46.8	0	0	0	0	46.8
Loss on de-recognition	0	0	0	0.2	0	0.2
Impairment losses	0	0	1.3	0	0	1.3
Fees paid	0.3	0	0	0	0	0.3
Interest payable and similar charges	**47.1**	**0**	**1.3**	**0.2**	**0**	**48.6**
Interest income	0	0	(7.1)	(15.9)	(0.8)	(23.8)
(Increases)/decreases in fair value	0	(12.8)	0	0	9.3	(3.5)
Gain on de-recognition	0	(14.1)	0	(0.9)	(0.3)	(15.3)
Interest and investment income	**0**	**(26.9)**	**(7.1)**	**(16.8)**	**8.2**	**(42.6)**
Net impact on the surplus or deficit on provision of services	**47.1**	**(26.9)**	**(5.8)**	**(16.6)**	**8.2**	**6.0**
Amounts recycled to the surplus/deficit on the provision of services	0	0	0	(0.4)	0	(0.4)
Loss on revaluation	0	0	0	182.6	0	182.6
Impact on other comprehensive income	**0**	**0**	**0**	**182.2**	**0**	**182.2**
Net (gain)/loss for the year	**47.1**	**(26.9)**	**(5.8)**	**165.6**	**8.2**	**188.2**

2021/22

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

	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	£m
Interest expense	35.8	0	0	0	0	35.8
Loss on de-recognition	0	6.5	0	0.1	10.9	17.5
Impairment losses	0	0	(9.5)	0	0	(9.5)
Fees paid	0.5	0	0	0	0	0.5
Interest payable and similar charges	**36.3**	**6.5**	**(9.5)**	**0.1**	**10.9**	**44.3**
Interest income	0	0	(2.8)	(5.6)	(2.0)	(10.4)
(Increases)/decreases in fair value	0	(7.3)	0	0	4.6	(2.7)
Gain on de-recognition	0	0	(2.0)	(20.9)	(16.6)	(39.5)
Interest and investment income	**0**	**(7.3)**	**(4.8)**	**(26.5)**	**(14.0)**	**(52.6)**
Net impact on the surplus or deficit on provision of services	**36.3**	**(0.8)**	**(14.3)**	**(26.4)**	**(3.1)**	**(8.3)**
Amounts recycled to the surplus/deficit on the provision of services	0	0	0	(45.7)	0	(45.7)
Loss on revaluation	0	0	0	83.2	0	83.2
Impact on other comprehensive income	**0**	**0**	**0**	**37.5**	**0**	**37.5**
Net (gain)/loss for the year	**36.3**	**(0.8)**	**(14.3)**	**11.1**	**(3.1)**	**29.2**

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.

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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.

Fair value of financial assets

31 March 2022				31 March 2023		
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			
580.9	580.9	1	Corporate, covered and government bonds	1	394.0	394.0
			Financial assets held at fair value through profit and loss			
56.4	56.4	1	Corporate bonds	1	53.0	53.0
24.1	24.1	2	LOBO loan investment	2	18.0	18.0
80.5	**80.5**		**Total**		**71.0**	**71.0**
			Financial assets held at amortised cost			
10.2	10.2	2	Local authority bonds	2	2.2	2.0
7.2	7.7	2	Long term bank deposits	2	10.2	9.9
26.9	31.2	2	Lease receivables	2	25.7	23.1
7.1	6.3	2	Long term loans to companies	2	7.1	6.6
51.4	**55.4**		**Subtotal**		**45.2**	**41.6**
712.8	**716.8**		**Total**		**510.2**	**506.6**
370.7			Assets for which fair value is not disclosed #		375.5	
1,083.5			**Total financial assets**		**885.7**	
26.9			Long term debtors		25.7	
605.4			Long term investments		413.5	
154.6			Short term debtors		199.9	
132.4			Short term investments		125.8	
164.2			Cash and cash equivalents		120.8	
1,083.5			**Total financial assets**		**885.7**	

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 higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made. This shows a notional future profit (based on economic conditions at the end of the financial year) attributable to the commitment to receive interest above current market rates.

Fair value of financial liabilities

31 March 2022				31 March 2023		
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			
(279.6)	(294.5)	2	Long term PWLB loans	2	(269.6)	(212.0)
(1.3)	(1.1)	2	Long term creditors	2	(1.3)	(0.9)
(591.4)	(536.4)	2	Long term loans	2	(593.1)	(457.7)
(10.0)	(10.2)	2	Other long term loans	2	(8.2)	(7.5)
(126.2)	(171.4)	2	PFI liabilities	2	(118.6)	(137.0)
(1,008.5)	**(1,013.6)**		**Total financial liabilities held at amortised cost**		**(990.8)**	**(815.1)**
			Financial liabilities held at fair value through profit and loss			
(64.7)	(64.7)	1	Short term liabilities for short investments	1	(19.6)	(19.6)
(64.7)	**(64.7)**		**Total financial liabilities held at fair value through profit and loss**		**(19.6)**	**(19.6)**
(578.4)			Liabilities for which fair value is not disclosed #		(595.8)	
(1,651.6)	**(1,078.3)**		**Total financial liabilities**		**(1,606.2)**	**(834.7)**
			Recorded on balance sheet as: -			
(246.5)			Short term creditors		(277.9)	
(325.1)			Short term borrowings		(310.4)	
(71.5)			Other current liabilities		(27.2)	
(1.3)			Long term creditors		(1.3)	
(881.0)			Long term borrowing		(870.8)	
(126.2)			Other long term liabilities		(118.6)	
(1,651.6)			**Total financial liabilities**		**(1,606.2)**	

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 higher than their balance sheet carrying amount because the council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date. This shows a notional future loss (based on economic conditions at the end of the financial year) arising from a commitment to pay interest to lenders above 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 2022/23 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.

Credit risk – treasury investments

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

31 March 2022		Credit rating	31 March 2023	
Long term	**Short term**		**Long term**	**Short term**
£m	**£m**		**£m**	**£m**
244.8	61.8	AAA	201.8	78.7
261.9	70.6	AA	139.2	47.1
91.5	0	BAA1	65.2	0
598.2	**132.4**	**Total**	**406.2**	**125.8**
7.1	0	Credit rating not applicable	7.1	0
605.3	**132.4**	**Total investments**	**413.3**	**125.8**
0.1	0	Accrued interest excluded	0.2	0
605.4	**132.4**	**Total investments**	**413.5**	**125.8**

The maximum single commercial exposure is to UKTI 0 ⅛ 03/22/2073 at £96 million, which is lower than individual counterparty limit of £500 million for cash deposits. Overall the portfolio is diversified by the use of 38 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 67% 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 2023. Most of the investments held were not below Moody's AA2 level except for the EDF bonds showing as BAA1.

In 2022/23 there are no treasury investments that have suffered a significant increase in credit risk since initial recognition.

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 2022	**(8.2)**	**(8.2)**
Impairment allowance for trade debtors	(1.3)	**(1.3)**
Balance at 31 March 2023	**(9.5)**	**(9.5)**

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 – 2022/23

	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	(310.3)	(354.9)	(29.8)	(56.2)	(430.0)	(1,181.2)
PFI liabilities	(7.7)	(35.1)	(60.8)	(22.6)	0	(126.2)
Creditors and other liabilities	(277.9)	0	0	(1.3)	0	(279.2)
Short-term liabilities for short investments	0	0	0	0	(19.6)	(19.6)
Total financial liabilities	**(595.9)**	**(390.0)**	**(90.6)**	**(80.1)**	**(449.6)**	**(1,606.2)**
Liquidity financial assets	128.9	58.5	189.5	18.9	210.3	606.1
Net liquidity risk	**(467.0)**	**(331.5)**	**98.9**	**(61.2)**	**(239.3)**	**(1,000.1)**

Discounted values – 2021/22

	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	(325.1)	(11.9)	(383.3)	(44.6)	(441.2)	(1,206.1)
PFI liabilities	(6.8)	(35.8)	(52.4)	(38.0)	0	(133.0)
Creditors and other liabilities	(246.5)	0	0	(1.3)	0	(247.8)
Short-term liabilities for short investments	0	0	0	0	(64.7)	(64.7)
Total financial liabilities	**(578.4)**	**(47.7)**	**(435.7)**	**(83.9)**	**(505.9)**	**(1,651.6)**
Liquidity financial assets	103.0	71.1	285.0	11.3	374.7	845.1
Net liquidity risk	**(475.4)**	**23.4**	**(150.7)**	**(72.6)**	**(131.2)**	**(806.5)**

The undiscounted values reflect the current financial liabilities and liquid assets as at 31 March 2023. These include all interest and principal repayments until maturity.

Undiscounted values – 2022/23

	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	(331.7)	(387.1)	(67.7)	(113.6)	(665.4)	(1,565.5)
PFI liabilities	(18.8)	(18.6)	(53.7)	(88.4)	(25.6)	(205.1)
Creditors and other liabilities	(277.9)	0	0	(1.3)	0	(279.2)
Short-term liabilities for short investments	(0.7)	(0.7)	(2.1)	(3.5)	(44.7)	(51.7)
Total financial liabilities	**(629.1)**	**(406.4)**	**(123.5)**	**(206.8)**	**(735.7)**	**(2,101.5)**
Liquidity financial assets	146.7	72.0	221.2	46.8	621.9	1,108.6
Net liquidity risk	**(482.4)**	**(334.4)**	**97.7**	**(160.0)**	**(113.8)**	**(992.9)**

Undiscounted values – 2021/22

	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	(337.6)	(27.9)	(423.7)	(102.9)	(690.4)	(1,582.5)
PFI liabilities	(18.6)	(18.8)	(57.4)	(84.3)	(44.5)	(223.6)
Creditors and other liabilities	(246.5)	0	0	(1.3)	0	(247.8)
Short-term liabilities for short investments	(1.4)	(1.4)	(4.2)	(7.0)	(90.8)	(104.8)
Total financial liabilities	**(604.1)**	**(48.1)**	**(485.3)**	**(195.5)**	**(825.7)**	**(2,158.7)**
Liquidity financial assets	153.2	90.3	279.9	54.7	594.3	1,172.4
Net liquidity risk	**(450.9)**	**42.2**	**(205.4)**	**(140.8)**	**(231.4)**	**(986.3)**

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:

- Maturing and available for sale short term investments, which could be used to pay down debt, should it become cost effective to do so.
- Long term loans of over £481 million with both the Public Works Loans Board and UK bond issuance, with maturity dates beyond 31 March 2028 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.

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.

	2022/23
	£m
Increase in interest payable on variable rate borrowings	2.3
Increase in interest receivable on variable rate investments	(0.7)
Decrease in fair value of traded investments	4.3
Decrease in fair value of borrowings held for trading	(3.7)
Impact on surplus on the provision of services	**2.2**
Decrease in fair value of fixed rate other comprehensive income investment assets	53.3
Impact on other comprehensive income and expenditure	**55.5**
Decrease in fair value of fixed rate loans and investments	0.3
Decrease in fair value of fixed rate borrowings	(51.3)

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 2023	Contractual rates 2022/23	Average rate paid 2022/23	Years to maturity at 31 March 2023
	£m	%	%	
Long term borrowing				
Fixed rate funding:				
Public works loan board	(269.6)	1.57 to 4.625	3.508	Over 1 year to 46 years
Long term bonds	(241.1)	1.625	1.625	37 years
Other long term loans	(5.0)	3.8	3.8	9 years
Total fixed rate funding	**(515.7)**			
Variable rate funding:				
Long term bonds	(352.0)	4.872	3.202	2 years
Salix funding	(3.1)	0	0	
Total long term borrowing	**(870.8)**			
Short term borrowing				
Fixed rate funding:				
Public works loan board	(10.0)	4.5	4.5	Less than 1 year
Other market loans	(212.0)	0.1 to 3.5	2.22	Less than 1 year
Accrued interest	(5.1)			
Total fixed rate funding	**(227.1)**			
Variable rate funding:				
Shared investment scheme	(79.7)	4.0 to 4.25	2.313	Less than 1 year
Salix funding	(1.8)	0	0	Less than 1 year
Other variable funding	(1.8)	4.25	2.288	Less than 1 year
Total variable funding	**(83.3)**			
Total short term borrowing	**(310.4)**			
Total borrowing	**(1,181.2)**			

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. At 31 March 2023 the fair values represented in the comprehensive income and expenditure statement recognised an overall gain of £6.7 million.

	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	(12.8)	6.1	(6.7)

The council is exposed to interest rate movements when it invests and borrows that can affect the fair value of assets and liabilities. Through investing in other local authorities the council was exposed to changes in the market value of those loans which in part varied due to the prevailing interest rate. Through the undertaking of a forward contract loan which is exposed to this same risk but negatively correlated in its affect, the potential impact is effectively hedged.

The fair value through profit and loss assets relate to LOBO loan investments with other local authorities and were valued at 31 March 2023, using the Bermudian SWAP basis, in accordance with industry standards. This methodology resulted in a decrease on the balance sheet values for these assets. There was a decrease in market prices for the UK government bonds and therefore reduced the liability owed by the council which offset the fair value losses from the LOBO assets resulting in a net gain of £6.7 million for these transactions.

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).

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 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 failure to settle a transaction in a timely manner. Deposits are not made with banks and financial instructions 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 European 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 2022/23 £80.7 million was paid to the Department for Education for teachers' pension costs. This represents 25.3% of teachers' pensionable pay (2021/22 £75.2 million and 23.7%).
- In 2022/23, the council paid £0.2 million to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 18% of pensionable pay (2021/22: £0.3 million and 17%).
- The council is also responsible for all discretionary pension payments awarded to teachers, together with related increases. In 2022/23, these amounted to £7.3 million, representing 2.3% of pensionable pay (2021/22: £7.4 million and 2.3%).

In addition to the recognised gains and losses included in the comprehensive income and expenditure statement, a re-measurement of the net defined liability gain of £1,861.7 million (2021/22: £538.4 million gain) was included. The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement is a £1,984.5 million gain.

Transactions relating to retirement benefits

	Local Government Pension Scheme		Teachers' Pension Scheme	
	2022/23	**2021/22**	**2022/23**	**2021/22**
	£m	**£m**	**£m**	**£m**
Comprehensive income and expenditure statement				
Cost of services				
Current service cost	192.2	180.0	0	0
Past service cost	0	0	0	0
(Gain)/loss from settlements and curtailments	0.6	0.4	0	0
Administration expenses	2.9	2.7	0	0
Financing and investment income and expenditure				
Net Interest expense	26.5	28.3	2.6	2.2
Total post-employment benefit charged to the surplus or deficit on the provision of services	**222.3**	**211.4**	**2.6**	**2.2**
Other post-employment benefit charged to the comprehensive income and expenditure statement				
Re-measurement of the net defined benefit liability:				
Return on plan assets (excluding the amounts included in net interest expense)	(18.9)	(464.0)	0	0
Experience (gains)/losses on liabilities	440.3	56.9	7.4	0.4
Actuarial (gains)/losses arising on changes in financial assumptions	(2,141.4)	(90.8)	(21.1)	0.9
Actuarial (gains)/losses arising on changes in demographic assumptions	(122.2)	(40.8)	(5.8)	(1.0)
Total re-measurement recognised in other comprehensive income				
Total post-employment benefit charged to the comprehensive income and expenditure statement	**(1,619.9)**	**(327.3)**	**(16.9)**	**2.5**
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	222.3	211.4	2.6	2.2
Actual amount charged against the general fund balance for pensions in the year				
Employers' contributions payable to the scheme	**77.2**	**73.3**	**10.0**	**10.0**

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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:

2021/22			2022/23	
Local government pension scheme	Teachers' pension scheme		Local government pension scheme	Teachers' pension scheme
£m	£m		£m	£m
4,310.9	0	Fair value of plan assets	4,429.2	0
(5,317.1)	(101.9)	Present value of the defined benefit obligation	(3,738.3)	(75.1)
(1,006.2)	**(101.9)**	**Net liability arising from defined benefit obligation**	**690.9**	**(75.1)**

Reconciliation of the movements in fair value of the scheme assets

2021/22		2022/23
£m		£m
3,795.0	**Opening balance as at 1 April**	**4,310.9**
464.0	Re-measurement (assets)	18.9
79.7	Interest on plan assets	121.0
(2.7)	Admin expenses	(2.9)
73.3	Employer contributions	77.2
27.2	Contributions from scheme participants	29.9
(125.6)	Benefits/transfers paid	(125.8)
4,310.9	**Closing balance as at 31 March**	**4,429.2**

Reconciliation of present value of the scheme liabilities

2021/22			2022/23	
Funded liabilities: Local government pension scheme	**Unfunded liabilities: Teachers' pension scheme**		**Funded liabilities: Local government pension scheme**	**Unfunded liabilities: Teachers' pension scheme**
£m	**£m**		**£m**	**£m**
(5,201.6)	**(109.6)**	**Opening balance as at 1 April**	**(5,317.1)**	**(101.9)**
(180.0)	0	Current service cost	(192.2)	0
(108.2)	(2.0)	Interest on pension liabilities	(147.6)	(2.7)
(27.2)	0	Contributions from scheme participants	(29.9)	0
125.6	10.0	Benefits/transfers paid	125.8	10.0
(0.4)	0	Curtailment cost	(0.6)	0
(56.9)	(0.4)	- Experience gains/(losses) on liabilities	(440.3)	(7.4)
90.8	(0.9)	- Actuarial gains/(losses) arising from changes in financial assumptions	2,141.4	21.1
40.8	1.0	- Actuarial gains/(losses) arising from changes in demographic assumptions	122.2	5.8
(5,317.1)	**(101.9)**	**Closing balance as at 31 March**	**(3,738.3)**	**(75.1)**

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Local Government Pension Scheme assets comprised:

31 March 2022	Asset category	Quoted in active markets (Y/N)	31 March 2023
£m			£m
	Equities:		
5.1	Financials	Y	5.2
	Bonds:		
17.7	UK corporate	Y	0
15.9	Overseas corporate	N	9.1
	Property:		
2.0	Offices	N	0.8
32.1	Industrial/warehouse	N	32.0
3.8	Shops	N	8.9
30.9	Multi let commercial building	N	25.0
	Alternatives:		
95.3	UK private equity	N	76.7
259.9	Overseas private equity	N	294.5
491.1	Infrastructure	N	689.0
576.9	Credit funds	N	642.7
187.4	Pooled fixed income	N	63.8
375.9	Indirect property funds	N	389.9
40.6	UK pooled equity	N	46.9
2,067.6	Overseas pooled equity funds	N	2,109.5
	Cash:		
119.6	Cash accounts	N	35.2
(11.0)	Net current assets/(liabilities)	N	0
4,310.9	**Total assets**		**4,429.2**

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 2019.

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

2021/22		2022/23
Mortality assumptions		
Longevity at 65 for current pensioners		
22.3 years	Male	21.5 years
25.0 years	Female	23.8 years
Longevity at 65 for future pensioners		
23.7 years	Male	22.8 years
26.8 years	Female	25.6 years
Financial assumptions		
3.3%	Rate of CPI inflation	2.7%
4.8%	Rate of increase in salaries	4.2%
3.4%	Rate of increase in pensions	2.8%
2.8%	Rate for discounting scheme liabilities	4.8%

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.

	Impact 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%)	(295.7)	(13.0)	(19.3)
Rate of inflation (increase by 0.25%)	159.9	7.4	7.8
Rate of increase in pay growth (increase by 0.25%)	19.9	0	1.0
1 year increase in life expectancy	77.1	2.1	3.8
Change in investment returns (increase by 1%)	(44.4)	0	(2.1)
Change in investment returns (decrease by 1%)	44.4	0	2.1

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 payment in advance 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 addition to the pre-payment above are £62.4 million.

Guaranteed minimum pension equalisation (GMP) – historic transfers

UK and European law require pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the 'Barber' judgement) and this includes providing equal benefits accrued from that date to reflect the differences in guaranteed minimum pensions.

In December 2020 a further High Court ruling extended GMP equalisation costs to historic transfers, potentially creating a further liability for pension schemes. However, it is unclear at this point how this latest ruling may (or may not) be relevant in the LGPS. Given the uncertainty around whether this applies to public sector schemes, the difficulty in obtaining the necessary historic data and the low likelihood of a material impact for employers, no adjustment has been included in the pension figures.

Group accounts and explanatory notes

Forest of Bowland

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

2021/22 restated				2022/23		
Gross expenditure	**Gross income**	**Net expenditure**		**Gross expenditure**	**Gross income**	**Net expenditure**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
745.8	(344.6)	401.2	Adult services and health and wellbeing [1]	791.3	(316.5)	474.8
264.2	(42.8)	221.4	Education and children's services [1]	321.9	(67.7)	254.2
254.4	(57.6)	196.8	Growth, environment and transport [1]	269.8	(77.9)	191.9
136.8	(50.5)	86.3	Resources [1, 2]	158.8	(52.7)	106.1
2.4	(6.3)	(3.9)	Chief executive services [1]	0.6	(3.1)	(2.5)
1,097.8	(1,029.4)	68.4	Schools	1,132.7	(1,065.0)	67.7
2,501.4	**(1,531.2)**	**970.2**	**Cost of services** [2]	**2,675.1**	**(1,582.9)**	**1,092.2**
23.8	(8.7)	15.1	Other operating income and expenditure	103.6	(14.4)	89.2
57.3	(47.5)	9.8	Financing and investment income and expenditure	77.6	(34.7)	42.9
0	(1,009.4)	(1,009.4)	Taxation and non-specific grant income	0	(1,059.1)	(1,059.1)
2,582.5	**(2,596.8)**	**(14.3)**	**(Surplus)/deficit on provision of services** [2]	**2,856.3**	**(2,691.1)**	**165.2**
5.4	0	5.4	Taxation on profit on ordinary activities (Note 6)	(3.6)	0	(3.6)
2,587.9	**(2,596.8)**	**(8.9)**	**Group (surplus)/deficit** [2]	**2,852.7**	**(2,691.1)**	**161.6**
		(85.6)	(Surplus)/deficit on revaluation of non-current assets			(111.1)
		(538.4)	Remeasurement of the net defined benefit pension liability/(asset)			(1,861.7)
		37.5	(Surplus)/deficit on financial assets measured at fair value through other comprehensive income			182.2
		(586.5)	**Other comprehensive income and expenditure**			**(1,790.6)**
		(595.4)	**Total comprehensive income and expenditure** [2]			**(1,629.0)**

[1] The council has restructured its services during 2022/23. The 2021/22 comparative figures have been restated to reflect the new structure.
[2] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

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2022/23

	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 2022	**(563.2)**	**(10.3)**	**(140.3)**	**(713.8)**	**(814.2)**	**(1,528.0)**	**(79.9)**	**(1,607.9)**
Movement in reserves during 2022/23								
Total comprehensive income and expenditure	155.4	0	0	155.4	(1,790.6)	(1,635.2)	6.2	(1,629.0)
Adjustment between accounting basis and funding basis under regulations	(110.4)	(10.8)	(25.0)	(146.2)	146.2	0	0	0
(Increase)/decrease in year	**45.0**	**(10.8)**	**(25.0)**	**9.2**	**(1,644.4)**	**(1,635.2)**	**6.2**	**(1,629.0)**
Balance at 31 March 2023	**(518.2)**	**(21.1)**	**(165.3)**	**(704.6)**	**(2,458.6)**	**(3,163.2)**	**(73.7)**	**(3,236.9)**

2021/22 restated

	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 2021	**(492.9)**	**(8.4)**	**(142.1)**	**(643.4)**	**(300.2)**	**(943.6)**	**(61.9)**	**(1,005.5)**
Movement in reserves during 2021/22								
Total comprehensive income and expenditure [1]	9.1	0	0	9.1	(586.5)	(577.4)	(18.0)	(595.4)
Adjustment between accounting basis and funding basis under regulations [1]	(72.4)	(1.9)	1.8	(72.5)	72.5	0	0	0
Adjustments between the group accounts and the council accounts	(7.0)	0	0	(7.0)		(7.0)	0	(7.0)
(Increase)/decrease in year [1]	**(70.3)**	**(1.9)**	**1.8**	**(70.4)**	**(514.0)**	**(584.4)**	**(18.0)**	**(602.4)**
Balance at 31 March 2022 [1]	**(563.2)**	**(10.3)**	**(140.3)**	**(713.8)**	**(814.2)**	**(1,528.0)**	**(79.9)**	**(1,607.9)**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

31 March 2022 restated		Note	31 March 2023
£m			£m
3,231.1	Property, plant and equipment		3,288.9
28.7	Heritage assets		28.7
86.2	Investment properties	8	83.9
17.4	Intangible assets		24.4
600.3	Long term investments		408.9
39.5	Long term debtors		37.7
0	Pension fund asset		690.9
4,003.2	Long term assets		**4,563.4**
133.5	Short term investments		127.0
4.0	Inventories		3.8
229.5	Short term debtors		276.8
19.9	Payments in advance		27.6
164.2	Cash and cash equivalents		120.9
551.1	Current assets		**556.1**
(315.6)	Short term borrowing		(303.9)
(311.6)	Short term creditors		(340.2)
(68.0)	Receipts in advance		(86.0)
(15.7)	Short term provisions		(10.1)
(71.4)	Other current liabilities		(27.2)
(782.3)	Current liabilities		**(767.4)**
(35.6)	Long term provisions		(41.2)
(11.8)	Deferred tax liability	9	(8.2)
(881.0)	Long term borrowing		(870.8)
(1.3)	Other long term creditors		(1.3)
(1,234.4)	Other long term liabilities [1]		(193.7)
(2,164.1)	Long term liabilities [1]		**(1,115.2)**
1,607.9	Net assets [1]		**3,236.9**
(713.8)	Usable reserves	10	(704.6)
(814.2)	Unusable reserves [1]		(2,458.6)
(79.9)	Subsidiary reserves	10	(73.7)
(1,607.9)	Total reserves [1]		**(3,236.9)**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

2021/22 restated		Note	2022/23
£m			**£m**
8.9	Net surplus/(deficit) on the provision of services [1]		(161.6)
233.7	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements [1]	11	309.7
(130.4)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	11	(131.8)
112.2	**Net cash flows from operating activities**		**16.3**
(15.7)	Investing activities	12	(5.1)
(199.4)	Financing activities	13	(54.5)
(102.9)	**Net increase/(decrease) in cash or cash equivalents**		**(43.3)**
267.1	Cash and cash equivalents at the beginning of the reporting period		164.2
164.2	**Cash and cash equivalents at the end of the reporting period**		**120.9**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions. The adjustments are shown in detail in Note 4 – Prior period adjustments.

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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 subsidiaries of Lancashire County Developments (Property) Limited and Lancashire County Developments (Investments) Limited are 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 2023 have been used for consolidation.

Note 3 - Entities not consolidated

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

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

Company	Interest	Relationship
Lancashire Renewables Limited	87.5%	Subsidiary
Marketing Lancashire Limited	100%	Subsidiary
Lancashire Enterprise Partnership Limited	33%	Joint venture (Dormant company)
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 (Dormant company)
Lancashire UDF - SPV2 Limited	100%	Subsidiary (Dormant company)

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;

The subsidiary company Lancashire County Developments (Investments) Limited was closed during the year as the main functions of the group were transferred to the Lancashire County Developments (Property) Limited in 2019/20.

Note 5 - Group fees payable to auditors

2021/22		2022/23
£000		**£000**
	Fees in respect of Lancashire County Council	
93.0	Fees incurred with regard to external audit services provided by Grant Thornton	103.1
7.0	Fees incurred for certification work undertaken by Grant Thornton	8.5
10.0	Fees payable in respect of other services provided by Grant Thornton	10.0
68.4	Fees payable in respect of additional prior year statutory audit work	53.0
(17.2)	Reimbursement from Public Sector Audit Appointment	0
161.2	**Total fees for Lancashire County Council**	**174.6**
	Fees in respect of Lancashire County Developments Limited	
25.2	Fees incurred with regard to external audit services provided by Beever and Struthers	30.2
13.9	Fees payable in respect of other services provided by Beever and Struthers during the year	4.0
39.1	**Total fees for Lancashire County Developments Limited**	**34.2**
200.3	**Total**	**208.8**

Note 6 - Group taxation

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

2021/22		2022/23
£m		£m
0.4	Deferred tax: origination and reversal of timing differences	0
5.0	Capital gains	(3.5)
5.4	**Total deferred tax**	**(3.5)**
5.4	**Taxation on profit on ordinary activities**	**(3.5)**

Note 7 - Group transfers to and from earmarked reserves

	Balance at 31 March 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31 March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31 March 2023
	£m	£m	£m	£m	£m	£m	£m
Total earmarked reserves of the council	**(492.9)**	**104.5**	**(174.8)**	**(563.2)**	**138.6**	**(93.6)**	**(518.2)**
Capital funding reserve	(8.7)	0	(7.0)	(15.7)	0.2	0	(15.5)
Profit and loss account	(18.9)	0	(3.6)	(22.5)	2.2	(1.1)	(21.4)
Total revenue and capital reserves of the subsidiary	**(27.6)**	**0**	**(10.6)**	**(38.2)**	**2.4**	**(1.1)**	**(36.9)**
Total reserves	**(520.5)**	**104.5**	**(185.4)**	**(601.4)**	**141.0**	**(94.7)**	**(555.1)**

Note 8 – Group investment properties

2021/22		2022/23
£m		£m
(4.5)	Rental Income from investment property	(4.8)
1.9	Direct operating expenses arising from investment property	2.1
(2.6)	**Total**	**(2.7)**

2021/22		2022/23
£m		£m
70.1	**Balance as at 1 April**	**86.2**
3.5	Additions	6.3
(0.1)	Disposals	(1.0)
12.7	Net gains/(losses) from fair value adjustments	(7.6)
86.2	**Balance as at 31 March**	**83.9**

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.

Valuation process for investment properties

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

The 2022/23 commercial unit valuations have been undertaken by Cushman and Wakefield, 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 2022			Property type	31 March 2023		
Balance sheet value	Fair value	Fair value level		Fair value level	Balance sheet value	Fair value
£m	£m				£m	£m
86.2	86.2	3	Commercial units	3	83.9	83.9
86.2	**86.2**		**Total**		**83.9**	**83.9**

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 2023 £m	Valuation technique	Unobservable inputs	%
Lancashire business park	69.1	Market rent	Net initial yield	5.48
			Reversionary yield	8.05
			Nominal equivalent yield	7.00
			True equivalent yield	7.29
White Cross business park	14.8	Market rent	Net initial yield	6.03
			Reversionary yield	10.26
			Nominal equivalent yield	9.04
			True equivalent yield	9.51

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

2021/22		2022/23
£m		£m
(6.4)	**Balance as at 1 April**	**(11.8)**
(5.4)	Charge for the year	3.5
(11.8)	**Balance as at 31 March**	**(8.3)**

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

Note 10 - Group reserves

The total usable reserves are shown in the table below:

31 March 2022		31 March 2023
£m		£m
(23.4)	General fund	(23.4)
(407.6)	Earmarked reserves	(386.0)
(132.2)	School reserves	(108.8)
(563.2)	**Total earmarked reserves of the council**	**(518.2)**
(140.3)	Capital grants unapplied reserve	(165.3)
(10.3)	Usable capital receipts	(21.1)
(713.8)	**Total usable reserves of the council**	**(704.6)**
(79.9)	Reserves of the subsidiary	(73.7)
(793.7)	**Total usable reserves of the group**	**(778.3)**

Note 11 - Group cash flows from operating activities

The cash flows for operating activities include the following items:

2021/22		2022/23
£m		£m
(35.0)	Interest received	(39.3)
37.7	Interest paid	43.4

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

2021/22 restated		2022/23
£m		£m
74.4	Depreciation	81.3
8.9	Impairment and downward/(upward) valuations	(27.1)
3.3	Amortisation of intangible assets	4.9
(2.4)	Increase/(decrease) in provision for bad debts	(11.1)
14.1	Increase/(decrease) in creditors	126.4
(5.7)	(Increase)/decrease in debtors	(99.1)
(1.2)	(Increase)/decrease in inventories	0.3
130.4	Movement in pension liability [1]	137.8
22.7	Carrying amount of non-current assets sold	102.5
(10.8)	Other non-cash items charged to the surplus or deficit on the provision of services	(6.2)
233.7	**Total** [1]	**309.7**

[1] The 2021/22 figures have been adjusted to correct the accounting entries for the early payment of the pension contributions.
The adjustments are shown in detail in Note 4 – Prior period adjustments.

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

2021/22 £m		2022/23 £m
(28.5)	Proceeds from short term (not considered to be cash equivalents) and long term investments (includes investments in associates, joint ventures and subsidiaries)	(1.1)
(6.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16.8)
(95.9)	Capital grants credited to the (surplus)/deficit on the provision of services	(113.9)
(130.4)	**Total**	**(131.8)**

Note 12 - Group cash flows from investing activities

2021/22 £m		2022/23 £m
(134.9)	Purchase of property, plant and equipment, investment property and intangible assets	(115.3)
(5,890.0)	Purchase of short term and long term investments	(2,987.0)
7.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	18.1
5,900.0	Proceeds from the sale of short term and long term investments	2,963.0
101.8	Other capital grants and receipts from investing activities	116.1
(15.7)	**Net cash flows from investing activities**	**(5.1)**

Note 13 - Group cash flows from financing activities

2021/22		2022/23
£m		£m
1,029.0	Cash receipts from short term and long term borrowing	1,036.3
(20.8)	Appropriate to/from collection fund adjustment account	(0.6)
(1,201.1)	Repayment of short term and long term borrowing	(1,065.2)
0	Other receipts from financing activities	(18.2)
(6.5)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(6.8)
(199.4)	**Net cash flows from financing activities**	**(54.5)**

Pension fund accounts and explanatory notes

River Ribble, Near Ribchester

Lancashire County Pension Fund

Fund account for year ended 31 March 2023

2021/22		Note	2022/23
£m	**Dealing with members, employers and others directly involved in the Fund**		**£m**
161.5	Contributions	6	172.5
15.9	Transfers in from other pension funds	7	17.8
177.4	**Additions from dealings with members**		**190.3**
(306.6)	Benefits	8	(314.5)
(14.4)	Payments to and on account of leavers	9	(18.9)
(321.0)	**Withdrawals from dealing with members**		**(333.4)**
(143.6)	**Net withdrawals from dealings with members**		**(143.1)**
(168.1)	Management expenses	10	(116.8)
(311.7)	**Net withdrawals including fund management expenses**		**(259.9)**
	Returns on investments		
200.1	Investment income	11	184.7
1,217.8	Profit and losses on disposal of investments and changes in the value of investments	13	210.9
1,417.9	**Net return on investments**		**395.6**
1,106.2	**Net increase in the net assets available for benefits during the year**		**135.7**
9,605.3	**Opening net assets of the scheme**		**10,711.5**
10,711.5	**Closing net assets of the scheme**		**10,847.2**

Net assets statement as at 31 March 2023

31 March 2022		Note	31 March 2023
£m			**£m**
10,644.0	Investment assets	13	10,786.9
55.4	Cash deposits	13	45.9
10,699.4	**Total net investments**		**10,832.8**
19.9	Current assets	19	19.8
(7.8)	Current liabilities	20	(5.4)
10,711.5	**Net assets of the fund available to fund benefits at the end of the reporting period**		**10,847.2**

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

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2023 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 2022/23 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 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

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, which are wholly owned subsidiaries of Local Pensions Partnership (LPP), a joint venture owned, in equal shares, by Lancashire County Council and the London Pension Fund Authority (LPFA).

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

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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 2023 is detailed in the following table:

31 March 2022	Lancashire County Pension Fund	31 March 2023
305	Number of employers with active members[1]	324
157	Number of ceased employers (no active members but some outstanding liabilities)	167
	Number of active scheme members[2]	
26,545	County Council	27,275
29,142	Other employers	29,906
55,687	**Total**	**57,181**
	Number of pensioners	
27,024	County Council	27,967
27,412	Other employers	28,479
54,436	**Total**	**56,446**
	Number of deferred pensioners[2]	
36,583	County Council	36,400
36,992	Other employers	39,581
73,575	**Total**	**75,981**
183,698	**Total membership**	**189,608**

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

[2] March 2022 membership numbers have been adjusted to transfer 3,914 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 5,273 pending leavers has been made at 31 March 2023.

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 2023. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2022/23 are based on the valuation at 31 March 2019. The latest valuation was at 31 March 2022 for the three years commencing 1 April 2023.

Employer contribution rates for 2022/23 range from 0.0% to 30.3% of pensionable pay, with a primary rate of 17.4%, 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 1/80th x final pensionable salary.	Each year worked is worth 1/60th x final pensionable salary.	Each year worked is worth 1/49th x the pensionable pay for that year (or 1/98th of pensionable pay if member opts for the 50/50 section of the scheme).
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2022/23* 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 2022/23,* 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 2023 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2022/23.

Events after the reporting period and contingent liabilities

Non adjusting events after the reporting period

Following the end of the year the Fund has continued with investing activities in line with the Fund's investment strategy. As a result, the Fund's investment assets continued to increase in the year to 29 Feb 2024 to £11.64bn. (Note: the February 2024 value has not yet been audited). Further information on the investment strategy can be found on the Fund's website at https://lancashirecountypensionfund.org.uk/.

Note 3 - Accounting policies

Fund account - revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

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

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

Investment income

Interest income

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

Income from pooled funds

Income (distributions) from pooled funds are recognised at the date of issue. It is the policy of the Fund to reinvest distributions on the LPPI Global Equities, these distributions are recognised as investment income and the subsequent reinvestments are recorded as a purchase.

Net income from properties

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

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

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

Movement in the net market value of investments

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

Fund account – expense items

Benefits payable

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

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 a fund expense as it arises.

Management expenses

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

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

Administrative expenses

Administrative expenses consist of the following:

- Expenses related to LGPS members and pensioners. These include all activities the Fund must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;
- Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers; and
- Associated project expenses.

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs

Oversight and governance expenses include the following costs:

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

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

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 2022/23, 3.1m of fees is based on such estimates (2021/22: £16.8m).

Net assets statement

Financial assets

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

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

Freehold and leasehold properties

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

The properties were valued at open market value at 31 March 2023 by independent property valuers Avison Young in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2022.

Foreign currency transactions

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

Financial assets at amortised cost

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

Actuarial present value of promised retirement benefits

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

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

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

Global Equities

The LPPI Global Equities Fund has been categorised at level 1 in the fair value hierarchy as the NAV provided to the fund is the accumulation of the quoted prices of the underlying assets as of 31 March 2023. All the underlying assets are level 1 quoted securities and no adjustments have been made to the NAV such as for fees on exiting the fund.

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 in the net assets statement at 31 March 2023 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 and infrastructure investments	Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statement's totals £2,595.8m (2021/22: £2,318.3m). Notes 16 and 17 provide 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 £1,626.0m (2021/22: £1,416.7m excluding investment in loans secured on real assets). Notes 16 and 17 provide 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 £910.8m (2021/22: £944.6m). Notes 16 and 17 provide 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.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to relating to future experience - the main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed real rate of 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. Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of COVID19 / Ukraine, and the court of appeal ruling on the Sergeant and McCloud cases and	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 £401m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £103m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £189m. 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

	current high levels of inflation. Further information can be found in note 24 to these accounts.	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.

Note 6 - Contributions receivable

2021/22		2022/23
£m	**By category**	**£m**
67.7	**Members**	**73.4**
	Employers:	
86.9	Normal contributions[1]	91.2
5.0	Deficit recovery contributions[1]	6.3
1.9	Augmentation contributions [2]	1.6
93.8	**Total employers contributions**	**99.1**
161.5	**Total contributions receivable**	**172.5**
	By type of employer	
59.9	County Council [1]	62.7
80.9	Scheduled bodies [1]	88.6
20.7	Admitted bodies	21.2
161.5		**172.5**

[1] Following the actuarial valuation in 2019, 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 and deficit recovery contributions for the year ended 31 March 2021 included £87.3m in relation to 2021/22 and £88.4m in relation to 2022/23.

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

Note 7 - Transfers in from other pension funds

2021/22		2022/23
£m		£m
15.9	Individual transfers in from other schemes	17.8
15.9		**17.8**

Note 8 - Benefits payable

2021/22		2022/23
£m	**By category**	£m
253.1	Pensions	266.5
44.6	Commutation and lump sum retirement benefits	43.7
8.9	Lump sum death benefits	4.3
306.6	**Total benefits payable**	**314.5**
	By type of employer	
127.1	County Council	130.5
153.8	Scheduled bodies	158.6
25.7	Admitted bodies	25.4
306.6		**314.5**

Note 9 - Payments to and on account of leavers

2021/22		2022/23
£m		£m
1.0	Refunds to members leaving service	0.7
13.4	Individual transfers	18.2
14.4		**18.9**

Note 10 - Management expenses

2021/22		2022/23
£m		£m
4.1	Fund administrative costs	4.2
162.6	Investment management expenses[1]	110.9
1.4	Oversight and governance costs [2]	1.7
168.1		**116.8**

[1]The decrease in investment management expenses in 22/23 is mainly due to a decrease in the performance of the fund's assets.

[2] Oversight and governance costs above include external audit fees which amounted to £51,036 (2021/22: £37,423). Additional fees of £25,800 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

Investment management expenses

31 March 2023

	Total	Management fees[2]	Performance related fees	Transaction costs[1]
	£m	**£m**	**£m**	**£m**
Pooled investments	97.7	66.9	27.0	3.8
Pooled property investments	12.8	10.2	1.0	1.6
Property	0.2	0.2	-	
Cash deposits	0.1	0.1		
	110.8	**77.4**	**28.0**	**5.4**
Custody fees	0.1			
	110.9			

31 March 2022

	Total	Management Fees	Performance Related fees[2]	Transaction Costs[1]
	£m	**£m**	**£m**	**£m**
Pooled investments	148.1	84.7	61.8	1.6
Pooled property investments	9.8	6.4	0.3	3.1
Property	4.5	0.2	4.3	-
Cash deposits	0.1			
	162.5	**91.3**	**66.4**	**4.7**
Custody fees	0.1			
	162.6			

[1]Transaction costs are not directly invoiced to the Fund and are included within the net asset value of investments by investment managers. In accordance with CIPFA guidance these fees are identified and reported through the Fund account.

[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.

Note 11 - Investment income

2021/22		2022/23
£m		£m
0.9	Fixed interest securities	1.1
166.5	Pooled investment vehicles	151.5
25.1	Pooled property investments	24.6
7.7	Net rents from properties	6.2
(0.1)	Interest on cash deposits	1.3
200.1	**Total investment income**	**184.7**

Note 12 - Property income

2021/22		2022/23
£m		£m
10.6	Rental income	9.8
(2.9)	Direct operating expenses	(3.6)
7.7	**Net income**	**6.2**

Note 13 - Reconciliation of movements in investments

	Market value as at 1 April 2022	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2023
	£m	**£m**	**£m**	**£m**	**£m**
Fixed interest securities	76.4	-	(52.9)	(1.3)	22.2
Pooled investment vehicles	9,387.5	682.0	(703.7)	302.5	9,668.3
Pooled property investments	944.6	38.5	(12.8)	(59.5)	910.8
Private equity	12.5	-			12.5
Direct property	172.1	11.5	-	(30.8)	152.8
	10,593.1	**732.0**	**(769.4)**	**210.9**	**10,766.6**
Cash deposits	55.4				45.9
Loan Investments	50.0				20.0
Investment accruals	0.9				0.3
Net investment assets	**10,699.4**				**10,832.8**

	Market value as at 1 April 2021	Purchases at cost	Sales proceeds	Change in value during the year [1]	Market value as at 31 March 2022
	£m	**£m**	**£m**	**£m**	**£m**
Fixed interest securities	44.5	118.1	(85.1)	(1.1)	76.4
Index linked securities	-	-	-	-	-
Pooled investment vehicles	8,056.7	832.9	(572.9)	1,070.9	9,387.5
Pooled property investments	1,161.8	-	(353.7)	136.5	944.6
Private equity	12.5	-			12.5
Direct property	159.7	0.9	-	11.5	172.1
	9,435.2	**951.9**	**(1,011.7)**	**1,217.8**	**10,593.1**
Cash deposits	108.4				55.4
Loan investments	55.0				50.0
Investment income due	0.7				0.9
Net investment assets	**9,599.3**				**10,699.4**

Investments analysed by fund manager

31 March 2022			31 March 2023	
£m	% of net investment assets		£m	% of net investment assets
Private equity investments				
907.7	8.5%	LPPI Private Equity Fund	876.2	8.1%
Private equity investments managed outside of LPPI Private Equity Fund				
12.1	0.1%	Trilantic Capital Partners	7.8	0.1%
12.5	0.1%	Local Pensions Partnership Limited	12.5	0.1%
932.3	**8.7%**	**Total private equity investments**	**896.5**	**8.3%**
Long term credit investments				
1,342.2	12.5%	LPPI Credit Investments	1,571.2	14.5%
Credit investments managed outside of LPPI Credit Investments Fund				
31.1	0.3%	CRC	26.8	0.3%
26.6	0.3%	Neuberger Berman	21.9	0.2%
11.1	0.1%	Pimco Bravo	2.5	-
4.1	-	Bridgepoint[1]	3.4	-
1.5	-	Hayfin	0.2	-
1,416.7	**13.2%**	**Total long term credit investments**	**1,626.0**	**15.0%**
Fixed income investments				
398.6	3.7%	LPPI Fixed Income Fund	156.3	1.4%
Liquid credit investments managed outside of LPPI Fixed Income Fund				
182.6	1.7%	LPPI internal and LCC Treasury Management	88.3	0.8%
581.2	**5.4%**	**Total fixed income investments**	**244.6**	**2.2%**
Global equity investments				

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5,164.5	48.3%	LPPI Global Equities Fund	5,191.3	47.9%
5,164.5	**48.3%**	**Total global equity investments**	**5,191.3**	**47.9%**
Infrastructure investments				
1,255.4	11.8%	LPPI Global Infrastructure Fund	1, 605.5	14.9%
Infrastructure investments managed outside of LPPI Global Infrastructure Fund				
40.4	0.4%	Icon Infrastructure Partners	48.5	0.5%
66.9	0.6%	Arclight Energy	36.4	0.3%
5.5	0.1%	Pike Petroleum Holdings LLC	4.7	-
14.1	0.1%	Highstar Capital	2.4	-
3.7	-	Eastern Generation Holdings LLC	1.8	-
130.6	**1.2%**		**93.8**	**0.8%**
1,386.0	**13.0%**	**Total infrastructure investments**	**1,699.3**	**15.7%**
Diversifying strategy investments				
101.9	1.0%	LPPI Diversifying Strategies Fund	111.5	1.0%
101.9	**1.0%**	**Total diversifying strategies investments**	**111.5**	**1.0%**
Property investments				
Directly held properties				
172.1	1.6%	Knight Frank	152.8	1.4%
Pooled property funds				
Core property				
944.6	8.8%	LPPI Real Estate Fund	910.8	8.4%
1,116.7	**10.4%**	**Total property investments**	**1,063.6**	**9.8%**
10,699.4	**100.0%**	**Net investment assets**	**10,817.8**	**100.0%**

[1]Bridgepoint Credit formerly EQT Credit

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

Fixed interest securities

31 March 2022		31 March 2023
£m		**£m**
42.8	UK corporate bonds quoted	-
33.6	Overseas corporate bonds/supernational bonds quoted	22.2
76.4		**22.2**

Pooled investment vehicles

31 March 2022		31 March 2023
£m	**UK funds:**	**£m**
398.6	Fixed income funds	156.3
185.6	Private equity	192.9
1,255.4	Infrastructure	1,605.5
1,343.8	Long term credit investments	1,571.4
944.6	Property funds	910.8
101.9	Diversifying strategies	111.5
	Overseas funds:	
68.8	Fixed income funds	-
734.2	Private equity	691.1
130.6	Infrastructure	93.7
4.1	Long term credit investments	54.6
5,164.5	Equity funds[1]	5,191.3
10,332.1		**10,579.1**

[1]The LPPI Global Equities Fund includes UK equities.

Direct property investments

31 March 2022		31 March 2023
£m		**£m**
134.4	UK – freehold	120.8
37.7	UK – long leasehold	32.1
172.1		**152.8**

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 2022		31 March 2023
£m		**£m**
159.7	**Opening balance**	**172.1**
	Additions:	
-	• Purchases	11.1
0.5	• New construction	-
0.4	• Subsequent expenditure	0.4
11.5	Net increase/decrease in market value	(30.8)
172.1	**Closing balance**	**152.8**

Leases

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

Residual asset risk

The independent valuation of the direct property portfolio considers the level of committed tenancies amongst other variables. Lessees do not have an option to purchase the properties at the expiry of their lease period and all rental contracts include market review clauses in the event that the lessee exercises an option to renew. Rental income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). As at 31 March 2023, the Fund has the following future minimum lease payments due from tenants.

2021/22		2022/23
£m		£m
0.3	Leases expiring within one year	0.3
12.9	Leases expiring between one and five years	6.6
69.2	Leases expiring later than five years	91.1
82.4	**Total future minimum lease payments receivable under existing non-cancellable leases**	**98.0**

The above disclosures have been reduced by a credit loss allowance of 5.0% for the county portfolio and 6.3% for the national portfolio (2021/22: 2.6%) 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.

Cash deposits

31 March 2022		31 March 2023
£m		£m
33.2	Sterling	42.0
22.2	Foreign currency	3.9
55.4		**45.9**

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 2023

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	22.2		
Loan investments		20.0	
Pooled investment vehicles	9,668.3		
Pooled property investments	910.8		
Directly held private equity	12.5		
Cash deposits		45.9	
Investment accruals	0.3		
Debtors		19.8	
Total financial assets	**10,614.1**	**85.7**	
Financial liabilities			
Creditors			5.4
Total financial liabilities			**5.4**

31 March 2022

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	76.4		
Loan investments		50.0	
Pooled investment vehicles	9,387.5		
Pooled property investments	944.6		
Directly held private equity	12.5		
Cash deposits		55.4	
Investment accruals	0.9		
Debtors		19.9	
Total financial assets	**10,421.9**	**125.3**	
Financial liabilities			
Creditors			7.8
Total financial liabilities			**7.8**

Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £241.7m (2021/22: £1,206.3m gain). Note 13 outlines the change in Market Value of Fund Asset's, of which, £3.6m relates to unrealised gains and £238.1m 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

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

Level 3

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

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

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 2023

	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	5,213.7	156.3	5,244.1	10,614.1
Financial Assets at amortised cost[1]	45.9	34.4	-	80.3
Non-financial assets at fair value through profit and loss (property holdings)[1]	-	-	152.8	152.8
Net investment assets	**5,259.6**	**190.7**	**5,396.9**	**10,847.2**

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

31 March 2022

	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	5,240.3	398.6	4,783.0	10,421.9
Financial assets at amortised cost[1]	55.4	62.1	-	117.5
Non-financial assets at fair value through profit and loss (property holdings) [1]	-	-	172.1	172.1
Net investment assets	**5,295.7**	**460.7**	**4,955.1**	**10,711.5**

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

The fair value figures for the previous year have been restated for changes in the classification of assets, there is no impact on any of the main financial statements, this is a disclosure amendment only.

Basis of valuation

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

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 2023.

Description of asset	Assessed valuation range[1]	Value at 31 March 2023	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	12.60%	896.5	1,009.5	783.5
Infrastructure funds	6.30%	1,699.2	1,806.3	1,592.2
Long term credit	6.30%	1,626.0	1,728.4	1,523.6
Diversifying strategies	6.30%	111.5	118.6	104.5
Property/Property funds	6.60%	1,063.7	1,133.8	993.5
Level 3 investments		**5,396.9**		

[1] All movements in the assessed valuation range derive from changes in the underlying profitability of component companies and investments.

Reconciliation of fair value measurements within level 3

	Fixed income funds	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	£m
Market value 1 April 2022	**68.8**	**932.3**	**1,386.5**	**1,348.8**	**1,116.8**	**101.9**	**4,955.1**
Purchases during the year and derivative payments	-	76.6	329.2	220.0	50.1	-	675.9
Sales during the year and derivative receipts	(70.7)	(172.8)	(127.7)	(29.7)	(12.8)	(2.1)	(415.7)
Unrealised gains / (losses)	(3.7)	(24.3)	72.2	86.9	(90.4)	11.7	52.4
Realised gains	5.6	84.7	39.0	-	-	-	129.2
Market value 31 March 2023	**-**	**896.5**	**1,699.2**	**1,626.0**	**1,063.7**	**111.5**	**5,396.9**

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.

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 2022/23 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	4.0%
Total equities	12.6%
Alternatives	6.3%
Total property	6.6%

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 2023	Potential market movements (+/-) [1]	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	6,088	12.6%	6,855	5,321
Alternatives	3,593	6.3%	3,820	3,367
Total property	1,064	6.6%	1,134	993
Total bonds (including index linked)	22	4.0%	23	21
Total assets available to pay benefits[2]	**10,767**	**5.9%**	**11,402**	**10,132**

[1]The potential market movement has been separately assessed for each asset class including the total assets of the fund, as such, the sum of the potential change in individual assets may not equal the potential change of the total assets of the fund.
[2]The sensitivity table above excludes the cash and loan investments.

Asset type	31 March 2022	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	6,097	13.5%	6,917	5,277
Alternatives	3,303	5.6%	3,489	3,118
Total property	1,117	4.2%	1,164	1,070
Total bonds (including index linked)	76	5.8%	81	72
Total assets available to pay benefits	**10,593**	**6.4%**	**11,267**	**9,919**

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 Standards (9th edition). The valuer considers the equivalent yield, which represents the return a property will produce, to value the properties.

The below table shows the market value of the portfolio after a potential movement in the equivalent yield being obtained by the properties.

Asset type	Asset value as at 31 March 2023	Potential movement in equivalent yield			
		-0.5%	+0.5%	-1.0%	+1.0%
	£m	£m	£m	£m	£m
Direct property	152.8	158.0	142.0	167.9	135.3

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 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2022	Asset type	31 March 2023
£m		£m
55.4	Cash and cash equivalents	45.9
55.4	**Total**	**45.9**

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:

		Impact of	
	31 March 2023	1% increase	1% decrease
Asset type	£m	£m	£m
Cash and cash equivalents	45.9	0.5	(0.5)
Total change in assets available		**0.5**	**(0.5)**

		Impact of	
	31 March 2022	1% increase	1% decrease
Asset type	£m	£m	£m
Cash and cash equivalents	55.4	0.6	(0.6)
Total change in assets available		**0.6**	**(0.6)**

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 2023 and as at the previous year end.

31 March 2022	Currency exposure – asset type	31 March 2023
£m		£m
5,898.7	Overseas equities	5,882.4
203.5	Overseas alternatives	148.5
33.6	Overseas bonds (including index linked)	22.2
6,315.8	**Total overseas assets**	**6,053.1**

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.5%. A 6.5% 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 (2021/22: 5.5%).

A 6.5% 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 2023	Potential market movement +/- 6.5%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	5,882.4	383.1	6,265.5	5,499.3
Overseas alternatives	148.5	9.7	158.2	138.8
Overseas bonds (including index linked)	22.2	1.4	23.6	20.8
Total assets available to pay benefits	**6,053.1**	**394.2**	**6,447.3**	**5,658.9**

Currency exposure - asset type	Asset value at 31 March 2022	Potential market movement +/- 5.5%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	5,898.7	323.1	6,221.8	5,575.6
Overseas alternatives	203.5	11.1	214.6	192.4
Overseas bonds (including index linked)	33.6	1.8	35.4	31.8
Total assets available to pay benefits	**6,135.8**	**336.0**	**6,471.8**	**5,799.8**

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

Currency	Asset value at 31 March 2023	Potential market movement (+/-) [1]	Value on increase	Value on decrease
	£m	%	£m	£m
Canadian Dollar	32.0	5.7	33.8	30.2
Euro	264.8	5.3	279.0	250.7
Singapore Dollar	9.1	5.7	9.6	8.6
Swedish Krona	1.2	6.0	1.3	1.1
US Dollar	554.7	9.1	605.3	504.1
Global Basket	5,191.3	6.9	5,547.9	4,834.6
Total holdings in foreign currencies	**6,053.1**	**6.5**	**6,447.3**	**5,658.9**

[1]The potential market movement has been separately assessed for each currency including the Total holdings in Foreign Currencies, as such, the sum of the potential change in individual currencies may not equal the potential change of the Total Holdings in Foreign Currencies.

Currency	Asset value at 31 March 2022	Potential market movement (+/-) [1]	Value on increase	Value on decrease
	£m	%	£m	£m
Canadian Dollar	28.2	6.2	30.0	26.5
Euro	297.6	5.6	314.2	281.0
Singapore Dollar	15.3	5.7	16.2	14.4
Swedish Krona	2.6	6.9	2.7	2.5
US Dollar	627.6	8.3	679.7	575.5
Global Basket	5,164.5	6.1	5,479.0	4,850.0
Total holdings in foreign currencies	**6,135.8**	**5.5**	**6,471.9**	**5,799.7**

[1]The potential market movement has been separately assessed for each currency including the Total holdings in Foreign Currencies, as such, the sum of the potential change in individual currencies may not equal the potential change of the Total Holdings in Foreign Currencies.

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial asset and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimise the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remain outstanding, and the cost of replacing the derivatives position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.
Credit risk on over-the-counter derivatives contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independent and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £45.9m (31 March 2022: £55.4m) and was held with the following institutions:

31 March 2022	Summary	Rating	31 March 2023
£m			£m
	Bank deposit accounts		
33.3	Northern Trust	A2	7.0
21.0	Svenska Handelsbanken	AA2	38.7
0.9	Natwest	A1	0.1
	Cash float with property manager		
0.2	Barclays Bank Plc	A1	0.1
55.4	**Total**		**45.9**

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 £5.4m at 31 March 2023, all of which is due within one year.

Note 18 - Additional voluntary contributions (AVC)

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Utmost Life and Pensions and Prudential is shown below. (This summary has not been subject to review and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2022 to 31 March 2023 for Prudential and are the latest available to the fund due to delays in the production of the annual benefits statement by the AVC provider and 1 September 2019 to 31 August 2020 for Utmost Life and Pensions and are not included in the Pension Fund accounts, in accordance with *Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.*

31 March 2023

	Utmost Life and Pensions	Prudential	Total
	£m	£m	£m
Value at start of the year	**0.6**	**32.9**	**33.5**
Income (incl. contributions, bonuses, interest and transfers in)	-	7.5	7.5
Expenditure (incl. benefits, transfers out and change in market value)	-	(5.7)	(5.7)
Value at the end of the year	**0.6**	**34.7**	**35.3**

Note 19 - Current assets

31 March 2022		31 March 2023
£m		**£m**
10.5	Contributions due – employers	8.2
6.4	Contributions due – members	6.2
3.0	Sundry debtors	5.4
19.9		**19.8**

Note 20 – Current liabilities

31 March 2022		31 March 2023
£m		**£m**
1.5	Unpaid benefits	-
6.3	Accrued expenses	5.4
7.8		**5.4**

Note 21 - Contractual commitments

As at 31 March 2023 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity and infrastructure part of the portfolio totalled £602.0m (2022: £526.1m). 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 £39.7m (2022: £65.2m). 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 (2022: £0m).

There are no outstanding commitments in relation to the Pooled real estate fund (2022: £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 £1.0m (2021/22: £1.0m) 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 £32.9 to the Fund in 2022/23. A prepayment of contributions for the 3-year period starting 1 April 2020 totalling £120.5m, of which, £40.2m relates to 2022/23. Total employer contributions from the Council in 2022/23 amounted to £73.1m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of the London Pension Fund Authority. LPP manages the investment and administration functions of the Fund and the Fund makes regular payments to LPP to cover investment management charges and scheme administration expenses.

Payments made for the year to 31 March 2023 amount to £5.1m (2021/22: £4.9m).

The Fund has a private equity investment of £12.5m in the Local Pensions Partnership as at 31 March 2023.

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 2023 payroll, are included within current assets in note 19.

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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 2022/23 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2023.

Each member of the Pension Fund Committee and Pension Board formally considers conflicts of interest at each meeting.

Note 23 - Key management personnel

The key management personnel of the Fund are the Lancashire County Council Chief Executive and 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:

2022/23

	Employment period	Salary[1]	Employer Pension contributions[1]	Total including pension contributions[1]
		£	£	£
Head of Fund	01/04/22 – 31/03/23	77,462	13,169	90,631
Director of Finance	01/04/22 – 31/03/23	1,074	183	1,256
Chief Executive and Director of Resources	01/04/22 – 31/03/23	4,451	-	4,451

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

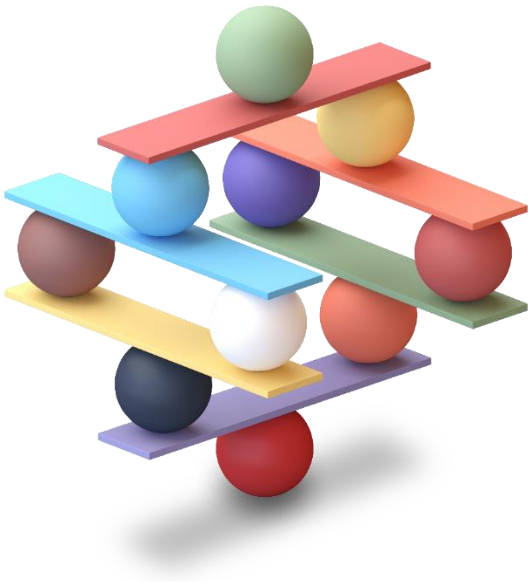
2021/22

	Employment period	Salary[1]	Employer Pension contributions[1]	Total including pension contributions[1]
		£	£	£
Head of Fund	01/04/21 – 31/03/22	74,932	12,738	87,670
Director of Finance	01/04/21 – 31/03/22	2,269	359	2,627
Chief Executive and Director of Resources	01/04/21 – 31/03/22	4,560	-	4,560

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

Note 24 - Funding arrangements

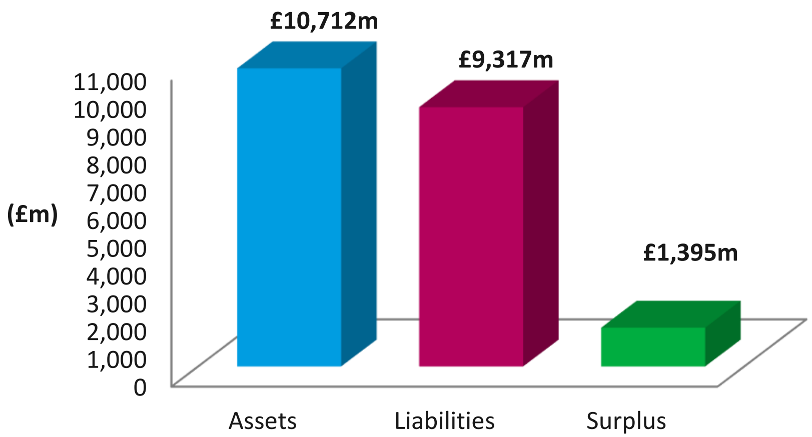
Accounts for the year ended 31 March 2023 - Statement by the Consulting Actuary



This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund’s assets of £10,712 million represented 115% of the Fund’s past service liabilities of £9,317 million (the “Solvency Funding Target”) at the valuation date. The surplus at the valuation was therefore £1,395 million.



115% Funded

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The valuation also showed that a Primary contribution rate of 19.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years for employers in deficit (16 years for employers in surplus). The total initial recovery payment (the "Secondary rate" for 2023/26) was an offset of approximately £27m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)		
Category A employers*	4.5% per annum	5.0% per annum
Category B employers*	4.25% per annum	4.75% per annum
Rate of pay increases (long term)	4.6% per annum	4.6% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.1% per annum	3.1% per annum

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**As defined in the FSS, but broadly speaking category A employers have a taxpayer guarantee / taxpayer backing, and category B employers do not*

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum

	31 March 2022	31 March 2023
Rate of CPI Inflation / CARE benefit revaluation	3.3% per annum	2.7% per annum
Rate of pay increases	4.8% per annum	4.2% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	3.4% per annum	2.8% per annum

The demographic assumptions are based on those used for funding purposes for the 2022 actuarial valuation, but with a long-term rate of life expectancy improvement of 1.5% p.a.
Full details of the demographic assumptions are set out in the formal report to the 2022 valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

	Liabilities
Start of period liabilities	£13,099m
Interest on liabilities	£363m
Net benefits accrued/paid over the period*	£197m
Actuarial (gains)/losses (see below)	(£4,458m)
End of period liabilities	£9,201m

**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 significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3% p.a. In combination, these factors lead to a significant reduction in liabilities

Pension increases / high short-term inflation: The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities

Leanne Johnston
Fellow of the Institute and
Faculty of Actuaries

Mark Wilson
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
July 2023

Appendix - additional considerations

The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.
GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.
Covid 19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.
Current high inflation: The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

Governance statements

Mary's Shell, Cleveleys

Executive Summary

The Leader of the County Council (County Councillor Phillippa Williamson) and Chief Executive (Angie Ridgwell) both recognise the importance of having good management, effective processes, and other appropriate controls in place to run the County Council in delivering services to the communities of Lancashire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how the corporate governance arrangements have been working across the group. To help do this both the Council's Executive Management Team (EMT) and the Audit, Risk & Governance Committee undertake a review of the Council's governance framework and the development of the AGS.

This has been a challenging year for the county council as we have responded to significant inflationary and demand pressures, particularly relating to social care. Over the next twelve months we will focus on providing services more efficiently and effectively, proactively managing the impact of increasing demand to improve our financial sustainability. This will mean working closely with our partners to both reduce those costs and achieve the best outcomes for our residents through targeted investment.

We have seen a combination of a flexible, dynamic, committed workforce and implementation of new ways of working that will reshape the council going forward. However, we do have workforce challenges and we will need to be as creative and innovative as possible to overcome them. In February 2023, we experienced a data breach during the implementation of Oracle Fusion, and we acted quickly to resolve the issue. We are now looking at how this happened and what lessons we can learn to ensure it does not happen again.

During the past year, we have reverted to business-as-usual following the recovery phase of the Covid-19 pandemic and our attention turned to active surveillance and monitoring. Consequently, there is not a second conclusion relating to the impact of Covid-19 on governance. However, we will maintain a state of readiness so that we can respond if we see any new variants.

On the 24 April 2023, the Audit, Risk and Governance Committee considered the content of the proposed governance statement to ensure that it properly reflects how the Council is run.

Governance Issues

Overall, it can be confirmed that the council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst they work well, our review has identified the following issues which are currently being addressed but not yet completed:

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Recruitment & Retention	Executive Director of Resources/ Executive Management Team	March 2024
Financial Sustainability	Executive Director of Resources (Section 151 Officer)/Executive Management Team	March 2024/Ongoing
Demand for Services	Executive Director of Education & Children's Services Executive Director of Adult Services & Health & Wellbeing	March 2024
Our Improvement Journey	Executive Director of Resources/ Executive Management Team	March 2024
School Places	Executive Director of Education & Children's Services	March 2024
ICT Related Issues	Executive Director of Resources	Winter 2023

Progress made against the issues identified in last year's Annual Governance Statement is reported in this year's statement.
We propose over the coming year to address the matters identified and will monitor implementation and operation as part of the performance management role of the Executive Management Team. The Audit, Risk and Governance Committee will also help us with independent assurance during the year.

--- County Councillor Phillippa Williamson
Leader of the Council

--- Angie Ridgwell
Chief Executive

Signed on behalf of Lancashire County Council

Introduction

Local authorities are required by statute to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/Solace "*Delivering Good Governance in Local Government Framework*" (2016) (the Framework) helps fulfil this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

What is Corporate Governance?

Corporate governance is about the systems, processes and values by which councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

The Council has adopted a Code of Corporate Governance which follows the CIPFA/Solace guidance "*Delivering Good Governance in Local Government*" (2016) which defines the seven core principles that should underpin the governance framework of a local authority:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Key elements of the County Council's Governance Framework

Key elements of Lancashire County Council's governance framework are set out below:

Leader, Cabinet and Council	Decision Making	Risk and Performance Management
• The Leader provides leadership • Cabinet develops and sets policy • Full Council agrees the annual budget, sets Council Tax and the policy framework including the Corporate Strategy (the cornerstone of our policy framework)	• Meetings are webcast • Decisions are recorded on the Council's website • Scheme of delegation	• Risk registers identify both operational and strategic risks • Key risks are considered by Executive Management Team (EMT), Cabinet and Audit, Risk and Governance Committee • Processes are in place for managing and reporting performance to Executive Management Team and Cabinet • Directors' complete assurance statements
Council's Leadership Team	**Scrutiny and review**	**External and Internal Audit and review**
• Head of Paid Service is the Chief Executive who is responsible for all council staff and leading Corporate Management Team • The Executive Director for Resources is the council's s.151 Officer and is responsible for ensuring the proper administration of the council's financial affairs • The Monitoring Officer is the Council's Director of Law & Governance who is responsible for ensuring legality and promoting high standards of public conduct	• Scrutiny Committees review council policy, decisions, and budget proposals • Work to deliver local public sector accountability	• External audit provides an opinion on the Council's annual statement of accounts and whether the Council has secured economy, efficiency, and effectiveness in the use of its resources • Internal Audit provides regular assurance on the governance, risk management and internal control framework • External inspections provide an accountability mechanism • Peer challenge/reviews highlight good practice and areas for improvement

How do we comply with the CIPFA/SoLACE Framework?

The Council has approved and adopted:

- a Local Code of Corporate Governance
- the requirements of the CIPFA/SoLACE Framework Delivering Good Governance in Local Government Framework 2016
- a number of specific strategies and processes for strengthening corporate governance.

An updated Local Code of Corporate Governance can be found on our website. This shows how the County Council has complied with the seven principles set out in the CIPFA/SoLACE Framework. The Code is reviewed annually and the outcome reported to Audit, Risk and Governance Committee and presented to Full Council for approval. It sets out the requirements underpinning these principles and how the council ensures that it meets them along with the evidence base used to assess their effectiveness.

Managing Risk and Performance

Performance management is a key component of the Council's approach to achieving its outcomes. Part of this process involves identifying and where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with effective processes to ensure sound financial management. Managing risks is the responsibility of services. All service risks are scored on the same basis and the greatest risks are elevated onto the Corporate Risk Register.

During the year, service risk & opportunity registers were updated regularly, and the Corporate Risk and Opportunity register was reported to Executive Management Team, Cabinet and Audit, Risk & Governance Committee. During the year, EMT revised the risks on the corporate register to better reflect the changing environment in which the County Council was operating.

The Audit, Risk & Governance Committee also monitor the effectiveness of risk management arrangements across the organisation. A review of this is undertaken annually by Internal Audit and reported to this committee. Internal Audit have recently completed a review of Risk Management and have provided substantial assurance that the Council's corporate risk management framework is operating effectively.

Equality Impact Assessments together with Health Impact Assessments are used throughout the organisation to assess the impact of service proposals and to inform decision making.

The budget setting process is well established, and services prioritise budgets and spending to achieve intended outcomes. In recent years, the budget setting process has inevitably focused on achieving savings whilst still focusing on the priorities of the political administration.

The medium-term financial strategy is updated and reported to Cabinet together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the County Council operates. The quarterly report to the Cabinet, 'Money Matters', includes in-year revenue and capital expenditure monitoring information along with updates on the multi-year capital programme. The final outturn position will be reported to Cabinet.

During the year, Cabinet received high-level metrics relating to the corporate strategy, together with more detailed, service specific performance metrics which enabled members to monitor ongoing service delivery and performance. The reports highlight good performance and areas for improvement.

A Performance Board that is chaired by the Director of Strategy & Performance meets quarterly. The Board receives a suite of performance dashboards, which draw attention to concerns with performance, and describe recovery plans. The Board monitors against service level and corporate indicators and co-ordinates the reporting of performance information to both EMT and Cabinet. Directorates also monitor performance on a quarterly basis using performance dashboards.

A new approach to directorate and service planning is being introduced during 2023/24 that will be formally standardised for the years 2024/25. Directorate and service level planning is a cornerstone of effective performance management. It provides a solid foundation to enable us to hold the councils' strategic priorities and values firm, even in times of change. Good business planning also supports our budget planning cycle, ensuring that we prioritise activity and that we appropriately support our objectives through funding decisions.

They are a vital part of the 'golden thread' which links the councils' strategic priorities all the way through to staff individual performance appraisals. Directorate and service level plans should make sure that each person in our council workforce knows how their work contributes to achieving the council's strategic priorities.

Managing our resources (Value for Money)

The Council's external auditors, in their assessment of 2021/22, concluded that the authority had demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022 and to date have not identified any risk of significant weakness in the Council's arrangements.

The external auditors were satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. Similarly, they did not identify any significant risks in relation to the valuation of the net pension liability.

Their work did not identify any significant weaknesses but identified a small number of improvement recommendations. These recommendations are being taken forward and the recommendations set out in the 20/21 assessment have been implemented.

The Council ensures that it provides timely support, information, and responses to its external auditors – properly considering audit findings and assumptions around what may happen in the future particularly relating to those elements that cannot be directed by the Council.

Financial Sustainability

Financial sustainability remains a significant risk facing the County Council. However, this is not unique, and we are in a relatively positive position through prudent financial stewardship. Throughout 2022/23 projections were reported to both the Executive Management Team and Cabinet in the 'Money Matters' report which forms a regular review point for assessing the effectiveness of financial plans. Councils across the country continue to face ongoing pressures, driven by increasing demand and inflation. When compounded with the current workforce challenges, local government must make difficult decisions and look to be as creative and innovative as possible. At the County Council we have responded by focussing on productivity and efficiency to deliver our priority services. We have a track record of success with such programmes and sound financial stewardship means we can take a considered and measured approach.

In particular, the Local Government Provisional Settlement announced on 19 December 2022, gave additional flexibility with a permitted increase in council tax of 4.99% for both 2023/24 and 2024/25 and additional grant funding for social care. Full Council agreed that the proposed council tax increase be restricted to 3.99% at its meeting in February.

The Council continues to retain relatively healthy reserves with the current uncommitted transitional reserve, being sufficient to meet the forecast funding gap for the lifetime of the Medium-Term Financial Strategy. However, the intention remains to identify further savings and/or deliver agreed savings earlier than currently planned to reduce the forecast funding gap enabling further investment to be made into priority services. The value of the council's reserves will be kept under review in future years including ongoing assessment of risks that it is established to cover.

The Council regularly updates its medium-term financial strategy. The forecast for future years considers anticipated cost pressures (both inflationary and demand led), planned savings and expected resource levels. The forecast is necessarily underpinned by a range of estimates and recommendations through the Executive Management Team, Cabinet and the Audit, Risk and Governance Committee. The financial management arrangements of the Council conform to the governance requirements of the CIPFA Statement on the *Role of the Chief Finance Officer in Local Government*.

Financial Management Code

The CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets out six principles underpinned by a series of financial management standards identifying the professional standards to be met if a local authority is to meet the minimal expectations of financial management that are acceptable to meet the fiduciary duties to taxpayers, customers, and lenders.

The Council continues to undertake medium-term financial planning which has driven the annual budget-setting and monitoring process. Through the Scrutiny Management Board, and the Audit, Risk and Governance committee sources of assurance are recognised as an effective tool in delivering and demonstrating good financial management. The positive financial performance of the council during the year has once again evidenced that the long-term sustainability of local services is at the heart of the council's strategy supported by the prudent use of public resources.

How do we know our governance arrangements are working?

There are several ways we do this:

The role of management

The Executive Management Team oversee the review of the Council's governance arrangements. Following this review, they can confirm that appropriate internal controls for which they have responsibility are in place, in particular their scrutiny of regular budget and performance reports including performance against savings targets within the Medium-Term Financial Strategy.

Directors have the day-to-day responsibility for managing and controlling services – they are accountable for their successful delivery. They set the culture, develop and implement policies, procedures, processes, and controls. Directors have completed an 'assurance statement' for 2022/23 that reports on service compliance, and they produced regular directorate risk registers that set out appropriate mitigating actions for significant risks. Where the evidence needed to provide full assurance is not available, improvement plans are in place.

The Monitoring Officer regularly reviews the Council's Constitution and ethical governance arrangements and there are regular briefings on key corporate governance issues to Directors and Heads of Service.

The Role of the Audit, Risk and Governance Committee

The Council's Audit, Risk and Governance Committee plays a vital role in overseeing and promoting good governance, ensuring accountability and reviewing the way things are done.

The Committee provides an assurance role to the Council by examining such areas as audit, risk management, internal control, counter fraud, treasury management, and financial accountability. The Committee exists to challenge the way things are done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk and control environment.

In addition to the standard items on the agenda, the Committee considered reports on the following:

- Review of the Code of Conduct for Members - the Political Governance Working Group reviewed the Local Government Association proposals and reported back their recommendations.
- Code of Conduct – Summary of Complaints.
- An Update on the Overpayment of Salaries – further reports on this were considered by the committee.
- Assurance over the Pension Fund.
- Review of Arrangements for the Oversight of Council Controlled Companies

In July 2022, the Chairman presented his annual report. The report set out the work the Committee had undertaken and provided a means by which it was able to review its own effectiveness.

The role of the Head of Internal Audit

For 2022/23 the Head of Internal Audit provided Limited assurance (provisional*) overall regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management, and control.

In forming his opinion, he considered the work undertaken by the Internal Audit Service throughout the year. The vast majority of audits conducted provided a positive assurance opinion and ascertained that for the areas under review the vast majority were operating as would be expected. The work of external assurance providers and information available from less formal sources than planned audit engagements were also taken into consideration. Audit work covered the full range of the council's services. The Council is in a much stronger financial position than many Local Authorities, however, the financial projections show that it still faces financial challenges.

In the main the county council adapts well to the changing risk environment and for most of the 2022/23 financial year the Council was operating as would be expected. However, issues associated with the implementation of Oracle Fusion resulted in a data breach that was reported to the Information Commissioner's Office. The overall impact of this one project not being implemented as intended has significantly impacted on the Council's ability to conduct business as usual particularly within the Council's Key Financial and HR processes. The Council's initial response in resolving these issues has been quick and effective to date. A project programme with a new project board is now in place. The aim of this programme is to mitigate the risks, resolve the known issues, identify any yet unknown issues and apply lessons learnt from this process. The success of this programme will be critical in restoring business as usual and enable the Council to realise benefits from the system change.

Although it is expected that this situation will be rectified by the actions of the project board this work is still ongoing. At the time of writing this opinion the consequences of this event were impacting the whole council. Therefore, the assurance level that can be provided by the Head of Internal Audit has been reduced from moderate assurance to limited assurance (provisional*)

External Assurances

The opinions and recommendations of the External Auditor and other inspection and review agencies and peer reviews offer us further assurance.

External Auditor

The External Auditor's work did not identify any significant weaknesses in the county council's arrangements. Several improvement recommendations have been implemented and any new recommendations will be responded to appropriately.

Ofsted Inspection of Childrens Services

Following an inspection of our children's services from 28 November to 9 December 2022, we have received a rating of 'good'. Highlights in the report included:

- Our Early Help services have been successfully restructured with partner agencies and are well joined up with the Front Door, resulting in an impressive range of support for families
- Our Family Safeguarding model has led to positive changes for children and families
- Most children in care and care leavers live in stable homes that meet their needs to help them progress and achieve
- Relationship-based practice is embedded across all services
- Professionals in our MASH respond to referrals in a timely manner, and partnership working and information sharing in MASH are established and work well

- Our colleagues feel listened to and valued. The loyal and committed workforce is proud to work for Lancashire and are determined to do the best for children, often going over and above

Information Governance

The Council has a comprehensive Information Governance (IG) Framework in place, overseen by the Corporate Information Governance Group. The group meets quarterly and is attended by the Senior Information Risk Owner and Data Protection Officer. The annual review of policies took place in January 2023 and amendments were made to reflect our new ways of working and highlighting individual responsibility for keeping council information confidential and secure whilst working from home or agilely, and that any personal, confidential, or sensitive information must continue to be handled in accordance with IG Policies.

Oracle Fusion

Earlier this year, a data breach occurred involving personal data held within Oracle Fusion, the system we use for HR, Payroll, Finance and Procurement. The breach occurred during the implementation of Fusion and was not the result of a cyber security attack. There was no evidence to suggest that personal information was publicly available.

We informed all staff and partners of the breach and reported it to the Information Commissioners Office (ICO). Based upon the actions we have taken so far, the ICO have informed us that they are not taking any further action at this time. There is however some scope for this decision to be revisited by the Commissioner, and we must therefore continue this work and report any further concerns to the ICO. We are undertaking an investigation to establish what went wrong and how to prevent this happening again. This issue has been escalated on to the Corporate Risk Register.

During the implementation of Oracle Fusion, several issues arose that need to be rectified and a new project programme and project board have been put in place. The aim of this programme is to mitigate the risks, resolve the known issues, identify any yet unknown issues, and apply lessons learnt from this process.

Local Government & Social Care Ombudsman

During 2022/23 Full Council did not receive any public reports from the Local Government & Social Care Ombudsman.

Lancashire County Developments Limited

Lancashire County Developments Limited is an owned subsidiary of the County Council. As a material entity it forms part of the Council's group accounts. The County Council has the power to change decision making rights, and to appoint and remove Directors of the company. Board Directors are County Councillors who regularly meet, and receive financial and performance reports. In the 2022/23 financial year there have been no governance issues reported. The company is annually subject to a separate external audit to the county council.

Constitutional and Governance Changes

Cabinet Committee on Performance Improvement

The Cabinet Committee on Performance Improvement was a committee of the Cabinet with the remit to oversee the council's performance monitoring arrangements and influence and monitor progress against the corporate priorities.

Following an update of the corporate priorities, it was felt that performance monitoring would be better placed with Cabinet itself. This would give performance a higher profile and allow it to be considered by all Cabinet Members alongside financial and other information which is already regularly reported to Cabinet. Consequently, the Cabinet Committee on Performance Improvement was disestablished, and its functions delivered by Cabinet. Cabinet now receives the Corporate Performance report on a quarterly basis.

Scrutiny Committees

A new structure for scrutiny has been agreed by our councillors and we have worked closely with the Local Government Association (LGA) to provide training and guidance for all councillors and senior officers. The new changes include four service area base committees and the creation of a new "Management Board" to oversee the work and performance of scrutiny. The Chair of the Management Board is drawn from the four chairs of the service area committees.

As part of these proposals, it was decided to disestablish two working groups of scrutiny – the Budget Scrutiny Review Panel and the Member Development Working Group, with these functions are now undertaken by the Management Board.

Executive Director of Resources and S151 Officer

The LGA Corporate Peer Review, recommended the Council consider its arrangements that combine the Chief Executive and Director of Resources (s151) roles. The combined role was created at a time of significant financial pressure for the council which is now in a much-improved position. It was therefore agreed that the role be separated to provide greater capacity for the Chief Executive to focus on key strategic objectives. It also strengthens strategic leadership capacity for the Resources Directorate and provides an opportunity to design an operating model that delivers future ambitions.

Secondment Arrangement of Executive Director of Adult Services and Health and Wellbeing to the Lancashire and South Cumbria Integrated Care Board

The Executive Director of Adult Services and Health and Wellbeing has been appointed to the leadership team of the Lancashire and South Cumbria Integrated Care Board on the basis that the role would be done in conjunction with her current county council role. The role will be notionally split with 80% of time spent working for the Integrated Care Board and 20% of time undertaking duties as Executive Director of Adult Services and Health and Wellbeing for the county council. To cover the gap left by the time spent by the Executive Director of Adult Services and Health and Wellbeing in undertaking Integrated Care Board business, additional director capacity has been secured by way of a deputy executive director of adult services. The Executive Director of Adult Services and Health and Wellbeing will continue to provide the statutory director function as part of her new role in so doing she will regularly line manage the deputy executive director maintaining a line of sight on quality of practice, performance, finance and policy issues.

Conduct Committee

At the request of the Monitoring Officer, the Conduct Committee met in March 2023 to determine whether a councillor had failed to comply with the Council's Code of Conduct. The committee resolved that the councillor had breached the Code of Conduct during his interactions with members of the complainant staff and that he had also breached the Code of Conduct in his response to the investigation of the Monitoring Officer into the complaint.

The committee further resolved that the councillor should provide a written apology to both the complainant and the Monitoring Officer.

Independent Remuneration Panel

The Independent Remuneration Panel met during the year and recommended to Full Council that the Basic, Special Responsibility, Dependents' Carers', and Chairman/Vice Chairman Allowances be increased by 4.04% for 2022/23, with effect from 1 April 2022. Full Council approved the Panel's recommendations at its meeting in December 2022.

Staff Survey 2022

For our most recent staff survey we received our best response rate with almost 50% of staff taking part. The comments are helping shape the way we operate, improving those things that are most important to employees, so that we can deliver the best possible services to our residents. We have explored the survey findings in more detail, and we have focused on designing the actions we need to take to build on our many strengths and improve those areas that staff have highlighted. Each service has produced an action plan, has set up a staff Voice Group and appointed Change Influencers to drive improvement.

Lancashire 2050 (A Strategic Framework for Lancashire)

During 2022, much progress was made with partners to develop a shared ambition for our county's future, and how we can work together to help every resident live their best life. Lancashire 2050 brings together the county's political leadership around a shared vision, goals, and priorities.

Our Lancashire 2050 framework, focuses on the needs and aspirations of our county's residents, placing people at its very heart. The plan sits above the ground-breaking work already undertaken on developing a County Deal for Lancashire, where political leaders have made the case to government for more powers and resources with a collective voice.

Lancashire 2050 is a long-term plan which is not dependent on local government reorganisation. It aims to be beneficial through the collaboration and commitment of all partners, helping Lancashire to take control and bring decisions closer to its' people. The plan highlights eight priority areas where collaboration across the county can unlock opportunities and growth to benefit everyone.

Lancashire County Pension Fund

Lancashire County Pension Fund (LCPF) is a Pension Fund within the Local Government Pension Scheme (LGPS England & Wales) which is a funded pension scheme (not paid through taxation such as other public sector schemes). LCC is the body appointed under statute to act as the Administering Authority for LCPF. While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within LCC’s overall governance framework.

Governance documentation

LCPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013. This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee, and the Local Pensions Board. It is reviewed on an ongoing basis.
In addition, there are several strategy statements and policies which together ensure suitable governance of LCPF.

Governance Structure

- The Pension Fund Committee fulfils the role of 'Scheme Manager', as set out in regulations, for LCPF which includes the administration of benefits and strategic management of Fund investments and liabilities. It is responsible for establishing and monitoring the progress on the strategic objectives of LCPF through a rolling three-year Strategic Plan.

The Council has established two bodies to assist and support the Pension Fund Committee oversee LCPF:

- Pension Fund Investment Panel; and
- Lancashire Local Pension Board

The Pension Fund's Investment Panel provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel also supports the Head of Fund with the specialist advice required by the Pension Fund Committee.

The Local Pension Board's role is to assist Lancashire County Council as the Administering Authority in its role as Scheme Manager (as delegated to the Pension Fund Committee). This includes the following roles:

- to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- in such other matters as the LGPS regulations may specify.

The Council is also responsible for the financial arrangements of the Lancashire County Pension Fund and a separate assessment of the adequacy of these arrangements is also required.

Risk Management

The management of risk is central to the activities of LCPF and it has established its own risk management arrangements which include the following:

- Risks are monitored and assessed on a quarterly basis;
- Risk reporting and risk register are presented to the Pension Fund Committee and the Local Pension Board on a regular basis;
- Additional oversight is provided by the council's Audit, Risk & Governance Committee; and
- LCPF has a 'Risk Management Framework' policy document which is reviewed periodically and sets out all the risk management arrangements for managing all risks for the Fund.

The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with LCPF, including risks associated with managing scheme assets and pension liabilities;
- Member risk – all risks which may impact on the high levels of service the fund members receive;
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance;
- Transition risk – temporary risks arising from changes in the management of investments or service delivery;
- Emerging risk - evolving, new risk that is difficult to characterise or assess at this point in time, as the cause and / or how the risk will impact the organisation is unclear.

Investment and Administration Services

Pensions administration and investment functions have since 2016 been delivered on behalf of LCPF by the Local Pension Partnership Limited (LPPL) a company group owned by Lancashire County Council and the London Pensions Fund Authority (LPFA). Pension administration services are provided by the administration arm of the Local Pensions Partnership, which is called Local Pensions Partnership Administration Limited (LPPA), with investment services being undertaken by the investment arm, Local Pensions Partnership Investments Limited (LPPI).

The Pension Fund Committee monitors the performance of these functions. For all arrangements where there is a relationship between the Fund and another organisation LCPF seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of “service level agreement” where a contract is not appropriate.

Internal audit assurance

The County Council's Internal Audit Service undertakes an agreed audit plan each year to provide assurance regarding the operation of the pension fund service.

Activities

The key activities of LCPF undertaken during 2022/23

- Reviewed the governance arrangements of LCPF in light of the implementation of the Pensions Regulator draft new code of practice;
- Reviewed shareholder governance arrangements in respect of LPP Group;
- Actuarial Valuation completed to assess financial health of LCPF and determine local employer contribution rates; and
- Fully transitioned the employer risk service from LPPA to LCPF and developed management framework;
- Improved the risk management framework and risk register

Specific actions proposed during 2023/24 include:

- Finalise impact assessment in respect of the Pension Regulator's new code of practice and work towards compliance by prioritising mandatory areas;
- Commence activities to ensure compliance with climate related financial disclosure (TCFD) by December 2024;
- Identify gaps in respect of Good Governance requirements and timeline for achieving full compliance;

- Assess Fund's cyber resilience and plan activities to address any gaps and mitigate associated risks to the Fund;
- Develop Communications Strategy for the Fund.

Strategic oversight of actions to address the Council's governance challenges in 2022/23

This section provides a concise high-level summary of strategic actions taken to address the Council's governance challenges for the 2022/23 financial year, and what arrangements are in place for oversight of delivery.

What action was to be addressed?	Governance actions taken
Financial Sustainability Deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities Prerequisites: Set a balanced budget or deliver services within available resources affected by various issues that include economic uncertainty; rising inflation that exceeds budget provision; high demand on care services; lack of certainty over future funding; specific impact of proposals for funding care costs (cap on the lifetime cost of personal care)	• Updates provided to Cabinet through the money matters reports covering in-year financial position and medium-term financial strategy on a quarterly basis • Directorate Leadership Teams (DLT's) meet regularly and have a monthly focus on financial position and savings delivery chaired by the relevant Executive Director • Programme Office is supporting the overall programme of savings activity • Financial Benchmarking information (with other County Councils) produced and reviewed annually as a basis for identifying those service areas with most scope for further efficiencies • Continue to monitor the impacts of price changes via our regular monitoring activity updating our forecast outturn and the Medium-Term Financial Strategy • Continue to work with staff to develop new options savings options and revisit options • Continue to seek out, learn from and adapt services to follow best practice • Capital Strategy and capital delivery programme approved annually at Full Council in February • Directorate Leadership Teams' review progress and are each chaired by the relevant Executive Director • Savings plans have been subject to review as part of the budget monitoring process • Assessing scope of contracts and reviewing uplifts at recommissioning • Transformation options considered towards meeting future years funding gaps • The capital programme is managed by Capital Board at an officer level to ensure that its development is carried out with due regard to risk management and prudent and sustainable resource management. Alignment with property strategy review with capital work being focused on those buildings likely to remain operational and not surplus to requirements going forward given potential embedding of different working arrangements going forward.

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	• Grant levels confirmed for 2022/23 and projects / schemes they will support being agreed and the agreed delivery programme for 22/23 also being reviewed to reflect the impact of slippage / earlier than planned delivery in the final quarter of 2021/22. • Additional capital requirements for 2023/24 provided by services before the end of July for consideration by EMT / Cabinet as part of the 2023/24 budget process.
Recruitment & Retention Attract and recruit candidates, and retain staff leading to an inability to deliver services Issues : • Lack of suitably qualified candidates in the labour market • Non-competitive pay rates • Unattractive terms and conditions • Retention policies ineffective • Poor workforce planning (including lack of workforce data) with an ageing workforce • Commissioned services and education settings unable to recruit and retain staff	• Performance management dashboards established to collate and analyse workforce data • Governance structure identified to manage and lead the workforce performance & strategy (Adult Social Care) • Education and Children's Services Workforce Strategy agreed April 2022 • Corporate workforce group to facilitate joint solutions with directorate Senior Management Teams • Developing talent acquisition team and recruitment support • Commission recruitment consultants for some roles • Skills and development opportunities • Performance engagement • Social work academy • Additional Occupational Therapy capacity being sought from COMF funding started July 2022 • Backlog agency in place from April 2022 (Attenti) • Regular discussions at directorate management teams to understand areas where recruitment and retention is a challenge • Corporate exercise to identify recruitment and retention issues related to hard to fill posts • Reviewing structures as appropriate • In Adult Social Care (ASC), regular monitoring and action plans are in place and include: • ASC Workforce Strategy refresh • Education and Children's Workforce Strategy established
Demand for Services Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services Causes: • Provider failure	**Adult Social Care** • Ongoing discussions and working group in progress at Integrated Care System level • New practice focussed project Living Better Lives in Lancashire will fundamentally change the approach and ways of working particularly around current front-line assessment and determination of services • Undertaking an evaluation in terms of demand and capacity to ensure we have the right capacity within our workforce to respond to the demand. • Additional capacity sourced to help clear some of the Occupational Therapy Backlogs

• Insufficient funding • As we move into winter, seasonal illnesses such as flu and further Covid 19 peaks could exacerbate this risk • Adverse impact of the rising cost of living, high inflation, and increased cost of energy Lack of qualified staff	• Working closely with providers to review capacity in the domiciliary care sector and how to improve this which will include the prioritisation of care delivery to the most vulnerable people and key/essential tasks. • Winter resilience planning in progress in collaboration with the NHS • Review of front door will assess how people currently access services and support increase of signposting and use of community assets **Children's Social Care** • Delivery of Early Help Strategy • Delivery of Family Safeguarding • Evaluation of targeted interventions including Family Group Conferencing at pre proceedings, and Voluntary Community and Faith Sector model • Where Our Children Live Strategy and Sufficiency Strategy agreed by Cabinet in January 2021 • Deep dive on Placement Costs • Ongoing consideration of Covid impact • Provide input into the developing NHS operational plan for Child & Adolescent Mental Health Service developments and be sighted on / support ICS discussions on CAMHS related NHS investment proposals **SEND** • Delivery of priorities within the Special Education Needs & Disability sufficiency strategy • Consulted on Strategy • Ongoing consideration of Covid impact
Our Improvement Journey • That the council to be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed over the next 12 months and beyond Issues: • Inability to secure sufficient resource (capacity) across the organisation to deliver on some areas of the Improvement Journey due to competing priorities	**Capacity** • Continue to recruit to remaining positions and key matrix roles (including Change Hubs) • Regular engagement with Executive Management Team to understand capacity challenges and prioritisation requirements • Identify opportunities for realignment of roles / activities in complementary areas to support Improvement Journey (IJ) delivery, including Directorate change hubs which will help to identify, prioritise & deliver priorities using the full range of available resources. • Develop resource profile for activity in scope of IJ and identify any potential shortfalls with associated options / costings for filling gaps • Implement "Front Door to Change" framework and recommended actions including mapping of change capacity & demand, and prioritisation across directorates.

• Not having a joined up, cohesive, corporate wide LCC change programme with Executive Management Team oversight and appropriately allocated resources.
• Multiple front doors with multiple gatekeepers to initiate change leading to:
 	
  ◦ A lack of strategic prioritisation, sequencing and link to corporate objectives
  ◦ Too many completing asks
  ◦ Silo working approach
  ◦ Inconsistent approach to prioritisation and delivery of change projects
	Change Programme
	• Develop a joined up, cohesive view of all change activity.
	• Support Executive Management Team to have greater visibility and discussion on the entire change programme enabling informed strategic decision making from Executive Management Team and appropriate resource allocation.
	• Agree governance which will allow effective prioritisation and sequencing of change activity at a corporate level.
	Our Ways of Working
	• Link values & behaviours to performance & development discussions
	• Recruit Staff Experience Lead to lead implementation of staff experience programme deliverables
	• Ensure linkage between Ways of Working programme and Corporate Asset Management, use learning from Ways of Working to shape asset strategy to identify and deliver options for asset optimisation priorities and introduce new staff survey / engagement approaches to improve data, insight and understanding of staff experience

Social Care Reform Reform of local government and/or the health and social care landscape has the potential to disrupt services, have a significant impact on staff and divert attention away from local efforts to transform and improve services (e.g. Health and Care Bill and White paper on Social Care Reform	• Joint work programmes being agreed between Adult Social Care and NHS • Place Based Directors of Integration to have joint accountability to the NHS and Upper Tier Local Authorities • Continue to build strong and effective working relationships with partners in anticipation of any structural reform • Continue to brief staff and managers of impact of any potential structural changes and take advantage of positive changes that may result • Adult Social Care Steering group now established • Fair Cost of Care completed and submitted to government for review The funding for Fair Cost of Care is currently being assessed by Finance colleagues in light of the Autumn Statement
School Places Insufficient school places in some parts of the county meaning children and young people are missing out on education	• School Place Sufficiency Strategy in place • Monitoring of admission preferences key performance indicators • Monitoring of children missing education to identify localities where there are pressures, and proactive work with schools and settings to secure places and provide additional support to secure places for in-year admissions • Education service working with the Assets Team to ensure that the Directorate is informing and supporting the Implementation of the plans set out in the School Place Sufficiency Strategy 2022-2025

Cyber Security Threats exist to our Digital infrastructure and vulnerabilities exist within it.	There is a Security Operations Centre (SOC) within the Digital Services department. This SOC works to identify and respond the cyber threats to manage cyber incidents and to reduce the impact and likelihood of a major cyber incident affecting Lancashire County Council's ability to deliver services
Oracle Fusion – Data Breach Data Breach because of the way the new system has been configured and implementation	• Appropriate security measures put in place • Reported to Information Commissioner • All staff and partners informed • Dedicated support for staff put in place 'Lessons learnt' investigation underway

Governance Challenges for 2023/24 and onwards

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2023/24, to address changing circumstances and challenges. These are set out below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2024.

Recruitment & Retention

Our draft Corporate People Strategy will provide a coherent and cohesive direction of travel for the business in terms of attraction, recruitment, retention, and development with associated metrics. Alongside of this, a new operating model for people services will be implemented to support the business with key strategic people risks and activities. We are also completing a full review of our workforce to identify required staffing levels and skills via an agency/consultancy model.

Our recruitment process is being redesigned and benchmarked against emerging and best practice and a Talent Attraction team will be put in place as part of People Services operating model. A new Leadership capability framework has been drafted to further develop leadership capability in people management and development. Succession planning work has commenced with Executive Management Team.

Financial Sustainability

Overall, the Council has an appropriate level of reserves available to manage the financial risks it is facing from 2022/23 to 2026/27. However, on current forecasts it will be necessary that additional savings will be required to bring the council to a financially sustainable position. Whilst there is still a significant risk factor in relation to savings delivery, the £87m funding gap for 23/24 has been reduced to £9.5m with a focus on improving productivity and efficiency and generating additional income to support priority services.

Demand for Services

For many services demand pressures will continue to increase over the next year. In some areas, an increase in Government funding provides some mitigation, but substantial pressure remains. We will continue to invest in our services to reduce caseloads, improve customer service and meet customer needs. Where we can, we will save money, create efficiency, and use advances in technology to improve the way we work and connect to both customers and colleagues. We will continue to work with our partners to provide the best possible services to our residents.

Our Improvement Journey

Over the next twelve months we are looking to embed our approach to integrated business planning and develop the Strategic Change Delivery Plan (SCDP) using input from the Stop / Pause / Continue exercise and the service planning process. This will be supported by the Programme Office. The Strategic Improvement Board have committed to the Change Front Door process and to ensuring that all new change requirements are assessed and prioritised based on appropriate business cases which include sufficient information on costs, benefits, and resource implications. A programme of training for Lancashire County Council's staff to develop Agile, Lean, and Continuous Improvement skills has been piloted.

School Places

This issue continues to be one of our main priorities and we are working to identify further opportunities and mitigations. We have strengthened support to help new arrivals to county/country including support to address language barriers. We are improving our outreach in terms of publicity, and this has reduced the number of late applications for school paces. Our website now shows levels of subscription for individual schools and maps of geographical priority areas. Officers will continue to attend open evenings for the most oversubscribed schools, and year 6 parent information sessions will be held in the areas with the most pressure for places. The expansion of popular schools has increased the number of places available for Year 7 pupils and the availability of places in higher year groups to accommodate in-year admissions. Consultations are taking place in the Spring Term 2023 in respect of new primary schools and a secondary school in Preston.

Information Technology

This year we will continue to invest in our Cyber Security. In the event of an attack, this will help minimise the impact on our operating services. We will conclude the 'lessons learnt' investigation on the Oracle Fusion data breach and put in place steps to ensure this does not happen again when implementing new digital systems. We will also be implementing the next phase of Oracle Fusion. This will focus on the issues that arose during implementation.

Monitoring implementation

The key governance challenges facing the Council in 2023/24 will be monitored by the Executive Management Team and are identified risks in the Council's Corporate Risk and Opportunity Register. This document is the 'action plan' for each issue identified.

The governance arrangements relating to the Register involve its review by the Executive Management Team which is then reported in turn to the Audit, Risk and Governance Committee. The Register identifies risks, the current controls that apply and the mitigating actions to be taken, producing a "risk score" and a residual (target) score after mitigating actions have been applied.

Conclusion

Overall, the County Council has the appropriate systems and processes in place to ensure good governance is maintained. Whist these work generally well, the council has identified several areas where further improvements can be made to strengthen its governance framework. The governance of the County Council will continue to be monitored by the Audit, Risk & Governance Committee, and Executive Management Team.

This version of the statement of accounts is presented in advance of Audit. The published version will include the Audit Certification on these pages.

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Lancashire County Pension Fund - independent auditor's report

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Glossary of terms and contact information

River Ribble, Preston

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.

Contact details

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

Lancashire County Council

Grant Thornton UK LLP
11th Floor,
Landmark St Peter's Square,
1 Oxford St,
Manchester,
M1 4PB

22 April 2024

Dear Grant Thornton UK LLP

Lancashire County Council - Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Lancashire County Council and its subsidiary undertaking, Lancashire County Developments Limited, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of property plant and equipment and investment property, the valuation of the net defined pension liability/asset, the valuation of PFI liabilities, fair value estimates, accurals and provisions. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the [group and] Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

xii. The financial statements are free of material misstatements, including omissions.

xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv. The prior period adjustments disclosed in Note 4 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xvi. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xvii. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xviii. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
   a. management;
   b. employees who have significant roles in internal control; or
   c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was agreed by the Council’s Audit, Risk and Governance Committee at its meeting on 22 April 2024.

Yours faithfully,

Name	………………………………	Name	………………………………..
Position	………………………………	Position	………………………………..
Date	………………………………	Date	………………………………..

Signed on behalf of the Council

Lancashire County Council

Grant Thornton UK LLP
11th Floor,
Landmark St Peter's Square,
1 Oxford St,
Manchester,
M1 4PB

22 April 2024

Dear Grant Thornton UK LLP

Lancashire County Pension Fund Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Lancashire County Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 2 investments, level 3 investments and directly-held investment property. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Fund has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end.

xi. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Fund’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxiii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiv. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was agreed by the Audit, Risk and Governance Committee at its meeting on 22 April 2024.

Yours faithfully,

Name	………………………………	Name	………………………………..
Position	………………………………	Position	………………………………..
Date	………………………………	Date	………………………………..

Signed on behalf of the Pension Fund

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Part I

Electoral Division affected:
None

External Audit – Lancashire County Council Audit Findings Report 2022/23
(Appendices 'A' – 'B' refer)

Contact for further information:
Sarah Ironmonger, Partner at Grant Thornton UK LLP, Tel: 0161 953 6499,
Sarah.L.Ironmonger@uk.gt.com

Brief Summary

The external auditor is required to report, to the Audit, Risk and Governance Committee, their audit findings prior to concluding their work. The report at Appendices A and B covers the overall findings of the external auditor in relation to:

- The audit of the annual accounts of Lancashire County Council; and
- The value for money approach and findings.

Recommendation

The Audit, Risk and Governance Committee is asked to take note of the findings in the report, the updates made to the financial statements, and the other issues raised by the auditor which are set out in the report.

Detail

Attached at Appendix A is the external auditor's annual audit findings report for Lancashire County Council for the 2022/23 audit. The report has been produced in accordance with the National Audit Office statutory Code of Audit Practice for local government bodies.

Appendix B is the external auditor's audit opinion (Appendix H to the audit findings report).

Sarah Ironmonger, Partner, and Stuart Basnett, Engagement Manager, will attend the meeting to present the report and answer any questions.

Consultations

The report has been agreed with the county council's management.

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

List of Background Papers

Paper	Date	Contact/Tel
None		

Reason for inclusion in Part II, if appropriate

N/A

The Audit Findings for Lancashire County Council

Year ended 31 March 2023

April 2024

Appendix A

Contents

Your key Grant Thornton team members are:

Sarah Ironmonger

Key Audit Partner

E Sarah.L.Ironmonger@uk.gt.com

Stuart Basnett

Senior Manager

E Stuart.H.Basnett@uk.gt.com

Raymon Danao

Assistant Manager

E Raymon.Danao@uk.gt.com

The Key Audit Partner(s) for Council's Material Subsidiaries are:

Key Audit Partner – Mark Bradley

Firm : Beever & Struthers LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Sarah Ironmonger
For Grant Thornton UK LLP
April 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire County Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements	
Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.	Our audit work was completed remotely during September-March. Our findings are summarised on pages 6 to 41. We have identified not identified any adjustments to the financial statements that have resulted in adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix H], subject to the following outstanding matters; • Receipt of evidence to support the calculation of the valuation from the external waste valuer – we will need to corroborate the key assumptions to other evidence – this is a key element of our work and could impact on the opinion we can issue • Agreement and review of the final amendments required to the Pension figures referred to on page 10 • Finalisation of the responses to the issues raised in the IT audit to ensure we have assurance over information provided by the entity • Final quality reviews of the audit work by the Engagement Manager, Engagement Leader and Engagement Quality Control Reviewer • Completion of our subsequent events procedures • Receipt of the signed management representation letter {see appendix G}; and • Review of the final set of financial statements We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated financial statements audit report opinion will be unqualified. This is subject to the successful completion of the above items with no issues. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weakness we have identified in the Council's arrangements is detailed within section 3 of this report

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We intend to delay the certification of the closure of the 2022/23 audit of Lancashire County Council in the audit report, as detailed in Appendix H. We can not certify the closure of the audit until we have completed our consideration of matters brought to our attention by the Council in 2013. We are continuing to monitor developments with the ongoing Police investigation. Once the Police investigation is concluded, and we have had an opportunity to consider the outcome, we will assess the implications for our audit of the Council.
Significant matters	The implementation of the new ledger had a significant impact on the capacity of staff at the council and their ability to respond to audit queries as quickly as usually we would expect. Please refer to pages 20 and 21 of our report for further details.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. There has not been a significant change in the level of external borrowing held by the Council as at 31 March 2023 compared to the previous years. Detailed Treasury Management Activity Reports are presented to the Audit, Risk & Governance Committee on a regular basis and clearly set out the Treasury Management activity and the rationale behind any decisions being made. As such, we have not identified any issues or governance risks in relation to the level of borrowing for the Council.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that assurance was required over specific group risks of management override of controls and the valuation of investment properties. These procedures were performed by the component auditor, Beever & Struthers, and reviewed by us as the group auditor.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit, Risk and Governance Committee meeting on 22 April 2024, as detailed in [Appendix H].

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality figures communicated to Those Charged with Governance in the Audit Plan in July 2023, due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Lancashire County Council and the Group.

	Group Amount	Council Amount	Qualitative factors considered
Materiality for the financial statements	£41.908m	£41.489m	The threshold above which could reasonably be expected to influence the economic decisions of the reader of the financial statements. We have set this at 1.45% of gross expenditure for the year for the group. The Council materiality is 99% of the group value.
Performance materiality	£31.431m	£31.117m	The amount set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. We have set this at 75% of materiality.
Trivial matters	£2.095m	£2.074m	Based upon 5% of materiality for the financial statements.
Materiality for Senior Officer Remuneration	We will apply heightened auditor focus in this area and will request amendments be made if any errors would alter the bandings reported for any officer.		

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council/Group
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the group and the Council, which was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified, using a risk scoring process, and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence - requested assurance from the component auditor in relation to the risk of management override of controls with Lancashire County Developments Limited. Our substantive testing of the journals posted by management also included a consideration of the IT audit findings stated at pages 17 and 18. We have not identified any evidence of inappropriate management override of controls from the testing performed. However, as with previous years, the Council does not have authorisation controls in place over journals – refer to page 40 for further details.	Group & Council
ISA 240 revenue improper recognition risk Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Lancashire County Council, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for Lancashire County Council. Since the value of income for LCDL is below the group materiality level this is also not considered a risk for the Group audit.	As detailed in our Audit Plan, which was communicated to the Audit, Risk & Governance Committee on 24 July 2023, we have rebutted this risk. Our procedures which we have performed on the Group and Council's financial statements have not identified any issues which would cause us to alter this assessment.	Group & Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/ or Group
Valuation of land and buildings The Council revalues its land and buildings on a three-yearly basis to ensure the carrying value in the Council's financial statements is not materially different from current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements. The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. However, the valuation methodology for Local Government land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS. As part of our continuous risk assessment, we have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach as a significant risk requiring special audit consideration. In order to identify any such assets in the Council's valuation programme, we made direct enquires with the valuers to understand the source data that underpins their valuations, corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluated the completeness and accuracy of source data provided directly from the Council. We then completed analytical procedures on their valuation report, with reference to external market data, to identify those assets at greater risk of material misstatement.	We have: • assessed the design and implementation of controls management has in place to ensure the estimate is accurate and underlying data is complete; • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer and discussed with them the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation. We have confirmed that the external valuer appointed is independent of ourselves and the Council • tested a sample of valuations at 31 March 2023 to understand the information and assumptions used in arriving at any revised valuations • tested a sample of revaluations made during the year to see if they had been input correctly into the Council's fixed asset system • evaluated the assumptions made by management for those assets not revalued during the year and assessed how management has satisfied themselves that these are not materially different to current value at year end. In relation to challenging whether the carrying value of assets is not materially different to the current value as at 31 March 2023, we have compared the Montagu Evans (valuation specialists) market report indices to those used by management and challenged management on the resulting difference to the assessment of the valuation of the assets not formally valued in year. Management provided their assessment of the remaining assets which have not been revalued. Management's assessment is that the difference between the carrying value and potential current value as at the balance sheet date for these assets is a £33m understatement. This is below our headline materiality threshold, used to determine the appropriateness of estimates. We have reviewed management's assessment and tested the appropriateness and accuracy of the key assumptions applied. We are satisfied that management's assessment is appropriate and that there is no material difference on the assets not valued. We have performed our own auditor point estimate using national indices to assess the valuation of Assets as at 31 March 2023 and our identified difference was £19.3m. Since these differences relate to uncertainty over an estimate, they are not classified as unadjusted misstatements and so is not recorded in Appendix D. During our testing of revaluations made in 2022-23, we identified that some Depreciated Replacement Cost (DRC) assets that were valued on 1 April, were not also subsequently uprated to 31 March 2023 values as management had intended via the process detailed on page 36 of this report. For these assets the Building Cost Information Service (BCIS) index applied in their valuation calculation had not been updated to the index as at 31 March 2023. The effect of this is that these assets are understated by £5.6m. This amount is below PM individually and the overall difference including the assets not valued in year, detailed above, is below our materiality level so we have assurance that the valuation of Land and Buildings is materially correct. As detailed on the summary we are still awaiting evidence to support the calculation of the valuation of the waste assets from the external valuer.	Group & Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of pension fund net liability/asset The Council's pension fund net liability (surplus as at 31/3/23), as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,148m in the Council's balance sheet as at 31/3/22) and the sensitivity of the estimate to changes in key assumptions. As at 31/3/23 the Council was reporting a surplus position of £534m in the draft accounts. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We also obtained assurance over the accuracy of the triennial valuation data. Results The movement in financial assumptions had such a significant impact that the Local Government Pension Scheme balance moved into a net asset position as at 31 March 2023. As such, further procedures were undertaken to ensure that this pension asset balance was recognised in accordance with the additional accounting requirements of IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. We are satisfied that the entire pension balance can be recognised. We note however that the draft accounts netted off the remaining Teachers' Pension Liability against the LGPS asset – this is not allowable and so has been amended for in the final set of accounts. As part of our challenge over the accounting of the pension asset we also identified issues in how the upfront payment of contributions, made in May 2020, was accounted for in 2021/22 and 2022/23. The impact of the upfront payment of contributions should be such that there is an imbalance between the Pension Liability and the Pension Reserve. The Actuary was instructed to account for the upfront payment of contributions over the 3 years rather than upfront which led to a difference in the accounting compared to the Council. The Council has then incorrectly adjusted the pension liability for contributions which has caused a misstatement of the liability/Asset. This is not the correct accounting treatment and so the 2022/23 and 2021/22 balances require amending. We are currently in discussions with the Council and our technical team on the amendments required. Please refer to Appendix D for more details.	Group & Council

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Investment Properties Investment properties are revalued annually and are held within the LCDL subsidiary. The valuations are conducted such that they are co-terminus with the group's year end reporting date. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of investment property as a significant risk for the Group, which was one of the most significant assessed risks of material misstatement.	As detailed on page 13, we communicated our group instructions to the auditor of Lancashire County Developments Limited to provide us with sufficient assurance over the valuation of investment properties. We requested the component auditor to perform the following responses to this risk: • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluate the competence, capabilities and objectivity of the valuation expert • Write out to them and discuss with the valuer the basis on which the valuation was carried out, any changes from prior year and any significant aspects of the valuation approach • Challenge the information and assumptions used by the valuer to assess completeness and consistency with your understanding. Challenge and corroborate the key assumptions applied (such as yield rates etc) in the valuation calculations. Ensure the completeness and accuracy of the information relied upon by the valuer; such as rental income, floor spaces etc. • Assess the instructions to the valuer, the valuer report and the assumptions that underpin the valuation • Test revaluations made during the year to see if they had been input correctly into the asset register • Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. We have reviewed the work performed by the component auditor to gain assurance over the valuation of these assets and considered the size of the investment property portfolio. The total value of investment properties at £83.9m would need to be misstated by 45% for there to be material error in the group accounts. All investment properties held by the Group were valued as at 31 March 2023. We are satisfied that there are no significant matters which require reporting to those charged with governance, as a result of the procedures performed.	Group Only

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Incomplete or inaccurate financial information transferred to the new general ledger In January 2023, the Group implemented a new general ledger system for the 2022/23 financial year-end. The Group has moved from Oracle R12 to Oracle Fusion, a cloud-based system. When implementing a new significant accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous ledger system. There are also potential challenges with control account reconciliations and the availability of detailed transaction reports required for audit testing. We therefore identified the completeness and accuracy of the transfer of financial information to the new general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.	We have: • Engaged our IT audit specialists to assist with completing an information technology (IT) environment review. This included gaining and understanding of the changes to any processes and controls within the new system, documenting and evaluating the design and implementation of controls within the new general ledger system; and • mapped the closing balances from the previous general ledger to the opening balance position in the new ledger to ensure accuracy and completeness of the financial information. As a result of our work, we have gained assurance that financial information has been appropriately migrated from the old ledger to the new ledger. The work of out IT audit specialists identified 4 significant weaknesses in the IT General Controls for the new system. As a result of these findings, we performed additional reconciliations of non-financial data and considered specific system users in our journals risk assessment. We gained sufficient assurance over the accuracy of migrated data from the additional tests performed. Refer to pages 17 and 18 for further details on the new system implementation.	Group & Council

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Lancashire County Developments Limited	Beever & Struthers LLP	We have reviewed the consolidation undertaken by the Council and are reviewing the work undertaken by the company's auditor on those entries that are material to the financial statements of the Group which includes work performed on the significant risks of management override of controls and the valuation of investment properties. Further detail on specific work performed against these risks can be found on pages 7 and 11.	The consolidation of Lancashire County Developments Limited has been agreed through to the supporting records of the Council and to the audited company accounts. We have received confirmation from the component auditor that there are no further issues that should be reflected in the group accounts. The component auditor has provided us with sufficient assurance from their procedures performed in relation to the risk of management override of controls and in relation to the implementation of Oracle Fusion. We have reviewed the work performed by the component auditor to gain assurance over the valuation of these assets and considered the size of the investment property portfolio. The total value of investment properties at £83.9m would need to be misstated by 45% for there to be material error in the group accounts. All investment properties held by the Group were valued as at 31 March 2023. We are satisfied that there are no significant matters which require reporting to those charged with governance, as a result of the procedures performed.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £2,099.5m	Other land and buildings comprises £1,626m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its internal valuation team to complete the valuation of the majority of properties as at 31 March 2023 on a three yearly cyclical basis. To determine that the carrying value of those assets not valued at 31 March 2023 is not materially different to their current value, management perform an indexation analysis to project the asset values and assess whether there is a material difference. The assessment is supported by market commentary and indices provided by the internal valuation team. Circa 50% of total assets (by value) were revalued during 2022/23. The valuation of properties valued by the valuer has resulted in a net decrease of £38m in value. Management has considered the year end value of non-valued properties, based on the market review provided by the valuer as at 31 March 2023, to determine whether there has been a material change in the total value of these properties. The total year end valuation of other land and buildings was £2,099.5m (2021/22 £2,063.7m).	• We have assessed the Council's internal valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas • We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts. • Valuation methods remain consistent with the prior year • In relation to challenging whether the carrying value of assets is not materially different to the current value as at 31 March 2023, we have compared the Montagu Evans (valuation specialists) report indices to those used by management and challenged management on the resulting difference to the assessment of the valuation of the assets not formally valued in year. • Management provided their assessment of the remaining assets which have not been revalued. Management's assessment is that the difference between the carrying value and potential current value as at the balance sheet date for these assets is a £33m understatement. This is below our headline materiality threshold, used to determine the appropriateness of estimates. We have reviewed management's assessment and tested the appropriateness and accuracy of the ley assumptions applied. • We are satisfied that management's assessment is appropriate and that there is no material difference on the assets not valued. Since this difference relates to uncertainty over an estimate it is not classified as an unadjusted misstatement and so is not recorded in Appendix D.	Grey

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £83.9m	The Council's subsidiary company, Lancashire County Developments Limited, has engaged Cushman & Wakefield to complete the valuation of properties as at 31 March 2023. Only two properties make up the portfolio and both were revalued as at 31/3/23. 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. There were net additions of £5.3m in the year which offset a valuation decrease of £7.6m. The total year end valuation of investment property was £83.9m, a net decrease of £2.3m from 2021/22 (£86.2m).	As part of our group audit, we have communicated our group instructions with the auditor of LCDL, Beever & Struthers LLP. We have discussed the programme of work required for us to gain assurance over the valuation of the investment properties. As outlined on page 13, we have reviewed the work performed by the component auditor to gain assurance over the valuation of these assets and considered the size of the investment property portfolio. The total value of investment properties at £83.9m would need to be misstated by 40% for there to be material error in the group accounts. We are satisfied that there are no significant matters which require reporting to those charged with governance, as a result of the procedures performed.	Light Purple
Provisions - £50.9m	The Council has a range of provisions on its balance sheet which totalled £50.9m at 31 March 2023. The largest provisions held relate to Insurance which total £39.1m. Management engage the assistance of an expert to determine the appropriate level of provision to recognise. The expert was commissioned in September 2021 and their estimated value of the provision as at 31 March 2022 was £47m. The current provision at 31/3/23 is £8m less than the experts estimate for 21/22. There is no additional estimate for 22/23. The Council agree to the sufficiency of the provision but noted that not all claims will be settled in one financial year and that of c.800 claims they reviewed, 35% were settled for less than the original estimate and so agreed to increase the provision incrementally. As such management believe it prudent to provide for circa 70% of the estimate made by Gallaghers now and increase the provision value year-on-year.	Per CIPFA Code 8.2.2.15 "The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances should be taken into account in reaching the best estimate of a provision." Based on the above extract from the CIFPA code, it is our judgment that the provision is currently under provided for. Whilst we understand management's position in terms of the timing of the settlement of claims and that claims are being settled for less than provided, an expert was engaged to assist in valuing the liability as at 31/3/23 and currently the value provided for is circa £8m less than the expected obligation as at 31/3/23 - this difference however is not material, so we have assurance that the estimate is materially correct.	Blue

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability (surplus) – Draft Accounts £534m Revised Accounts - £691m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's total net pension asset at 31 March 2023 is £691m (PY -£1,006m) comprising the Lancashire County Local Government pension scheme and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2022, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund asset, small changes in assumptions can result in significant valuation movements. Due to changes in key financial assumptions (CPI inflation and discount rate), the Council has seen a movement of £1,697m compared to the balance as at 31 March 2022.	• We have assessed the Council's actuary, Mercers, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2022/23 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	Light Purple – Subject to the amendments detailed on page 10 - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7% - 4.9%	●
Pension increase rate (CPI)	2.7%	2.7%	●
Salary growth	4.2%	3.95% - 4.2%	●
Life expectancy – Males currently aged 45/65	Pensioners: 21.5 years Non-pensioners: 22.8 years	21.0 – 22.6 22.4 – 24.3	●
Life expectancy – Females currently aged 45/65	Pensioners: 23.8 years Non-pensioners: 25.6 years	23.5 – 24.7 25.3 – 26.6	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2022/23 to the valuation method however the movement in financial assumptions had such a significant impact that the Local Government Pension Scheme balance moved into a net asset position as at 31 March 2024. As such, further procedures were undertaken to ensure that this pension asset balance was recognised in accordance with the additional accounting requirements of IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. We are satisfied that the entire pension balance can be recognised.
- As noted on page 10, the pension balances have been amended to ensure the accounting for the upfront payment of contributions (made in 2020) is accounted for correctly in the Pension Reserve and the Balance Sheet and to ensure that the remaining Teachers' Pension Liability is reported separately from the LGPS asset.

We are satisfied with the reasonableness of estimate of the net pension asset (as amended)

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle EBS	Detailed ITGC assessment (design effectiveness only)	🔴	🔴	⚫	⚫	All risks – general ledger	See below.
Oracle Fusion	Detailed ITGC assessment (design effectiveness only)	🔴	🔴	🔴	🔴	All risks – general ledger	Additional IPE procedures have been performed to ensure the accuracy and completeness of reports provided to us for the audit. We have also considered the findings of the IT audit in our Journals testing. Recommendations have been raised for management as detailed in Appendix B.
Active Directory	Detailed ITGC assessment (design effectiveness only)	🟢	🟢	⚫	⚫	All risks - network	None required

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: Information Technology

We also performed specific procedures in relation to the significant changes during the audit period, specifically the new system implementation. We observed the following results:

IT system	Event	Result	Related significant risks/ risk/observations
Oracle Fusion	New system implementation	Significant deficiencies identified	Lack of proper documentation and retention of the IT project related activities. The deficiencies identified are shown at appendix B of this report, along with management responses on progress made to address the issues identified.

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Risk & Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted, and the requests were sent. All expected responses were received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group and the prior period adjustment referred to in Appendix G.
Audit evidence and explanations	The impact of the implementation of the new ledger delayed the publication of the draft accounts from 31 May 2023 to early September 2023 and also placed additional stress on the capacity of the Council's finance team to respond to audit queries. Our original intention was to complete the audit by 31 December 2023 however, we adjusted the phasing of our resources in December to remove team members from the audit before Christmas due to the volume of queries/samples which we were awaiting responses to from the Council. The adjusted timing of the audit was for it to be substantially complete by 31 March 2024. We had good communication with management and prioritisation of the audit through February and March to achieve this timeframe. As with previous years, the complexity, volume of data held and nature of the reporting available within the Council's financial system means that the audit takes longer to complete and adds to the resource inputs required as it is not possible to obtain a full General Ledger and transaction level detail. The information we are provided is at a batched level, were thousands of individual transactions can be shown as one line in the report we receive. This means that we need to request numerous breakdowns of ledger codes in order to obtain data at a single transaction line level of data in order to then select a sample of transactions to substantively test to source evidence. Our original expectation was that the new Oracle Fusion system might be able to produce more detailed reports to allow us to obtain transaction level data, however that has not been possible to date. See next slide for further details. Also, the audit requirements for the payroll substantive analytical review increased in year to require us to test a sample of 12 staff members who have had a change of circumstances during the year as well as a sample of 12 new starters and 12 leavers. The Council informed us that they are unable to produce a report showing all change in circumstances retrospectively for the year. As such we had to amend our audit approach to conduct substantive testing of payroll costs – this resulted in testing a sample of 78 staff members back to contracts/payslips etc.

2. Financial Statements: new matters identified

Issue	Commentary	Recommendation
Transaction listings The Council was unable to provide us with transaction reports at individual transaction level.	As with previous years, the transaction listings provided for audit, whilst agreeing to the draft accounts, were not at individual transaction level. Due to the volume of data, and the time taken to run a conventional seeded report from the system at transaction, the Council provided us with reports at a "batched level". This is where postings made to sub-ledgers such as accounts payable and accounts receivable are batched up (multiple transactions added together) and then posted to the General Ledger as one item. The impact of this is that it limits the capabilities of our digital tools in analysing the population and means that we are unable to identify and "strip out" contra entries which have no impact on the overall balance. We also found that on many occasions there can be several levels of batching meaning that we had to continue to request drill downs of data lines until we finally reached a point of being able to select one transaction to test. In testing transactions, we are required to understand the population in full and to consider both under and overstatement in testing and obtaining audit assurance. In many instances, the absolute populations reviewed were significantly greater than the net amounts reflected in the financial statements, resulting in sample sizes being much larger than would typically be expected. The increased sample sizes resulted in additional time being taken, both for the finance team to gather supporting evidence and for the audit team to perform required procedures. With the populations being tested containing many reversing entries and coding adjustments, arising from month-end and year-end procedures, this does further increase resource input as we need to understand the reason for reversal/re-coding in addition to the original and in some instances subsequent transactions. Below we have demonstrated the impact off this issue on our sample sizes for Other Expenditure and Creditors. The issue was more pervasive than just these two areas, however these are the sections with the largest impact. The additional time input for these areas, has resulted in additional audit fees being charged in Appendix E.	We recommend that management engage with their colleagues in their digital department and with partners at Oracle Fusion to discuss their reporting requirements and work towards a position of being able to provide us with transaction level data for the 2023-24 audit. We note that management have already arranged a meeting with their digital team and ourselves to discuss the reporting requirements in April.

Financial Statement Line	Sample size: Absolute Value	Indicative sample size: Net Balance per Statement of accounts
Other Expenditure	Population Value – £3,353m Sample Size – 90 items	Population Value – £1,404m Sample Size – 35 items
Creditors	Population Value – £1,594m Sample Size – 103 items	Population Value – £339m Sample Size – 17 items

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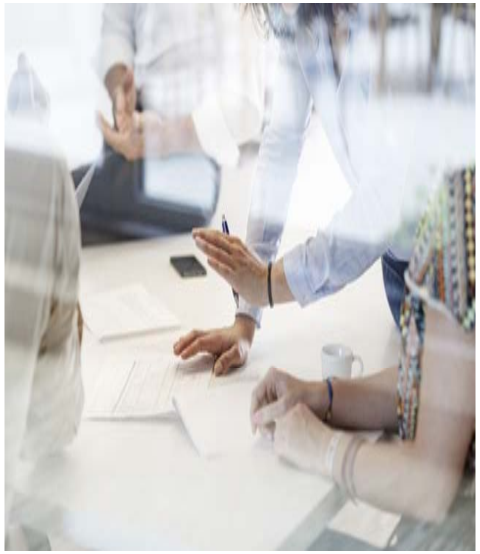
2. Financial Statements: new matters identified

Issue	Commentary	Recommendation
Bank Reconciliations During the course of our testing of the cash balances held by the Council our usual audit tests are to review and reperform the year-end bank reconciliation as well as the following months bank reconciliation. We noted from our review of the 31 March 2023 bank reconciliation that it was not formally completed and reviewed until 20 September 2023. We also noted that there were no further reconciliations completed until the September 2023 reconciliation which was completed on 2 October. The reason for the delay in completion of the March bank reconciliation and the absence of further reconciliations until September was due to issues related to the new ledger implementation impacting on the ability of management to run the necessary reports which were not resolved until September.	We found no issues with the testing of the bank reconciliations but the delay in completing the March reconciliation and the absence of further reconciliations is a control deficiency which requires reporting to those charged with Governance.	Management have rectified the issue during 2023/24 and we have obtained the October bank reconciliation to confirm that monthly reconciliations are once again taking place.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified to date from our work performed. We plan to issue an unmodified opinion in this respect – refer to Appendix H.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.



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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £2 billion we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. • Note that work is not yet completed and the planned timescale for the work is after completion of the financial statements audit.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Lancashire County Council in the audit report. We can not certify the closure of the audit until we have completed our consideration of matters brought to our attention by the Council in 2013. We are continuing to monitor developments with the ongoing Police investigation. Once the Police investigation is concluded, and we have had an opportunity to consider the outcome, we will assess the implications for our audit of the Council.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Medium-Term Financial Sustainability The Council update its Medium-Term Financial Strategy quarterly and throughout 2022-23 the MTFS was updated to reflect the significant changes during the year. Due to rising inflation, demand for services and funding uncertainty there was a significant increase in the size of the Council's funding gap to 2026/27. The forecast funding gap for 2023/24 is £9.5m, with an updated funding gap of £23.286m by 2026/27. Already accounted for within this funding gap are sizeable levels of savings and so there is a risk over the Council's medium-term financial sustainability.	In addressing this risk, we held discussions with key officers over plans to address the MTFS gap, reviewed the latest financial plans and financial monitoring reports, and reviewed of the assessment of achievability of savings plans, review of the Capital programme.	A significant weakness in arrangements has not been identified	We identified two improvement recommendations in our AAR. - The Council must ensure that savings plans are realistic and deliverable and ensure that planned savings are fully scrutinised throughout the year, identifying areas of slippage and mitigations which need to be put in place. Savings delivery should be monitored and regularly reported transparently to Members and taxpayers. - The Council must further scrutinise the capital delivery plan to ensure that it is realistic and deliverable. Refer to the AAR for further details.
Governance arrangements over major projects We have identified a risk in relation to the Council's arrangements for ensuring that "business-as-usual" governance processes and controls are not interrupted whilst a significant project is being implemented. We will focus our review on the arrangements relating to the implementation of the new Oracle Fusion system during the 2022/23 financial year. We will discuss with management and review the underlying arrangements that were in place to manage the implementation of the new ledger alongside usual governance arrangements.	In addressing this risk, we held discussions with key officers, reviewed the Council's implementation arrangements for the new ledger, reviewed the lessons learnt work completed which reflected on the implementation of the new system.	A significant weakness in arrangements has been identified	We identified one key recommendation in our AAR as a result of our finding that proper arrangements were not in place during 2022/23 in relation to the implementation of Oracle Fusion. - The Council must ensure that all outstanding issues with the Oracle Fusion system are rectified in line with its current timescale. The Council must also ensure that it engages with all lessons learned activities regarding the Oracle Fusion implementation with a focus on the root causes of issues felt during the process. The Council must also ensure that causes of the issues and the lessons learned from the implementation are appropriately reported to members. We acknowledge that management have made significant progress in addressing the implementation issues during 2023/24. We will consider this progress as part of our 2023/24 value for money assessment. Refer to the AAR for further details.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	2022-23 £10,000 2023-24 £12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-Audit related			
CFO Insights Subscription	£10,000	Self-Interest (because this is a recurring fee)	This is an on-line software service that enables users to rapidly analyse data sets. CFO Insights is a Grant Thornton and CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities. It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit, Risk & Governance Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

Other services – Local Pensions Partnership

We also disclose to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each with a 50% equity holding of the ordinary shares of the company. Details of the work performed and our assessment of our independence, are shown below. We are satisfied that this work has no impact on our independence for the audit of Lancashire County Council.

Service	Threats	Safeguards
Audit related		
Local Pensions Partnership Authorised Contractual Scheme and investment funds structures audit	Self-Review Self Interest	This is not considered a significant threat as the audit of Lancashire County Pension Fund and Lancashire County Council is undertaken by a completely separate team from the Public sector Services arm of the Firm, as opposed to the commercial audit team that delivers the LPP audits. There are different Engagement Leaders in place for both audits, and where we seek to place reliance on the work performed on the LPP audit, this is treated as an auditor's expert for the purposes of our work. All of the work performed by Grant Thornton is for audit related services. LPP is not consolidated into the Group Accounts on which we are issuing an opinion due to an assessment of the 50% share of the Assets, Liabilities, Income & Expenditure of the Company not being material to the Group.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 12 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	1. System design and specification and key custom reports documentation shared by Egress Ltd lacked explicit approval During our review, we inspected the Fusion BI reports' functional specification and custom reports workbooks. Confirmed that the documents included the design for each critical financial component and associated processes, considerations of additional conditions for automation, type and format of data and processes to be delivered. Additional business requirements and rules that may affect the system operations were also covered. However, we noted that the workbooks shared did not include individual approvers of each document, hence we could not verify if each design and specification aspect of Oracle Fusion was formally considered and approved. Risk The lack of individual approvers for each specification and design document increases the risk of errors, inaccuracies, and suboptimal functionality in the system. It is therefore recommended that all design and specification aspects of the system be reviewed, approved, and documented to minimise the risk of issues or errors in the system.	Ensure that all design and specification aspects of the system are documented, reviewed, and formally approved. This can be coupled with an existing formal change management process to track and manage any changes to the system design and specification to ensure that they are properly reviewed and approved before implementation. Management response There is now a formal change management and design approval process in place for all designs specifications and approvals.
	2. Segregation of Duties (SoD) issues identified during the Oracle Fusion security and finance roles mapping LCC tracked the finance users' LCC Job Role to their Oracle Fusion roles. However, upon inspection of the mapping documents and inquiry with the LCC, we confirmed that the process was not effective as the issues with segregation of duties were identified during the development and after Go-Live. Within the evidence submitted, we noted that the issues with access were highlighted with 16 user accounts. Furthermore, limited stakeholder approval evidence was provided for the SoD verification. During our ITGC review, we identified issues with privileged access conflicts. Refer to finding 7 for details. Risk The ineffective process of mapping system roles with employee designations increases the risk of unauthorised access to sensitive financial data, which can result in errors, omissions or material misstatements. Without proper stakeholder approval evidence, it is difficult to ensure that the SoD verification process was effective and that all potential SoD conflicts were identified and addressed.	It is recommended that management conduct a thorough review of their segregation of duties (SoD) process within the Oracle Fusion system to identify and address any potential conflicts. Management should also ensure that access to sensitive financial data and processes is restricted to only those with a legitimate business need and that stakeholder approval evidence is properly documented and maintained to support the SoD verification process. Regular reviews and updates of access controls should also be conducted to minimise the risk of unauthorised access. Management response A thorough review has been completed and all role restrictions are now in place. All changes are recorded in the Councils IT Service management tool with regular reviews are in place. A further, more strategic, project is taking place to review all roles and standardise them across the whole system.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**3. Data was not completely migrated into Oracle Fusion** We inspected the three validation reports that summarised the reconciliation runs conducted for financial tables loading of ERP and HCM (HR/Payroll) modules and noted that LCC was unable to provide evidence that 100% of data was migrated. We also inspected a Programme Board Highlight report and confirmed that LCC accepted the risk of incomplete data migration and opted for manual handling of low volume data migration issues. Confirmed that LCC was able to cross match and sign off on discrete data sets, such as the GL balance transferred to Fusion. However, there were limitations in reporting capabilities of Oracle Fusion, which made it impossible to carry out detailed subledger migration reconciliation. Further noted that there was no close-out remedial action report from the migration partner, Egress, and the business leads had to undertake remedial action on a business-as-usual (BAU) basis with support from third party, Fujitsu. **Risk** Inappropriate data migration, lack of a close-out remedial action report and the limitations in the reporting capabilities of Oracle Fusion highlights the possibility of errors or inaccuracies in the migrated data. Examples may include incorrect financial reporting or inaccurate financial statements.	Management should consider the following steps to address the issue: • Conduct a thorough review of the migration process to identify any potential errors or inconsistencies in the migrated data. This involves incorporating continuous validating process for and formally assessing the completeness and accuracy of the migrated data, with accordant approvals. • Ensure that the limitations in the reporting capabilities of Oracle Fusion are addressed to enable detailed subledger migration reconciliation and are formally documented. This can be achieved by either performing further development work on updating such reporting capabilities or implementing additional reporting tools that can provide the required level of detail. • Consider implementing additional controls and measures to ensure the completeness and accuracy of migrated data, such as conducting additional testing and validation of the migrated data and implementing a formal change management process to track, manage and resolve all associated inconsistencies. **Management response** The council's migration strategy took into account the functionality available at the time, however, subsequently that approach has shown some deficiencies. These have been worked through since go-live, and materially eliminated by the closure of the 2022/23 accounts. A reporting strategy is being finalised and work with the system vendor specifically on reporting is underway, so that further data cleanse activity is more efficient.
	4. Lack of explicit Chart of Accounts mapping approval documentation We inspected the general ledger hierarchy loaders used to integrate the charts of accounts. In total, 9 files were assessed and verified that they covered specific cost centres and their associated segmentations based on value. However, issues with data migration completeness and accuracy were noted during the project and no explicit approval for the Charts of Accounts mapping was provided by LCC. **Risk** Without explicit approval for the Charts of Accounts the risk of inconsistencies or errors in the financial data within the Oracle Fusion system increases. It can be difficult to ensure that all aspects of the financial data are accurately reflected in the system and have been reconciled.	Management should consider implementing additional controls and measures to ensure the completeness and accuracy of migrated data. This can include conducting additional testing and validation of the migrated data, implementing a formal change management process to track and manage any changes to the system, and reviewing and updating the post implementation processes to ensure that best practices are being followed. **Management response** The council did not make any significant changes to its chart of accounts. There was a sign-off process between R12 and Fusion balances. A more formal change management process for updates and amendments for oracle fusion is now in place.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**5. Lack of complete documentation for the key interfaces** Key interfaces were recorded and tracked in the Integrations Tracker. However, the tracker shared was incomplete and did not provide verified information on individuals who tested and approved the interfaces. Risk Without complete and verified information on individuals who tested and approved the interfaces, it can be difficult to ensure that all necessary steps were taken to ensure the accuracy and completeness of the interfaces. This can result in issues with data integrity, quality, and security.	Management should consider conducting a thorough review of the key interfaces to ensure that they are functioning as intended and that data integrity, quality, and security are maintained. This can include conducting additional testing and validation of the interfaces and implementing additional controls and measures to ensure the completeness and accuracy of the data. Management response A project is currently underway to review and document all interfaces in Oracle Fusion.
	6. Post-implementation review identified significant errors with migrated data Inspected the briefing note from LCC Finance Team regarding the post go-live activity as of 23/07/2023 and confirmed the following: The review of transactions between the 22/23 and 23/24 financial years had identified several issues, including emergency payments made outside of systems, invoices that failed to migrate from R12 to Fusion, transactions posted in R12 after the cutover, D&C income posted to May 23, and missing transactions in AP following the bank reconciliation. Despite corrective measures having been taken, and the wider Finance Team has held regular meetings, there was still a risk of errors emerging. The Finance Team has been asked to consider transferring or correcting any late processed transactions for 22/23 in the first quarter of 23/24. Risk The need to transfer or correct late processed transactions for the previous financial year further increases the risk of material misstatements in the financial statements. Therefore, the identified risks can have significant financial and operational implications for the organisation and should be addressed promptly to ensure the integrity of financial data and compliance with regulatory requirements.	Management should consider the following: • Conduct a comprehensive review of the financial data in the Oracle Fusion system to identify any additional issues or inaccuracies. This should include a review of emergency payments made outside of systems, invoices that failed to migrate, transactions posted after the cutover, and missing transactions • Establish a robust process for identifying and addressing issues in a timely manner, such as implementing a system for regular monitoring and reporting of financial data and establishing a framework for addressing identified issues promptly. Management response A comprehensive review was undertaken as part of the closedown of the 2022/23 accounts, following which regular monitoring is undertaken on a monthly basis through the council's financial monitoring schedule

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**7. Business users with inappropriate administrative access to Oracle EBS and Oracle Fusion** During our audit, we noted that system administrative access to Oracle EBS and Oracle Fusion had been granted to 36 and 17 business users, respectively. These users had financial or operational responsibilities. Furthermore, management was unable to provide justification for two privileged generic accounts identified in Oracle Fusion. Risk A combination of administration and financial/ operational responsibilities creates a risk that system-enforced internal controls can be bypassed. This could lead to • unauthorised changes being made to system parameters • creation of unauthorised accounts, • unauthorised updates to their own account privileges • deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities, e.g. reviewing system reports of detailed transactions; audit trails for activities performed by the privileged accounts, etc. Management response The council has updated and amended access privileges for users who had been given access for the purposes of system implementation. Digital Services manage a central control point where reviews are undertaken regularly to ensure compliance in this area.
High	**8. Lack of formal process in managing Oracle Fusion self-assigned roles** We identified 38 instances in Oracle Fusion applications where accesses were self-assigned. This comprises eight unique users who assigned the accesses to their accounts. No approval documentation was provided for audit inspection. Risk User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	Management should ensure that all access requests are formally documented and approved. Additionally, it is advisable to regularly monitor system audit trails, preferably by IT security personnel or a team independent of those administering Oracle Fusion and its underlying database. Any identified issues within these trails should be thoroughly investigated, and mitigating controls should be implemented to minimize the risk of recurrence. Management response Accesses have been reviewed and access has been removed for those no longer needed. This will be reviewed regularly with permission requests following a formal route.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	9. Insufficient retention of documents related to Oracle Fusion system changes and access provisioning During our audit, we noted that relevant documentation of Oracle Fusion system changes and access provisioning was not available for audit inspection. We were informed that the Service Now application was used for the management of IT services, encompassing system changes and access provisioning throughout the audit period. However, this application was no longer accessible at the time of our audit as it was decommissioned. Risk Without proper retention of documentation: • It becomes challenging to attribute changes to specific individuals or teams, leading to a lack of accountability for system modification and access-related actions • In scenarios involving staff turnover or changes in roles, it poses difficulties in transferring knowledge related to system changes and access provisioning processes, leading to potential disruptions • It becomes harder to monitor and detect insider threats, as unauthorised activities may go unnoticed in the absence of clear record • It can impede troubleshooting and problem resolution processes, causing delays in addressing issues and impacting overall system performance	It is recommended that management should establishing and maintaining a robust system change and access provisioning documentation process for ensuring transparency, accountability, and security of the IT environment. The process should include clear guidelines, regularly updates records, and adherence to security best practices. When changing the IT services solutions (such as Service Now application), it is recommended that management should follow the process of acquiring and developing new IT system, including: • Implement a comprehensive data backup plan before migrating to a new IT services solution. The integrity of backups should be verified to ensure that critical records are securely stored and can be readily accessed if needed. • Document all relevant information about the existing IT service solution, including access provisioning, system changes, and configurations. • Perform thorough validation and integrity checks on data migrated to the new IT service solution to identify and address any discrepancies or missing records. Management response Service Now (the council's incident management tool) is now fully functioning and is being used to log all incidents and changes concerning Oracle Fusion. This allows us to monitor, maintain, and secure Oracle Fusion and a robust Digital Service change management process is in place.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**10. Fully depreciated Assets** From our fixed asset register, we have noted a high number of fully depreciated VPEs as at 31 March 2023, which amounted to £26.0m (GBV). We challenged management over what processes are in place to determine if these assets still exist (are in use) or whether they should be accounted for as disposals/derecognitions, and requested evidence of sample exercise conducted in 2022/23, if any. As per management's response, an existence exercise is usually undertaken each year but due to the delays and additional work involved in the implementation of the new financial system, this has not been done and this will be picked up for 2023/24.	We recommend that an annual existence exercise is undertaken to ensure assets reported in the balance/FAR still exist and minimize the risk of overstated GBV and accumulated depreciation within the PPE note. **Management Response** Whilst existence testing is undertaken as part of the annual revaluation programme, additional steps will be taken in the year-end reconciliation of the FAR and GL.
Medium	**11. Accounting for Prepayments** From our testing of a sample of prepayments, we identified that there were a number of items which had been recorded as a prepayment in the accounts as at 31 March 2024 but they were not actually paid until April 2024, after the year end. As such these items should not have been recorded as prepayments. The issue arose as the ledger automatically record an expense and accrual once a PO is receipted on the system. Subsequently, when the related invoice is received, this is matched in the system and the accrual will be reversed and transferred to the liability code. At year end, the Council records a manual journal to recognise PO/invoices relating to 2023/24 as Prepayments. However, at year end, there are instances when the related invoices are not paid before 31 March. For invoices relating to 2023/24, the Council's adjustment was a debit to Payments in advance and a credit to expenditure. This effectively cancels out the impact on I&E, which is correct, however the issue lies when the invoice is not actually paid out before 31 March, which results to an overstatement in both Payments in advance and creditors.	We recommend that management revise its year-end close down procedures to ensure that a manual review is undertaken to confirm that items included in the Prepayments balance have actually been paid as at 31 March. **Management Response** Additional steps will be introduced as part of the year-end close down work.
Medium	**12. Payroll subledger transactions** Our substantive testing of a sample of payroll transactions in the year identified a number of very large transactions. We challenged the council on the existence of these entries, and they are caused as a result of intermediary data entries which are being transacted through the subledger and incorrectly posted to the general ledger. This has no overall impact on the general ledger balances however, as the contra entries are being transacted at the same time. These transactions have led to us being required to test a very large sample of payroll transactions (78 items) since the absolute value of the population is inflated by these large postings. The fact that these large postings are being made suggests a weakness in the payroll sub-ledger control environment, albeit there are identified compensating arrangements in place to mitigate this risk.	We recommend that management reviews the configuration of the payroll subledger and controls around postings being made to the General Ledger to ensure that such large contra postings are not recorded in the future. **Management Response** This matter is currently being investigated by the council's Digital Services team, in order to put in place an appropriate resolution.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Material difference identified between the carrying value and current value of Land & Buildings As detailed on page 10 of our (2021-22) report we are required to perform audit procedures in relation to challenging whether the carrying value of assets is materially different to the current value as at 31 March 2022. Our initial work assessing the valuation of assets within the Council's accounts compared to the valuation had all assets had been valued as at 31 March 2022 identified a significant material difference. This was in part due to the large movement in market indices during the year affecting all land and building assets, since the valuation date of assets valued in 2021-22 was 1 April 2021. As such management engaged the internal valuer to undertake additional valuations as at 31 March 2022. As a result of the additional valuations performed, the net book value of Land & Buildings as at 31 March 2022 increased by £76.8m to £2,063.8m. This has been included as an adjusted misstatement in Appendix B (2021-22 AFR). Management also updated their assessment of the remaining assets which have not been revalued. Management's assessment is that the difference between the carrying value and potential current value as at the balance sheet date for these assets is £22.2m. This is below our materiality threshold. The valuation of Land & Buildings is a significant risk for the audit as a result of the assumptions applied in the valuation calculation and the value of the assets held. Current economic conditions of high inflation could lead sustained, or even increased, Build Cost indices which are a key component in the valuation of a large proportion of the Council's Land & Buildings, further increasing the risk of significant movements in asset valuations. The Council also currently revalues its asset base (except for Group Investment Properties) as at 1 April, which increases its exposure to movements in Build Cost Indices during the year. These two factors combined increase the risk of the carrying value of assets differing significantly to their current value. We recommend that management reassess the decision to value Land & building assets as at 1 April as opposed to the 31 March, and we recommend that management increase the scope of their own internal assessment of the difference between the carrying value and current value of assets as part of their financial statements' preparation procedures. This will mitigate the risk of significant differences between the carrying value compared to the current value of assets and hopefully ensure that any material differences are identified early in the account preparation process.	Management have continued to have a formal valuation date of 1 April, with a valuation process of performing the valuations throughout the year and then assessing the market conditions which occurred as at 1 April to set the formal valuation date. However, for 2022-23 management have then performed a secondary valuation assessment for assets valued on a Depreciated Replacement Cost basis. This secondary assessment includes updating the BCIS index element of the valuation calculation so that the BCIS index as at 31 March 2023 is included in the calculation of the valuation of each asset. This process has ensured that, for those assets revalued during the year, the valuation of DRC assets in the balance sheet is their current value as at 31 March 2023. We are satisfied that this approach has been reasonable in mitigating the risk significant differences between the carrying value compared to the current value of assets.

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Payroll Leavers Controls As part of our procedures to gain assurance over pay-expenditure we test a sample of leavers in year to ensure they are removed from the payroll system on a timely basis. We then rely on the payroll staff numbers report for our substantive analytical review of payroll costs. Our testing of a sample of 8 leavers to date found that all staff members were removed from the system between 3-6 months subsequent to the termination date. The process for staff to be removed is via notification to BTLS who maintain the administration of the payroll system. The Council should ensure all staff are removed from the system within a timely basis. Our procedures during the 2021-22 audit have found similar issues still remain and that there can be a significant time lag in leavers being removed from the payroll system, with the time lag consistently appears to be around 3-6 months.	Our procedures in 2022-23 have found that, for a sample of 12 leavers, they have all been recorded on the system in a timely manner throughout the year. Management Response Performance in this area continues to be monitored and reports provided to the Audit, Risk and Governance committee on progress.
X	Journal Authorisation • Manual journals within the financial ledger are input by approved personnel, but they are not subject to authorisation controls at the time of input • The risk is that the lack of authorisation controls at the time of input creates a higher level of risk of error or manipulation. We recommended management review the authorisation procedures in place over journal input.	Management reviewed the processes in place in the prior year and commented that there are personnel controls in place whereby only finance staff can post journals, with little incentive for manipulation. Along with this being part of a centralised finance function having established financial monitoring processes that allows the review of all transactions means the risk for manipulation or uncorrected errors is considered very low. Whilst formal journal authorisation requirements are not built into the system, management consider that suitable alternative arrangements are in place. Audit Response As users with access to Oracle can post and approve their own journals, this is required to be recognised as a control deficiency. In response to this deficiency, we increased the overall risk rating for the Council within our Journal risk assessment. The impact of this is that it increased the minimum number of journals posted by management which we are required to test. The results of this testing are detailed on page 8.

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements - All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	CIES £m	Statement of Financial Position £m	Impact on total net expenditure £m	Impact on general fund £m
Adjustment to Prepayments Our testing of a sample of prepayments identified that a number of these items had not actually been paid at year-end and therefore should not be accounted for as prepayments. Further details included on page 35. By amending this balance the residual balance unadjusted is below materiality.	£0	Creditors – £14.1m Prepayments – (£14.1m)	£0	£0
Pension Fund Asset As detailed on page 10, the draft accounts incorrect netted the Teachers' Pension Liability of £75m against the LGPS asset. This is not allowable as the balances relate to two distinct pension schemes with no right of set off. As such the Accounts have been adjusted to show a LGPS Pension Asset and a TP Liability.	£0	Pension Fund Asset – (75.1m) Other Liabilities - £75.1m	£0	£0
Historic reconciling difference between the Fixed Asset Register and the Statement of Accounts Our reconciliation of the Accounts to the Fixed Asset Register identified a difference of £9.6m which is a historic difference owing to cumulative manual adjustments made for the differences between the GL and fixed asset subledger, with the intention of adjusting them in the fixed asset subledger in the new year and reversing the manual journal in the GL once the subledger has caught up. However, in some instances, the reversal of manual adjustments were missed and have resulted in a net overstatement in the GL and accounts by £9.6m. The gross impact on Note 18 is Land & Buildings Gross Book value is overstated by £57.6m and depreciation is overstated by £48m.	Loss on disposal £9.6m Removal of expenditure from CIES under statute (£9.6m)	Reserves – Capital Adjustment Account £9.6m PPE - Land/Buildings GBV (57.6m) PPE - Land/Buildings Depreciation £48m	£0	£0
Accounting for Prepayment of Contributions In May 2020 the Council made an upfront payment of £120m for LGPS contributions to the Pension Fund. This amounts was based on an actuarial assessment of the Council's expected contributions for 2020/21, 2021/22 and 2022/23. The payment was correctly accounted for at the time in the Council's Accounts as CR Cash £120m and DR Pension Liability £120m. The impact of the upfront payment of contributions should be such that there is an imbalance between the Pension Liability and the Pension Reserve. The Actuary was instructed to account for the upfront payment of contributions over the 3 years rather than upfront which led to a difference in the accounting compared to the Council. The Council has then incorrectly adjusted the pension liability for contributions which has caused a misstatement of the liability/Asset in 2021-22 and 2022-23. The Council has agreed to amend the accounts to correct for this matter, under IAS 8 the 2021-22 balances may also need to be restated if the impact in that year is material. We are currently in discussions with the Council and our technical team to finalise the amendments required.	£0	2021/22 Restated: Pension Liability £40m Pension Reserve (£40m) 2022/23: Pension Liability £42m Pension Reserve (£42m)	£0	£0
Overall impact	£0	£0	£0	£0

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D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Amendments to the Published Draft Accounts The draft statement of accounts were published on the website on 6 September 2023. However, this version of the accounts was subsequently taken down and replaced with an updated version a few days later to correct for reconciliation differences between Accounts Payable and the bank. The most significant amendment was to: DR Short Term Creditors - £72.7m CR Short Term Debtors - £25.5m CR Cash - £47.2m	Management amended the published draft accounts for these matters	✓
Note 32 - Cash Flow Statement – Adjustments to SDPS In auditing the workings behind the Cashflow Statement we identified a balance of £8.5m titled “other cash movement” which appears to be a balancing figure with no evidence provided to support the appropriateness of the balance. The value is not material however, so we are satisfied that the Cash Flow Statement and workings are materially correct.	This has not been amended for in the accounts as relates to supporting evidence for a particular balance rather than an identified error.	X
Note 46 - Transactions relating to retirement benefits The disclosure note has been updated to reflect a revised IAS 19 Actuary Report which the council obtained in June 2023 (Draft accounts prepared on April 2023 version) where balances/movements within the note have been amended but with no overall change to overall year-end values.	Management has amended the final accounts for the issues we identified.	✓
Note 36 - Related parties Additional transaction/balance information has been added for several related party organisations where, although the value of transactions is highly immaterial for the Council, the values are deemed potentially material for the related parties.	Management has amended the final accounts for the issues we identified.	✓
Note 44 - - Nature and extent of risks arising from financial instruments Our agreement of the PFI discounted values within Note 44 to supporting working papers identified a number of differences within this disclosure.	Management has amended the final accounts for the issues we identified.	✓
Presentation & disclosure amendments As a result of our manager/EL/Review partner reviews of the accounts, a number of amendments have been made to improve the disclosures within the accounts. All of these amendments relate to minor improvements of the disclosure notes to improve the accuracy and readability of the accounts.	Management has amended the final accounts for the issues we identified.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit, Risk & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £m	Statement of Financial Position £m	Impact on total net expenditure £m	Impact on general fund £m	Reason for not adjusting
Completeness of expenditure Our testing of a sample of non-payroll related payments made post year end identified 3 items were expenditure related to 2022/23 but was not accrued for at year end. We conducted further work for each error to understate the cause and nature of the error and we are satisfied that expenditure recorded in the accounts is materially complete.	Other expenditure £1.6m	Creditors (£3.2m) PPE Additions £1.6m	£1.6m	£1.6m	Not material
Incorrect BCIS index applied in Valuation of Land and Buildings During our testing of revaluations made in 2022-23, we identified that some DRC assets that were valued on 1 April, were not also subsequently uprated to 31 March 2023 values as management had intended via the process detailed on page 36 of this report. For these assets the BCIS index applied in their valuation calculation had not been updated to the index as at 31 March 2023. The Council have reviewed all assets valued at 31 March 2023 to identify affected assets. The effect of this is that overall asset valuations are understated by £5.6m. This amount is below PM individually and the overall difference including the assets not valued in year, detailed at page 9, is below our materiality level so we have assurance that the valuation of Land and Buildings is materially correct.	£0	PPE £5.6m Revaluation Reserve (5.6m)	£0	£0	Not material

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit, Risk & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £m	Statement of Financial Position £m	Impact on total net expenditure £m	Impact on general fund £m	Reason for not adjusting
Annual leave accrual Each year the Council make an estimate of the cost of the annual leave which staff have not taken in the year and is to be carried over into the next period. This is an estimate but based upon payroll reports for each employee showing their pay and leave not taken. Our testing of the reasonableness of this estimate identified that the accrual as at 31 March 2023 did not allow for any staff who had joined the Council in the year and so it was understated. We have used the new starter reports we obtained in the audit as well as the average accrual cost per employee (who were included in the estimate) to project the estimated understatement of the accrual.	Additional expense £2.9m	Increased Creditors £2.9m	£2.9m	£2.9m	Not material
Error on accounting for Depreciation Our testing of the valuation of land and buildings identified several instances where the accounting for valuation changes had not been properly accounted for through the CIES. Our sample testing identified £0.7m of depreciation had been written out to the Revaluation Reserve rather than to the CIES in line with the requirements of the Code. We have extrapolated this error across the whole population and the impact identified is above trivial. There is no impact on the General Fund as these adjustments are reversed out under statute.	Reduced Expenditure (depreciation reversed) (£3.1m)	Reduced Revaluation Reserve £3.1m	£0	£0	Not material
Overall impact	£1.4m	£1.4m	£4.5m	£4.5m	

Impact of prior year unadjusted misstatements

There was one adjustment identified during the 2021/22 audit which was not been made within the final set of financial statements. The impact of the revised IAS 19 Actuary Report has not been amended in the accounts. The difference between the net liability per the draft 2021/22 Statement of Accounts (£1,006.156m) and the revised IAS 19 Actuary Report, post triennial valuation, (£998.195m) is not material at £7.961m. The impact of this on the SOCI would be £4.7m which is also not material.

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E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee published by PSAA	£103,069	£103,069
Increases to scale fee for additional work not considered when the scale fee was originally set by PSAA		
Additional work in respect of the Group Audit	£5,300	£5,300
Reduced Materiality	£3,125	£3,125
Property Plant and Equipment – External Auditor Expert	£2,500	£2,500
Additional work on Value for Money (VfM) under new NAO Code	£19,000	£19,000
Increased audit requirements of revised ISAs 540	£6,000	£6,000
Additional work on journals/grants	£3,000	£3,000
FRC Response – Additional review, EQCR Review, Hot review	£1,500	£1,500
Additional work in respect of national issue on accounting for Infrastructure assets	£2,500	£2,500
Enhanced audit procedures for Payroll – Change of circumstances (unable to perform – see next page)	£500	£0
Increased audit requirements of revised ISAs 315/ 240	£5,000	£5,000
Continued on next slide		

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Implementation of new ledger and additional work required for business processes/understanding of controls*	£TBC	£45,000
Engagement, and review, of the GT internal valuations team work in valuing derivative investments and liabilities held (TBC if required for 22/23)	£TBC	£3,000
Impact of delays on the audit timeframe due to the new ledger implementation	N/A	£15,000
Impact of substantive payroll testing (change in approach due to Council being unable to produce a change in circumstances report)	N/A	£10,000
Impact of batched ledger lines – generating large samples	N/A	£15,000
Additional work required under IFRIC 14 for the net pension asset	N/A	£4,000
Total Audit Fee	£151,494	£242,994

*TBC at the time of drafting the audit plan as there is significant work required to be undertaken to ascertain the full extent of the work required – we reported in the Audit Plan that we anticipated the audit fee could be circa £25k - £50k.
All variations to the scale fee will need to be approved by PSAA

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teachers Pension Return 2022-23	£7,500	£10,000
Certification of Teachers Pension Return 2023-24	£12,500	£12,500
CFO Insights Subscription	£10,000	£10,000
Total non-audit fees (excluding VAT)	£30,000	£32,500

Reconciliation of Audit Fees to Note 13 of the Statement of Accounts

The audit fees per Note 13 of the accounts agree to the scale fee for 2022-23 of £103,069. The Council records the additional audit fees when they have been approved by PSAA. The fee for Grant Claims per note 13 includes £7,500 relating to the 2022-23 certification work based upon the proposed fee and an additional £1,000 in respect of the 2021-22 fee. The fee for CFO Insights agrees directly to Note 13. Note 13 also includes £53,000 of 2021-22 additional audit fees which have been approved by PSAA during the year. This agrees to the proposed additional audit fees which we disclosed in our 2021-22 Audit Findings Report.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

11th Floor,

Landmark St Peter's Square,

1 Oxford St,

Manchester,

M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Lancashire County Council - Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Lancashire County Council and its subsidiary undertaking, Lancashire County Developments Limited, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of property plant and equipment and investment property, the valuation of the net defined pension liability/asset, the valuation of PFI liabilities, fair value estimates, accruals and provisions. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

G. Management Letter of Representation

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note [X] to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

G. Management Letter of Representation

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Risk & Governance Committee at its meeting on 22 April 2024.

Yours faithfully

Name………………………….

Position……………………….

Date…………………………..

Name………………………….

Position……………………….

Date…………………………..

Signed on behalf of the Council

H. Audit opinion

Our proposed audit opinion is included within the Audit, Risk & Governance Committee Papers for 22 April 2024. We anticipate we will provide the group with an unmodified audit report.

Grant Thornton

grantthornton.co.uk

Independent auditor's report to the members of Lancashire County Council

Report on the audit of the financial statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Lancashire County Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Technical Annex and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

Our evaluation of the Chief Executive's assessment of the Authority's and the group's ability to continue to adopt the going concern basis of accounting included a review of the assumptions and forecasts provided to support the Chief Executive's assessment regarding the future continuation of services.

In our evaluation of the Chief Executive's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

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

Our approach to the audit

Grant Thornton

Overview of our audit approach

Financial statements audit

Overall materiality

Group: £41.908m which represents 1.45% of the group's gross expenditure on provision of services

Authority: £41.489m, which represents 1.44% of the Authority's gross expenditure on provision of services.

Key audit matters were identified as:

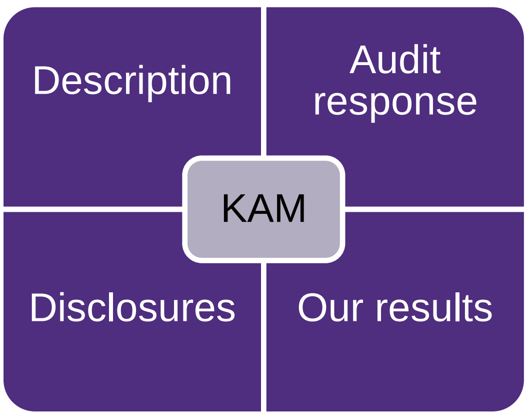
- Valuation of land and buildings, (Authority, same as prior year)
- Valuation investment property (Group, same as prior year)
- Valuation of the net asset related to the defined benefit pension scheme (Authority, same as prior year)

Value for money arrangements

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and



we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

Key Audit Matter - Authority	How our scope addressed the matter - Authority
Risk 1 Valuation of Land and Buildings We identified Valuation of Land and Buildings as one of the most significant assessed risks of material misstatement due to error. This is due to the value of the assets and the extent of estimation involved in valuing them. The Council re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	In responding to the key audit matter, we have performed the following audit procedures: • assessed the design and implementation of controls management has in place to ensure the estimate is accurate and underlying data is complete; • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the Council's valuation experts; • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; • engaged an independent auditor's expert valuer to provide an evaluation of the reasonableness of the assumptions and approach taken by the Council's valuers; • confirmed that revaluations made during the year were input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and assessed how management has satisfied themselves that

Key Audit Matter - Authority	How our scope addressed the matter - Authority
	these are not materially different to current value at year end.
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Accounting policies – Property, Plant and Equipment • Financial statements: Note 18 Property, Plant and Equipment • The Narrative Report	**Our results** We obtained sufficient audit assurance to conclude that: • the basis of the valuation of land and buildings was acceptable; and • the assumptions and processes used by management in determining the estimate of valuation of land and buildings were balanced and reasonable.

Key Audit Matter - Authority	How our scope addressed the matter - Authority
Risk 2 Valuation of Pension Fund Net Liability/Asset We identified the Valuation of Pension Fund Net Liability/Asset as one of the most significant assessed risks of material misstatement due to error. The pension fund net liability/asset is considered a significant estimate due to the size of the numbers involved (£1,148m net liability in the Council's balance sheet as at 31/3/22) and the sensitivity of the estimate to changes in key assumptions. As at 31/3/23 the Council was reporting a net asset of £530m.	In responding to the key audit matter, we have performed the following audit procedures: • understood the processes and controls put in place by management to ensure that the pension fund net liability/asset is not materially misstated and evaluated the design and implementation of the relevant controls; • assessed the competence, capabilities and objectivity of the actuary who carried out the share of the pension fund valuation; • assessed the accuracy and completeness of the information provided to the actuary to estimate the balance; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing additional procedures suggested within the report to determine whether estimates are reasonable and consistent with the ranges set by the auditor's expert; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the financial statements with the actuarial report from the actuary; and • obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We also obtained assurance over the accuracy of the triennial valuation data. • assessed the council and the actuary's determination that the pension asset recorded on the balance sheet has been accounted for in line with the requirements of IFRIC 14

Key Audit Matter - Authority	How our scope addressed the matter - Authority
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Accounting policies – Employee Benefits • Financial statements: Technical Annex, Post-employment benefit disclosure notes • The Narrative Report	**Our results** We obtained sufficient audit assurance to conclude that: • the draft accounts had incorrectly netted off the Teachers' Pension Liability (£75m) against the LGPS asset The Authority adjusted the financial statements to correct this error. • the 2021-22 and 2022-23 net pension balances had incorrectly accounted for the upfront payment of contributions made during 2020. This error was overstating the net liability balance by £40.1m in 2021-22 and understating the net asset position by £81.8m in 2022-23. The Authority adjusted the financial statements to correct this error. • the basis of the amended valuation of the net pension fund asset was acceptable; and • the assumptions and processes used by management in determining the estimate were balanced and reasonable.

Key Audit Matter - Group	How our scope addressed the matter - Group
Risk 3 Valuation of Investment Properties We identified the Valuation of Investment Properties as one of the most significant assessed risks of material misstatement due to error. This is due to the value of the assets (£84m) and the extent of estimation involved in valuing them. Investment properties are revalued annually and are held within the Lancashire County Developments Limited subsidiary. The valuations are conducted such that they are co-terminus with the group's year end reporting date. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	In responding to the key audit matter, we obtained an understanding of the group's investment property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts; in order to determine the audit procedures required of the component auditor. We communicated our group audit instructions to the auditor of Lancashire County Developments Limited to provide us with sufficient assurance over the valuation of investment properties. We requested the component auditor to perform the following audit procedures: • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. Evaluate the competence, capabilities and objectivity of the valuation expert • Discuss with the valuer the basis on which the valuation was carried out, any changes from prior year and any significant aspects of the valuation approach • Challenge the information and assumptions used by the valuer to assess completeness and consistency with your understanding. • Challenge and corroborate the key assumptions applied in the valuation

Key Audit Matter - Group	How our scope addressed the matter - Group
	calculations. Ensure the completeness and accuracy of the information relied upon by the valuer; such as rental income, floor spaces etc. • Assess the instructions to the valuer, the valuer report and the assumptions that underpin the valuation • Test revaluations made during the year to see if they had been input correctly into the asset register • Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Accounting policies – Investment Properties • Financial statements: Group Accounts Note 8, Group Investment Properties • The Narrative Report	**Our results** Sufficient and appropriate responses were received from the component auditor, and their work was performed in accordance with our group instructions. We obtained sufficient audit assurance to conclude that: • the basis of the valuation of investment property was acceptable; and • the assumptions and processes used by management in determining the estimate of valuation investment property were balanced and reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

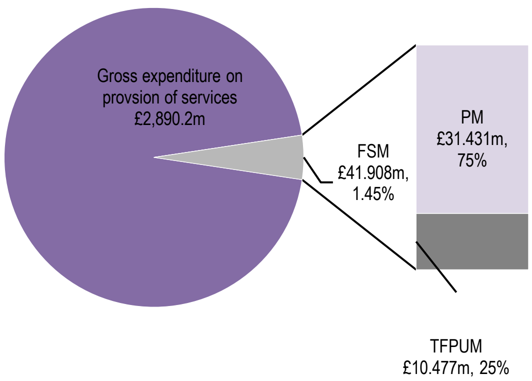
Materiality measure		
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
	Group	**Authority**
Materiality threshold	£41.908m which represents 1.45% of the group's gross expenditure on provision of services	£41.489m, which represents 1.44% of the Authority's gross expenditure on provision of services.
Significant judgements made by	In determining materiality, we made the following significant judgements	In determining materiality, we made the following significant judgements

Materiality measure		
auditor in determining the materiality	• Gross expenditure on provision of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.45% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2022 to reflect the increased expenditure largely arising from the effects of inflation and increased service demand on the group's operations.	• Gross expenditure on provision of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.44% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2022 to reflect the increased expenditure largely arising from the effects of inflation and increased service demand on the group's operations.
Significant revision of materiality threshold that was made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£31.431m, which is 75% of financial statement materiality	£31.117m, which is 75%of financial statement materiality
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 75% of financial statement materiality. This is the same as the previous year.	In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the authority we have determined performance materiality to be 75% of financial statement materiality. This is the same as the previous year.
Significant revision of performance materiality threshold	We calculated performance materiality during the planning stage of the audit and then during the	We calculated performance materiality during the planning stage of the audit and then during the

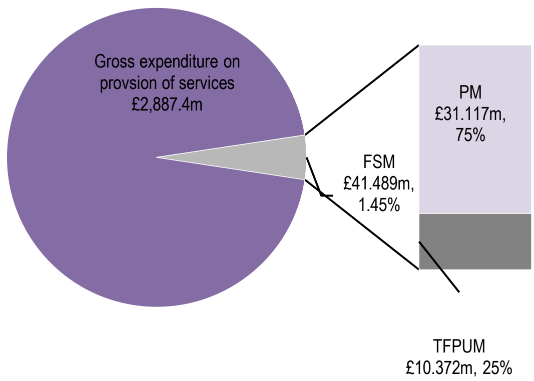
Materiality measure		
that was made as the audit progressed	course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.	course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We did not determine a lower level of specific materiality for any areas of the financial statements.	We did not determine a lower level of specific materiality for any areas of the financial statements.
Communication of misstatements to the Audit, Risk and Governance Committee	We determine a threshold for reporting unadjusted differences to the Audit, Risk and Governance committee.	
Threshold for communication	£2.095m and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2.074m and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Authority



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Authority's business and in particular matters related to:

Evaluating the reasonableness of the valuation of Land and Buildings

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts;
- The Authority's rolling triennial valuation programme for other land and buildings did influence the scope of audit procedures. While a significant proportion of the Authority's land and buildings were revalued (£1,068m out of £2,177m at the reporting date), this left a balance of £1,109m of assets at the reporting date that had not been valued for at least a year prior to the reporting date. Auditor challenge was therefore required to gain assurance that these assets were reasonably stated in the financial statements;

Evaluating the reasonableness of the valuation of the net defined benefit pension asset/liability

- The engagement team obtained an understanding of the Authority's approach to obtaining actuarial reports which would allow for a reasonable estimate of the Authority's LGPS net asset/liability at the reporting date.
- The Authority's approach involved the use of estimated pension fund asset returns. This influenced the scope of the audit work since the engagement team was aware that updated information on pension fund asset performance could likely have a material impact on the Authority's net asset/liability. Given the level of materiality at £41.9m against the value of assets subject to market fluctuation of £4,311m (at the start of the year), it was considered a significant source of estimation uncertainty.
- Within the scope of our audit procedures is the evaluation of the work of the pension fund auditor, in respect of the pension fund's reported asset performance; the work of the nationally appointed auditor's expert, in respect of assessing the appropriateness of actuarial assumptions used by the scheme actuary; and the work of the scheme actuary in preparing the IAS 19 calculations and disclosures to be included in the Authority's financial statements.

Evaluating the reasonableness of the valuation of Investment Properties

- The engagement team obtained an understanding of the group's investment property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts;
- The group's valuation programme did not significantly influence the scope of the audit procedures for Investment Property since the group followed its stated policy of revaluing its Investment Property holding (£84m) at the reporting date.
- The investment property is held within the group accounts, and so we directed the component auditor to perform appropriate procedures to gain assurance over the valuation of the properties.

Understanding the group, the Authority and its other components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Authority, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Authority level;
- The group organisational structure did not significantly influence the scope of the audit as the Authority's finance team was in control of the production of the financial statements, which was not a complex process.

Identifying significant components

- The group audit team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total gross expenditure as well as the value of the assets of the subsidiary on the group balance sheet.

Type of work to be performed on financial information of the Authority and other components (including how it addressed the key audit matters)

- Full scope audit procedures were undertaken at the Authority
- Full scope audit procedures were performed at the subsidiary, Lancashire County Developments Limited, by the component auditor.

Performance of our audit

- Full scope audit procedures were undertaken at the Authority, which represents 99% of the group's total expenditure. Refer to the table below for greater clarity.
- Obtained an understanding of the consolidation process and tested the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments.

Communications with component auditors

- we issued the auditors of the component with a set of group instructions, outlining the procedures required for completion to support the group audit.

Audit approach	Number of components	% coverage gross expenditure
Full-scope audit	**2**	**100**
Specific-scope audit	**0**	**0**
Specified audit procedures	**0**	**0**
Review procedures	**0**	**0**
Analytical procedures	**0**	**0**

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Chief Executive is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Chief Executive

As explained more fully in the Statement of Responsibilities, the Authority 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. In this authority, that officer is the Chief Executive. The Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972 and the Local Government Act 2003).

We enquired of management and the Audit, Risk and Governance Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit, Risk and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries that altered the Authority's financial performance for the year;
- potential management bias in determining accounting estimates and judgements in relation to:
    - the valuation of land and buildings
    - the valuation of the net pension fund asset
    - the completeness and accuracy of provisions

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large post year-end journals above performance materiality, journals posted by senior management, material journals posted during the migration of the new ledger, journals prepared and posted by different users and journals posted by users with administrative privileges,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, provisions, and net pension fund asset valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and the component auditor, including the risk of management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditor's;

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. Our total uninterrupted period of engagement is 11 years, covering the years ending 31 March 2013 to 31 March 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and Authority and we remain independent of the group and Authority in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit, Risk and Governance Committee.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 22 April 2024 we identified a significant weakness in the Council's governance arrangements. During 2022-23, the Council implemented its new Oracle Fusion system used for procurement, payroll and finance procedures. The implementation gave rise to several issues, both technical and relating to governance arrangements, these issues have impacted on the running of the Council, payment of suppliers, the preparation of the 2022-23 Statement of Accounts and the timeliness of the completion of both the 2021-22 and 2022-23 External Audits. We recommended that the Council must ensure that all outstanding issues with the Oracle Fusion system are rectified in line with its current timescale. The Council must also ensure that it engages with all lessons learned activities regarding the Oracle Fusion implementation with a focus on the root causes of issues felt during the process. The Council must also ensure that causes of the issues and the lessons learned from the implementation are appropriately reported to members.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Lancashire County Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- Completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.
- We are also unable to issue our certificate of completion of the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of a matter brought to our attention by the Authority in 2013.
- We are required to give an opinion on the consistency of the pension fund financial statements of the Council included in the Pension Fund Annual Report with the pension fund financial statements included in the statement of accounts. We have yet to issue our report on the consistency of the pension fund financial statements.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:

Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Part I

Electoral Division affected:
None

External Audit – Lancashire County Pension Fund Audit Findings Report 2022/23
(Appendix 'A' refers)

Contact for further information:
Sarah Ironmonger, Partner at Grant Thornton UK LLP, Tel: 0161 953 6499,
Sarah.L.Ironmonger@uk.gt.com

Brief Summary

The external auditor is required to report, to the Audit, Risk and Governance Committee, their audit findings prior to concluding their work. The report at Appendix A covers the overall findings of the external auditor in relation to the audit of the annual accounts of Lancashire County Pension Fund for the year ending 31 March 2023.

Recommendation

The Audit, Risk and Governance Committee is asked to take note of the findings in the report, updates made to the financial statements, and the other issues raised by the auditor which are set out in the report.

Detail

Attached at Appendix A is the external auditor's annual audit findings report for Lancashire County Pension Fund for the 2022/23 audit. The report has been produced in accordance with the National Audit Office statutory Code of Audit Practice for local government bodies.

Sarah Ironmonger, Partner, and Stuart Basnett, Engagement Manager, will attend the meeting to present the report and answer any questions.

Consultations

The report has been discussed with finance officers of the Pension Fund and the council.

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

List of Background Papers

Paper	Date	Contact/Tel
None		

Reason for inclusion in Part II, if appropriate

N/A

Grant Thornton

The Audit Findings Report for Lancashire County Pension Fund

Year ended 31 March 2023

April 2024

Appendix A

Contents

Your key Grant Thornton team members are:

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name: Sarah Ironmonger
For Grant Thornton UK LLP
Date: April 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-November. Our findings are summarised on pages 5 to 23.

We have completed all of the substantive elements of our audit. There are however some audit tasks which cannot be completed until we are ready to sign the audit opinion. Subject to the satisfactory completion of the items below, there are currently no matters of which we are aware that would require modification of our audit opinion [Appendix H] or material changes to the financial statements. However, this position is subject to the satisfactory completion of the following outstanding matters;

- Receipt of signed management representation letter
- Review of subsequent events up to the date of signing the opinion
- Review of the final set of financial statements

Subject to the satisfactory completion of the outstanding audit work, our anticipated audit report opinion will be unqualified.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to complete the audit of the Pension Fund.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer, and showed that the overall funding level for the Fund had increased to 115% (2019 funding level: 100%). The results of the latest triennial valuation are reflected in Note 24 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of 50 members and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Lancashire County Pension Fund, the Audit, Risk and Governance Committee fulfil the role of those charged with governance.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, which was communicated to you at the Audit, Risk & Governance Committee meeting on 24 July 2023.

Conclusion

We have completed a substantial amount of our audit.

Subject to the completion of the final remaining audit tasks, we anticipate issuing an unqualified audit opinion however, the timing of when we are able to issue the opinion is dependent on when the Administering Authority audit opinion is also ready to be issued.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan, which was presented to the Audit, Risk and Governance Committee on 24 July 2023.

We detail in the table below our determination of materiality for Lancashire County Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£106.520m	We have determined materiality for the audit to be £105.317m (equivalent to 1% of net assets as at 31/12/2022). This is in line with the industry standard and reflects the risks associated with the Fund's financial performance.
Performance materiality	£79.890m	Performance materiality drives the extent of our testing, and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	£5.326m	This equates to 5% of materiality. This is our reporting threshold to the Audit, Risk & Governance Committee for any errors identified.
Materiality for fund account	£48.910m	This equates to 10% of prior year gross operating costs.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our substantive testing of the journals posted by management, based upon a risk-scoring method as well as an overarching review of all manual journals posted (due to the small number of postings in the year) has not identified any evidence of inappropriate management override of controls. As with previous years, the Fund does not have authorisation controls in place over journals – refer to page 29 for further details.
ISA 240 Fraud in Revenue and Expenditure Recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We have also rebutted the presumption of fraud in expenditure recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Lancashire County Council mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Lancashire County Pension Fund.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£5,244m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement	We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period and • in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert • tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk, the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2023, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years, as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2023 is £1.8m. This amount is below our triviality level so no amendment of the accounts is required. Management have amended the accounts to reflect the audited accounts position of LPPI Real Estate which is a reduction in the asset value by £5.4m.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Direct Property The Fund revalues its directly held property on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£152 million) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2023. We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the processes and controls in place which relate to the valuation of directly held investment property and updated our audit approach scoping for the assessed risk. • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written out to them and discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's financial records • where available reviewed investment manager service auditor report on design effectiveness of internal controls. Our audit work on the valuation of directly held property did not identify any significant issues or misstatements. Sufficient, appropriate assurance was gained over this balance.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Incomplete or inaccurate financial information transferred to the new general ledger In January 2023, the Fund implemented a new general ledger system for the 2022/23 financial year-end. The Fund has moved from Oracle R12 to Oracle Fusion, a cloud-based system. When implementing a new significant accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous ledger system. We therefore identified the completeness and accuracy of the transfer of financial information to the new general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.	We have: • completed an information technology (IT) environment review by our IT audit specialists which included documenting and evaluating the design and implementation of controls within the new general ledger system; and • mapped the closing balances from the previous general ledger to the opening balance position in the new ledger to ensure accuracy and completeness of the financial information. Detailed findings from our work on the control environment of the new system can be found on pages 14-15. Our work identified some significant deficiencies in the IT General Controls. Recommendations for management are included at Appendix B. Our work on the migration of balances from the old system to the new system did not identify any issues.
Incomplete or inaccurate information transferred to the new pension administration system Local Pensions Partnership Administration (LPPA) provide the benefits administration services for the Fund. In December 2022, LPPA migrated the LCPF membership data from the previously used Altair system to a new Civica UPM system. It is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous administration system. We therefore identified the completeness and accuracy of the transfer of member data information to the new administration system as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.	We will: • completed an information technology (IT) environment review which included documenting and evaluating the design and implementation of controls within the new pension administration system; and • Performed substantive procedures to test the completeness and accuracy of the member data transferred to the new system. Our work has not identified any issues with regards to the migration of data to the new pension administration system.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £5,244m	The Pension Fund has investments in unquoted equity, pooled property investments and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2023 at £5,244m (per draft accounts). These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the general partners to the private equity funds which the Fund invests in. The value of the investments has decreased by £115m in 2022-23, largely due to significant market volatility resulting from the Russian invasion of Ukraine, the September 2022 "mini-budget" and the cost-of-living crisis.	Management determine the values of level 3 investments through placing reliance on the expertise of investment managers. We have also tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and within our acceptable tolerances based on our expectation derived from the audited accounts. Management has disclosed, within Note 5 of the accounts, the uncertainty related to level 3 investments (absolute return funds and private equity) as well as providing a supporting sensitivity analysis within Note 17 to allow the reader to understand the potential impact on the accounts should the value of those estimates change. Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2023, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2023 is £1.8m. This amount is below our triviality level so no amendment of the accounts is required. Management have amended the accounts to reflect the audited accounts position of LPPI Real Estate which is a reduction in the asset value by £5.4m.	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £156.3m	The Pension Fund's level 2 investments consist of the LPPI Fixed Income Fund which is a pooled fund investing in "high credit quality, highly liquid fixed income instruments across geographies, instrument types and maturities". The value of the Fund per the draft financial statements as at 31 March 2023 was £156.3m. The value of the investments has decreased by £242m in 2022-23, largely due to significant reduction in the number of units held by the Fund at year end. These investments can not be easily reconciled to valuations recorded on an open exchange / market as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers.	Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers. As such we have sought confirmations of year end valuations from LPPI and also obtained the audited accounts prepared for the LPPI fixed income fund to use as a basis to compare the valuation in the pension funds accounts to the valuation per the audited accounts of LPPI. We also obtained direct confirmations of balances outstanding from each of the local authority short term loans. No issues were identified from the work which we performed.	Light Purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Directly held investment Property – Level 3 - £152.8m	The Pension Fund has investments in directly held investment properties that in total are valued on the Net Asset Statement as at 31 March 2023 at £152.8m. In order to determine the value, management engage independent RICs qualified valuers, Avison Young, to calculate the fair value of the properties on the basis of their Market Value. All of the properties held by the Fund were valued as at 31/3/2023. The value of the investments have decreased by £10m in 2022/23. Although there were net purchases of £11m during there year, the fall in the overall valuation of directly held property was largely as a result of significant decreases in the fair value of the properties on revaluation as at 31/3/2023.	Management determine the value of Level 3 direct property investments through placing reliance on the expertise of the property valuer. As such we have sought confirmations of year end valuations from the valuer as well as corresponding with them to understand and assess their skills, competence and independence from the Fund in valuing the investment properties. We have also evaluated the assumptions used in the calculation of the estimate as well as the source evidence they relied upon. We compared movements in individual asset values to movements in market indices and challenged management on any movements which were outside of our expected range. We did not identify any issues with the approach or assumptions adopted by the Fund's external property valuer.	Light Purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle Fusion	ITGC assessment (design and implementation effectiveness only)	🔴	🔴	🔴	🔴	All significant risks	We have reviewed the findings of the IT audit and confirmed that none of the identified users with admin access/self-assigned access rights had posted any journals during the year. We performed a review of all manual posted journals as part of our journal selection. Also, since the majority of the pension fund posting are agreeable to custodian reports or 3rd party confirmations, we have assurance over information produced by the entity (IPE).
Oracle EBS	ITGC assessment (design and implementation effectiveness only)	🔴	🔴	⚫	⚫	All significant risks	None – the PF moved to Oracle Fusion during the year.

We have raised further queries with management as a result of the findings from our ITGC work and the recommendations in Appendix B. Management are still considering these further queries.

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟠 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Pension Administration System (Civica UPM)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Links to management override of controls, Fund Account Balances and data provided to the actuary in relation to IAS 19 procedures	None required
Pension Administration System (Altair)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	As above	None – the PF moved to Civica UPM during the year.

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: Information Technology

We also performed specific procedures in relation to the changes to key systems during the audit period, specifically the implementation of the new general ledger system and the new pension administration system. We observed the following results:

IT system	Event	Result	Related significant risks/ risk/observations
Oracle Fusion	New system implementation	Significant deficiencies identified in IT controls relevant to the audit of financial statements. Lack of proper documentation and retention of the IT project related activities. See recommendations at Appendix B.	- All significant risks
Civica UPM	New system implementation	No significant deficiencies have been identified	- Links to management override of controls, Fund Account Balances and data provided to the actuary in relation to IAS 19 procedures

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Assessment

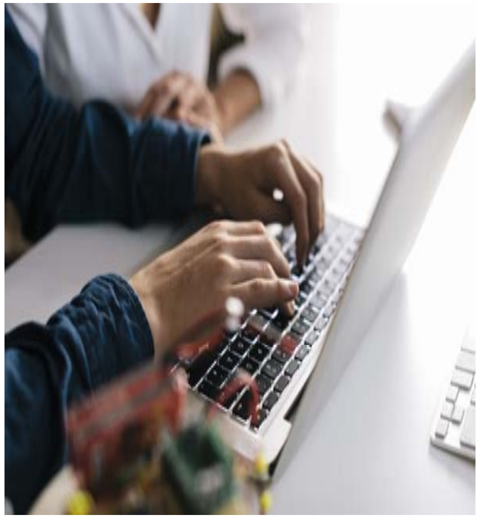
- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Risk & Governance Committee and Pension Fund Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We note that no declaration of interest was received for 3 members. We are however satisfied that the fund has appropriate procedures in place to obtain and monitor declarations.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund. We have not requested any additional specific representations from management. See draft representation letter at Appendix G.
Audit evidence and explanations	We note that there were significant delays in the provision of some working papers and responding to requests to provide evidence for audit samples by LPPA. Whilst we had weekly calls with staff at LPPA to discuss progress, the timeframes for the provision of information was far longer than we would expect and resulted in significant delays to the completion of the audit. We do understand that there are currently staffing/capacity issues at LPPA and that LPPA provides administration services to 18 clients. If we are to get back to a position where we aim to sign off the audit by 30 September in future years, then it will be necessary to ensure that all key working papers are provided at the start of the audit and that sample evidence is returned promptly. We will discuss this with management as part of our review of this years' audit. As a result of the delays additional resources were required to complete the audit, incurring additional audit fee costs. See Appendix E.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested direct confirmations from the Fund's bankers and custodian and plus a sample of managers of level 3 investments. All confirmations were received.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. We are satisfied that readers will not be misled by the current disclosures but have discussed with management and this is an area that will be kept under review.

2. Financial Statements: other communication requirements

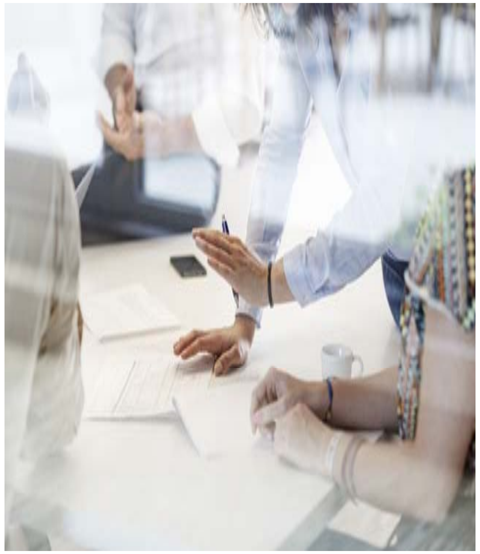
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by Lancashire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report with the opinion on the accounts. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



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3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS19 procedures for other bodies admitted to the pension fund	£39,000 (£6,000 base Fee, £5,000 Triennial Valuation plus £1,100 for each set of audit procedures - 20 Expected)	Self-Interest (because this is a recurring fee) Self-review Management	The fee for this work is recurring but not significant compared to the audit of the financial statements of £51,036 and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit. These factors all mitigate the perceived self-interest threat to an acceptable level. The amount to be recharged is to be confirmed – see appendix E for a reconciliation to the financial statements. We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
IAS19 procedures for other bodies admitted to the pension fund – Note that this is additional work relating to 2021-22 IAS 19 Assurance. It is in addition to the £23,000 reported to the Committee in the 2021-22 Audit Findings Report	We also issued 7 additional 21-22 letters due to the triennial valuation requiring bodies to update their 31/3/2022 accounts for the impact of the triennial valuation (£1,000 each)	Self-Interest Self-review Management	The fee for this work is recurring but not significant compared to the audit of the financial statements of £51,036 and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit. These factors all mitigate the perceived self-interest threat to an acceptable level. The amount to be recharged is to be confirmed – see appendix E for a reconciliation to the financial statements. We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
Non-audit Related			
None			

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit, Risk & Governance Committee. None of the services provided are subject to contingent fees.

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3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff
For transparency, we are disclosing to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each holding 50% share of the equity.	The audit fees are paid directly by LPP with no financial impact for Lancashire County Pension Fund or the Council. This disclosure is purely to make members aware of our relationship with bodies related to Pension Fund. The Council and Pension Fund Audits are undertaken by a separate audit team from the Public Sector arm of the firm, as opposed to the audit team that delivers the LPP audits. There are different Engagement Leaders in place for the audits, and where we seek to place reliance on the LPP audit, this is treated as an auditor's expert for the purposes of our work. The LPP audit is undertaken in accordance with relevant auditing standards. We are satisfied that this work has no impact on our independence for the audit of Lancashire County Pension Fund.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 9 recommendations for the Pension Fund (and Council) as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**1. System design and specification and key custom reports documentation shared by Egress Ltd lacked explicit approval** During our review, we inspected the Fusion BI reports' functional specification and custom reports workbooks. Confirmed that the documents included the design for each critical financial component and associated processes, considerations of additional conditions for automation, type and format of data and processes to be delivered. Additional business requirements and rules that may affect the system operations were also covered. However, we noted that the workbooks shared did not include individual approvers of each document, hence we could not verify if each design and specification aspect of Oracle Fusion was formally considered and approved. Risk The lack of individual approvers for each specification and design document increases the risk of errors, inaccuracies, and suboptimal functionality in the system. It is therefore recommended that all design and specification aspects of the system be reviewed, approved, and documented to minimise the risk of issues or errors in the system.	Ensure that all design and specification aspects of the system are documented, reviewed, and formally approved. This can be coupled with an existing formal change management process to track and manage any changes to the system design and specification to ensure that they are properly reviewed and approved before implementation. Management response There is now a formal change management and design approval process in place for all designs specifications and approvals.
	2. Segregation of Duties (SoD) issues identified during the Oracle Fusion security and finance roles mapping LCC tracked the finance users' LCC Job Role to their Oracle Fusion roles. However, upon inspection of the mapping documents and inquiry with the LCC, we confirmed that the process was not effective as the issues with segregation of duties were identified during the development and after Go-Live. Within the evidence submitted, we noted that the issues with access were highlighted with 16 user accounts. Furthermore, limited stakeholder approval evidence was provided for the SoD verification. During our ITGC review, we identified issues with privileged access conflicts. Refer to finding 7 for details. Risk The ineffective process of mapping system roles with employee designations increases the risk of unauthorised access to sensitive financial data, which can result in errors, omissions or material misstatements. Without proper stakeholder approval evidence, it is difficult to ensure that the SoD verification process was effective and that all potential SoD conflicts were identified and addressed.	It is recommended that management conduct a thorough review of their segregation of duties (SoD) process within the Oracle Fusion system to identify and address any potential conflicts. Management should also ensure that access to sensitive financial data and processes is restricted to only those with a legitimate business need and that stakeholder approval evidence is properly documented and maintained to support the SoD verification process. Regular reviews and updates of access controls should also be conducted to minimise the risk of unauthorised access. Management response A thorough review has been completed and all role restrictions are now in place. All changes are recorded in the Councils IT Service management tool with regular reviews are in place. A further, more strategic, project is taking place to review all roles and standardise them across the whole system.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	3. Data was not completely migrated into Oracle Fusion We inspected the three validation reports that summarised the reconciliation runs conducted for financial tables loading of ERP and HCM (HR/Payroll) modules and noted that LCC was unable to provide evidence that 100% of data was migrated. We also inspected a Programme Board Highlight report and confirmed that LCC accepted the risk of incomplete data migration and opted for manual handling of low volume data migration issues. Confirmed that LCC was able to cross match and sign off on discrete data sets, such as the GL balance transferred to Fusion. However, there were limitations in reporting capabilities of Oracle Fusion, which made it impossible to carry out detailed subledger migration reconciliation. Further noted that there was no close-out remedial action report from the migration partner, Egress, and the business leads had to undertake remedial action on a business-as-usual (BAU) basis with support from third party, Fujitsu. **Risk** Inappropriate data migration, lack of a close-out remedial action report and the limitations in the reporting capabilities of Oracle Fusion highlights the possibility of errors or inaccuracies in the migrated data. Examples may include incorrect financial reporting or inaccurate financial statements.	Management should consider the following steps to address the issue: • Conduct a thorough review of the migration process to identify any potential errors or inconsistencies in the migrated data. This involves incorporating continuous validating process for and formally assessing the completeness and accuracy of the migrated data, with accordant approvals. • Ensure that the limitations in the reporting capabilities of Oracle Fusion are addressed to enable detailed subledger migration reconciliation and are formally documented. This can be achieved by either performing further development work on updating such reporting capabilities or implementing additional reporting tools that can provide the required level of detail. • Consider implementing additional controls and measures to ensure the completeness and accuracy of migrated data, such as conducting additional testing and validation of the migrated data and implementing a formal change management process to track, manage and resolve all associated inconsistencies. **Management response** The council's migration strategy took into account the functionality available at the time, however, subsequently that approach has shown some deficiencies. These have been worked through since go-live, and materially eliminated by the closure of the 2022/23 accounts. A reporting strategy is being finalised and work with the system vendor specifically on reporting is underway, so that further data cleanse activity is more efficient.
	4. Lack of explicit Chart of Accounts mapping approval documentation We inspected the general ledger hierarchy loaders used to integrate the charts of accounts. In total, 9 files were assessed and verified that they covered specific cost centres and their associated segmentations based on value. However, issues with data migration completeness and accuracy were noted during the project and no explicit approval for the Charts of Accounts mapping was provided by LCC. **Risk** Without explicit approval for the Charts of Accounts the risk of inconsistencies or errors in the financial data within the Oracle Fusion system increases. It can be difficult to ensure that all aspects of the financial data are accurately reflected in the system and have been reconciled.	Management should consider implementing additional controls and measures to ensure the completeness and accuracy of migrated data. This can include conducting additional testing and validation of the migrated data, implementing a formal change management process to track and manage any changes to the system, and reviewing and updating the post implementation processes to ensure that best practices are being followed. **Management response** The council did not make any significant changes to its chart of accounts. There was a sign-off process between R12 and Fusion balances. A more formal change management process for updates and amendments for oracle fusion is now in place.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	5. Lack of complete documentation for the key interfaces Key interfaces were recorded and tracked in the Integrations Tracker. However, the tracker shared was incomplete and did not provide verified information on individuals who tested and approved the interfaces. Risk Without complete and verified information on individuals who tested and approved the interfaces, it can be difficult to ensure that all necessary steps were taken to ensure the accuracy and completeness of the interfaces. This can result in issues with data integrity, quality, and security.	Management should consider conducting a thorough review of the key interfaces to ensure that they are functioning as intended and that data integrity, quality, and security are maintained. This can include conducting additional testing and validation of the interfaces and implementing additional controls and measures to ensure the completeness and accuracy of the data. Management response A project is currently underway to review and document all interfaces in Oracle Fusion.
	6. Post-implementation review identified significant errors with migrated data Inspected the briefing note from LCC Finance Team regarding the post go-live activity as of 23/07/2023 and confirmed the following: The review of transactions between the 22/23 and 23/24 financial years had identified several issues, including emergency payments made outside of systems, invoices that failed to migrate from R12 to Fusion, transactions posted in R12 after the cutover, D&C income posted to May 23, and missing transactions in AP following the bank reconciliation. Despite corrective measures having been taken, and the wider Finance Team has held regular meetings, there was still a risk of errors emerging. The Finance Team has been asked to consider transferring or correcting any late processed transactions for 22/23 in the first quarter of 23/24. Risk The need to transfer or correct late processed transactions for the previous financial year further increases the risk of material misstatements in the financial statements. Therefore, the identified risks can have significant financial and operational implications for the organisation and should be addressed promptly to ensure the integrity of financial data and compliance with regulatory requirements.	Management should consider the following: • Conduct a comprehensive review of the financial data in the Oracle Fusion system to identify any additional issues or inaccuracies. This should include a review of emergency payments made outside of systems, invoices that failed to migrate, transactions posted after the cutover, and missing transactions • Establish a robust process for identifying and addressing issues in a timely manner, such as implementing a system for regular monitoring and reporting of financial data and establishing a framework for addressing identified issues promptly. Management response A comprehensive review was undertaken as part of the closedown of the 2022/23 accounts, following which regular monitoring is undertaken on a monthly basis through the council's financial monitoring schedule

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**7. Business users with inappropriate administrative access to Oracle EBS and Oracle Fusion** During our audit, we noted that system administrative access to Oracle EBS and Oracle Fusion had been granted to 36 and 17 business users, respectively. These users had financial or operational responsibilities. Furthermore, management was unable to provide justification for two privileged generic accounts identified in Oracle Fusion. Risk A combination of administration and financial/ operational responsibilities creates a risk that system-enforced internal controls can be bypassed. This could lead to • unauthorised changes being made to system parameters • creation of unauthorised accounts, • unauthorised updates to their own account privileges • deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities, e.g. reviewing system reports of detailed transactions; audit trails for activities performed by the privileged accounts, etc. Management response The council has updated and amended access privileges for users who had been given access for the purposes of system implementation. Digital Services manage a central control point where reviews are undertaken regularly to ensure compliance in this area
	8. Lack of formal process in managing Oracle Fusion self-assigned roles We identified 38 instances in Oracle Fusion applications where accesses were self-assigned. This comprises eight unique users who assigned the accesses to their accounts. No approval documentation was provided for audit inspection. Risk User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	Management should ensure that all access requests are formally documented and approved. Additionally, it is advisable to regularly monitor system audit trails, preferably by IT security personnel or a team independent of those administering Oracle Fusion and its underlying database. Any identified issues within these trails should be thoroughly investigated, and mitigating controls should be implemented to minimize the risk of recurrence. Management response Accesses have been reviewed and access has been removed for those no longer needed. This will be reviewed regularly with permission requests following a formal route.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**9. Insufficient retention of documents related to Oracle Fusion system changes and access provisioning** During our audit, we noted that relevant documentation of Oracle Fusion system changes and access provisioning was not available for audit inspection. We were informed that the Service Now application was used for the management of IT services, encompassing system changes and access provisioning throughout the audit period. However, this application was no longer accessible at the time of our audit as it was decommissioned. Risk Without proper retention of documentation: • It becomes challenging to attribute changes to specific individuals or teams, leading to a lack of accountability for system modification and access-related actions • In scenarios involving staff turnover or changes in roles, it poses difficulties in transferring knowledge related to system changes and access provisioning processes, leading to potential disruptions • It becomes harder to monitor and detect insider threats, as unauthorised activities may go unnoticed in the absence of clear record • It can impede troubleshooting and problem resolution processes, causing delays in addressing issues and impacting overall system performance	It is recommended that management should establishing and maintaining a robust system change and access provisioning documentation process for ensuring transparency, accountability, and security of the IT environment. The process should include clear guidelines, regularly updates records, and adherence to security best practices. When changing the IT services solutions (such as Service Now application), it is recommended that management should follow the process of acquiring and developing new IT system, including: • Implement a comprehensive data backup plan before migrating to a new IT services solution. The integrity of backups should be verified to ensure that critical records are securely stored and can be readily accessed if needed. • Document all relevant information about the existing IT service solution, including access provisioning, system changes, and configurations. • Perform thorough validation and integrity checks on data migrated to the new IT service solution to identify and address any discrepancies or missing records. Management response Service Now (the council's incident management tool) is now fully functioning and is being used to log all incidents and changes concerning Oracle Fusion. This allows us to monitor, maintain, and secure Oracle Fusion and a robust Digital Service change management process is in place.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issue in the audit of the Pension Fund's 2020/21 financial statements, which resulted in a recommendation being reported. This issue continues to exist and so we continue to report it for the attention of Those Charged with Governance.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Issue and Risk Manual journals within the financial ledger system are input by approved personnel, but they are not subject to separate authorisation controls by a second staff member at the time of input. The risk is that the absence of authorisation controls at the time of input creates a higher risk of error or manipulation. Recommendation Review the authorisation procedures in place over journal input.	Management Response The same personnel-based controls remain in place at the Council, as does the lack of incentive for finance personnel to manipulate journals. Whilst we accept that there are no preventative controls in place, there are informal detective controls in place, such as monthly reconciliations to the custodian report and quarterly reviews, that would identify errors caused by journals. Any journals for unusual accounting are discussed amongst the finance team and the approach agreed prior to them being posted. A review of users with access to the pension fund general ledger (and therefore the ability to post journals) is carried out at least annually. Audit Response As users with access to Oracle can post and approve their own journals, this is required to be recognised as a control deficiency and we have assessed the journals control environment as “medium” risk. Whilst the deficiency exists with the Fund’s system, the low number of manual journals posted as well as the limited number of journal posters and that the majority of journals relate to investment postings which can be traced to custodian/fund manager records, the impact of the deficiency in the context of the risk of management override of controls, is reduced.

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Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements and their impact on the main statements are set out below:

Detail	Pension Fund Account £m	Net Asset Statement £m	Impact on total net assets £m
Ledger Reconciliation Differences On completion of our agreement of the trial balance to the accounts and through discussions with management, it was identified that there were some minor reconciling differences between the ledger codes for transfers in, accrued expenses and sundry debtors which net off against each other to a minor impact on the Fund Account. Management has however made these amendments to the final set of accounts.	£0.6m	£0.6m	£0.6m
Level 3 Investments As detailed on page 8 of our report, management have amended the accounts to reflect the audited accounts position of LPPI Real Estate which was a reduction in the asset value by £5.4m.	(£5.4m)	(£5.4m)	(£5.4m)
Overall impact	£4.8m	£4.8m	£4.8m

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Presentation/Disclosure Changes A number of minor amendments have been suggested to management from our financial statements presentation and internal consistency review. This includes Note 2, Note 5, Note 21 and other minor amendments to other notes in the accounts.	The final version of accounts is to be amended for these matters.	✓
Note 4 Critical Judgements This note has been revised to remove disclosures made in the draft accounts which when challenged, management did not believe where the most critical judgements made in the application of their accounting policies. A new disclosure has been added for the judgement that, based on the key inputs into the valuation of the LPPI Global Equities Pooled Fund, it should be classified as a level 1 investment.	The final version of accounts is to be amended for these matters.	✓
Notes 13, 16 and 17 From our audit work performed there have been various amendments made to the investments and financial instrument notes to ensure that they are all consistent with each other, agree to supporting workings and are presented in line with the code. These notes are all disclosure notes so there is no impact on the main statements from these changes	The final version of accounts is to be amended for these matters.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit, Risk & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Investment Manager Fees Testing of investment manager fees identified that performance related fees can often be difficult to accrue for due to the cost being linked to performance benchmarked and difficult to quantify until the invoice is received. Our testing identified an understatement of 2022-23 investment manager fees of £1.4m. Our testing also identified an understatement of 2021-22 investment manager fees (not received until 22/23 or adjusted for in 22/23) of £6.7m. The total understatement of £8.1m is below PM and will be accounted for in the 2023/24 accounts.	(£8.1m)	(£8.1m)	(£8.1m)	Not material
Overall impact	(£8.1m)	(£8.1m)	(£8.1m)	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Per the Fund's accounting policies, year-end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £33.7m. This amount is below performance materiality.	£33.7m	£33.7m	£33.7m	Below Performance Materiality
Overall impact	£33.7m	£33.7m	£33.7m	

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee (£)	Final fee (£)
Scale Fee (set by PSAA)	£28,185	£28,185
Valuation of Level 3 Investments	£1,563	£1,563
Valuation of Directly held Property	£2,188	£2,188
Impact of ISA 540	£3,600	£3,600
Impact of ISA 315	£3,000	£3,000
Journals testing	£2,000	£2,000
Additional testing of member data analytical review – change in circumstances	£500	£500
Quality review – response to FRC (Hot Review – occurs bi-annually)	0	£2,500
Review of the controls and implementation of the new ledger and pension administration systems	£10,000	£10,000
Additional resourcing costs incurred due to significant delays in receipt of evidence	0	£5,000
Pension Fund Audit	**£51,036**	**£58,536**
IAS 19 letters for employer body auditors	£34,000	£27,300**
Work on triennial valuation member data *	£5,000	£5,000
Total audit fees (excluding VAT)	£90,036	£90,836

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2023/24 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

** We are still awaiting request letters from a number of auditors of admitted bodies. The proposed national audit sign-off backstop date in 2024 may mean that some auditors do not complete 2022-23 audits and so do not request an IAS 19 assurance letter from us. As such the final fee for IAS 19 letters included in this table is a best estimate and remains subject to change.

Variations to the scale fee are subject to PSAA approval which often takes place after we have signed the audit opinion. We do not believe that this impacts upon our integrity, objectivity or independence.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS19 Assurance Letters (£6,000 base fee + £1,100 per letter – 20 expected though not all yet received) Triennial Valuation Fee - £5,000 Additional 2021-22 Letters (£1,000 – per letter – 7 issued) – Note that this is additional work relating to 2021-22 IAS 19 Assurance. It is in addition to the £23,000 reported to the Committee in the 2021-22 Audit Findings Report	£39,000	£32,300
Total non-audit fees (excluding VAT)	£39,000	£32,300

The Audit fees for the opinion reconcile to the financial statements per our proposed figures. The additional fees charged per the final audit fees will be accounted for in 2023/24.

There are reconciling items with regards to the additional IAS 19 Fees, which will again be accounted for in 2023/24:

IAS 19 fees per Note 10 of the financial statements - £25,800

- Triennial Valuation Fee - £5,000
- Additional revised 21-22 IAS 19 Fees - £6,000 (These assurance letters were issued in June 2023 and November 2023 to account for results of 31/3/2022 Triennial Valuation)
- Two additional requests for 2022-23 (Only 18 letters in 2021/22) - £2,200 (£1,100 per letter)

Total fees per above - £39,000

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
11th Floor,
Landmark St Peter's Square,
1 Oxford St,
Manchester,
M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs
Lancashire County Pension Fund Financial Statements for the year ended 31 March 2023
This representation letter is provided in connection with the audit of the financial statements of Lancashire County Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.
We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:
Financial Statements
i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 2 investments, level 3 investments and directly-held investment property. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
vi. Except as disclosed in the financial statements:
a. there are no unrecorded liabilities, actual or contingent
b. none of the assets of the Fund has been assigned, pledged or mortgaged
c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end.
xi. The financial statements are free of material misstatements, including omissions.
xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
xiv. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

G. Management Letter of Representation

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided
xv. We have provided you with:
a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
xvi. We have communicated to you all deficiencies in internal control of which management is aware.
xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.
xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
xxii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxiii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
xxiv. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval
The approval of this letter of representation was minuted by the Audit, Risk & Governance Committee at its meeting on XX XX XXXX.

Yours faithfully

Name…………………………….

Position………………………….

Date……………………………..

Name…………………………….

Position………………………….

Date……………………………..

Signed on behalf of the Fund

H. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of Lancashire County Council on the pension fund financial statements of Lancashire County Pension Fund

Opinion on financial statements

We have audited the financial statements of Lancashire County Pension Fund (the 'Pension Fund') administered by Lancashire County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement, and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our

H. Audit opinion

auditor's report on the Authority's and group's financial statements. The Section 151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and
- Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Section 151 Officer

As explained more fully in the Statement of Responsibilities, the Authority 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. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Section 151 Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the

H. Audit opinion

United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003), Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Audit, Risk and Governance Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit, Risk and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation manual journals, those journals over 5 times materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by senior management personnel. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on manual journals, those journals over 5 times materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by senior management personnel.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 investments, level 3 investments and directly held property, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

H. Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

DATE

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Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Part I

Electoral Division affected:
None

External Audit – Interim Auditor's Annual Report on Lancashire County Council 2022/23
(Appendix 'A' refers)

Contact for further information:
Sarah Ironmonger, Partner at Grant Thornton UK LLP, Tel: 0161 953 6499,
Sarah.L.Ironmonger@uk.gt.com

Brief Summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditors are required to consider whether the authority has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources.

The auditor's annual report provides detail on the authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the authority's arrangements under specified criteria. As part of this work, the auditor considered whether there were any risks of significant weakness in the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The external auditor's work has identified one significant weakness in the council's governance arrangements relating to the implementation of Oracle Fusion. A number of improvement recommendations have also been made and can be found within the report.

Recommendation

The Audit, Risk and Governance Committee is asked to take note of the findings in the report on the council's arrangements for securing value for money in its use of resources and the improvement recommendations made.

Detail

Attached at Appendix A is the external auditor's Interim Annual Report for Lancashire County Council for the 2022/23 audit. The report has been produced in accordance with the National Audit Office statutory Code of Audit Practice for local government bodies.

Sarah Ironmonger, Partner, will attend the meeting to present the report and answer any questions.

Consultations

The report has been agreed with the county council's management.

Implications:

This item has the following implications, as indicated:

Risk management

N/A

List of Background Papers

Paper	Date	Contact/Tel
None		

Reason for inclusion in Part II, if appropriate

N/A

Interim Auditor's Annual Report on Lancashire County Council

2022/23

April 2024

Appendix A

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below. This report is interim until our financial statements audit is complete.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	One risk of significant weakness identified surrounding the budget gap at the Council.	A	No significant weaknesses in arrangements identified and two improvement recommendations made.	A	No significant weaknesses in arrangements identified and one improvement recommendation made.	⟷
Governance	One risk of significant weakness identified surrounding the governance arrangements in relation to major projects (e.g. the Oracle Fusion implementation).	R	Significant weaknesses in arrangements identified for governance arrangements over the implementation of Oracle Fusion, with a key recommendation made. Two improvement recommendations made regarding other governance arrangements.	A	No significant weaknesses in arrangements identified and one improvement recommendation made.	⟷
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified and two improvement recommendations made.	A	No significant weaknesses in arrangements identified and four improvement recommendations made.	⟷

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

Executive summary (continued)

Financial sustainability

The Council has a strong track record of financial control and updates its Medium-Term Financial Strategy (MTFS) regularly. During 2022/23 the Council was able to close an initially large forecasted overspend at Quarter 1 to a more manageable overspend of £0.750 million. The actual overspend in 2022/23 was funded by the Council using its transitional reserve. The Council has in place a significant suite of savings plans across its directorates which will seek to close the budget gap identified in the Council's MTFS. The Council holds a transitional reserve which can cover the budget gap for the MTFS period until 2026/27, however the delivery of savings will be paramount to ensure the financial sustainability of the Council moving forward. In our report we have not noted any significant weaknesses, however we have made some improvement recommendations for the Council to consider that will help to ensure its financial sustainability in future years.

Governance

During 2022/23, the Council implemented its new Oracle Fusion system used for procurement, payroll and finance procedures. The implementation gave rise to several issues, both technical and relating to governance arrangements, these issues have impacted on the running of the Council, payment of suppliers, the preparation of the 2022/23 Statement of Accounts and the timeliness of the completion of both the 2021/22 and 2022/23 External Audits.

Due to the significance of the matters idented, we have raised a key recommendation which has been accepted by management. See page 17 for more detail. We do recognise that the Council has already made good progress in addressing a number of the risks identified during 2023/24 and have engaged CIPFA to complete a lessons' learnt assessment to ensure that the Council can avoid the issues encountered in any future digital implementation programmes.

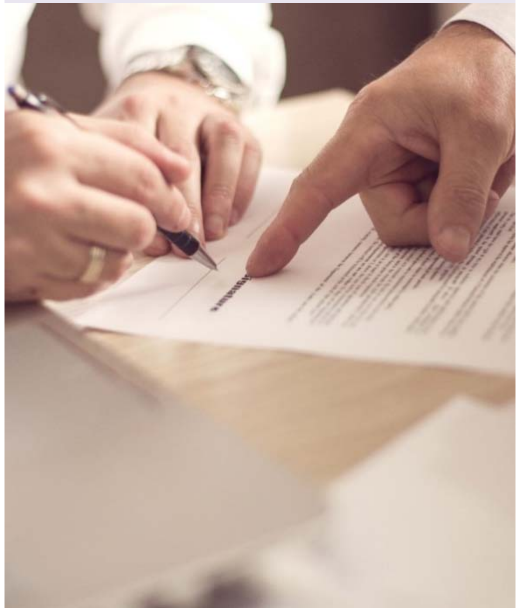
Aside from the new ledger implementation, we have concluded that the Council continues to have good procedures around risk monitoring and governance. In our report we have not noted any other significant weaknesses, however we have made some improvement recommendations for the Council to use to ensure its governance arrangements are robust and fit for purpose.

Improving economy, efficiency and effectiveness

The Council seeks to improve economy, efficiency and effectiveness and has broadly strong arrangements for doing so. The Council reports thoroughly on its performance and works well in partnership with organisations such as the Integrated Care Board. The Council is currently undergoing several reviews of its procedures, including reviews of the constitution and a report from KPMG regarding its contract management and procurement. We are satisfied that no significant weaknesses exist regarding the Council's improvement of its economy, efficiency and effectiveness, however improvement recommendations have been made within this section of this report.

Financial Statements opinion

Our audit of your financial statements is in progress and we intend to issue our audit opinion in April 2024, following the Audit, Risk and Governance Committee meeting in April 2024. The delay reflects the impact of the upgrade of the financial ledger on both the finance team and impact on the progress of the audit.



Use of auditor's powers

We bring the following matters to your attention:

	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 24.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit, Risk and Governance Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)

Local context

Lancashire County Council (the Council) was created on 1 April 1889 as a result of the Local Government Act 1888. On 1 April 1974, the Local Government Act 1972 transferred southern parts of Lancashire to the two newly established metropolitan counties of Merseyside and Greater Manchester. The Council is a non-metropolitan county council in the north-west of England, with its administrative centre being based in the city of Preston. As a county council, the Council is a tier one English local authority and sits above 12 district councils. The county of Lancashire also has two separate unitary authorities in Blackpool Council and Blackburn with Darwen Council, sitting in the west and south of the county respectively. In November 2023, Central Government announced it would be willing to enter into a devolution deal with Lancashire County Council, Blackburn with Darwin Council and Blackpool Council. This devolution deal is currently subject to consultation, but if successful, it would create a Combined County Authority, allowing the constituent councils to tackle key local priorities.

The Council is elected every four years, with currently 84 councillors being elected at each election. The Council is currently governed by a Conservative Party majority (48 councillors), with Labour being the primary opposition (32 councillors). The most recent election was in May 2021 where there was little movement in the Council's political composition. The Conservative party has governed the Council since 2017, with the last Labour Party administration being a minority government after the 2013 election. The next election is scheduled for May 2025.

The county of Lancashire covers an area of approximately 3,000 square kilometres and is home to approximately 1.5 million people. The county's two largest settlements are Blackpool and Blackburn, which are home to approximately 150,000 and 125,000 people respectively. Preston is the third largest settlement and is home to county hall and approximately 95,000 people. Historically, Lancashire was a major centre of economic activity, including the industries of coal mining, textile production and fishing. Much of this industry has ceased to exist, with the county's largest industry now being that of the defence industry, with BAE Systems Military Air Solutions having a base in the county.

Financial sustainability

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We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial performance 2022/23

Outturn

The Council has a history of good financial management and performed reasonably in 2022/23, overspending by £0.750 million. This overspend equated to 0.08% of the total budget for the year.

The Council's budget was approved by Cabinet and by the Full Council in February 2022, with the total revenue budget totalling £948.107 million. This was later revised to £948.110 million. At the end of quarter 1 of 2022/23, the Council was reporting a forecast overspend of £17.740 million, however the Council was able to bring this overspend down throughout the year, resulting in the final overspend of just £0.750 million. The Council recognises that the reduction of the initial forecasted overspend was mainly due to over-prudence within some of its forecasting in certain directorates.

Reserves

The Council has a strong reserve position, holding usable reserves (excluding capital and schools reserves) of £409.4 million. The Council's General Fund (also known as the County Fund) is a reserve that the Council uses for serious emergencies, and has remained stable during 2022/23, starting and ending the year totalling £23.4 million. The remainder is that of the Council's earmarked reserves. This contains the Council's Transitional Reserve which is used for transformational change at the Council, including actions to deliver future savings. The Transitional Reserve was used to fund the £0.750 million overspend in year and has fallen from £215.7 million to £166.7 million from 31 March 2022 to 31 March 2023. Despite this fall however, the Transitional Reserve is still able to fund the Council's budget gap until the end of the current MTFS period in 2026/27. The Council recognises that in reality the Transitional Reserve is used as the Council's buffer for emergencies, as the General Fund is currently too low to be used for this purpose. The Council has considered a transfer between these reserves to balance them and allow for them to be used for their intended purposes.

We note that the Council's reserves position is relatively strong when compared to the sector, however it is important that the Council considers its reserves as a safety net. The Council must continue to seek to deliver a balanced budget without reliance on the reserve to fill budget gaps. The Transitional Reserve could then be used to invest in the Council's services and help make the necessary changes for the Council to adapt to future challenges.

Delivery of Savings

The Council had ambitious savings targets for the 2022/23 financial year, with a suite of savings planned across multiple directorates. Planned savings totalled £29.6 million for the year and of these savings, £11.2 million was brought forward from 2021/22. The most significant of savings planned for the year fell within Adult Services and Health & Wellbeing, where £22 million of savings was planned, including those brought forward from 2021/22.

We note that the Council's 2023/24 savings tracker shows £16.2 million of savings brought forward from 2022/23. The 2023/24 savings tracker also shows that the planned savings for the year total £80.3 million, which is very large compared to previous years and there is a clear risk as to whether this level of savings is deliverable. The Council recognises that savings are being routinely brought forward where they have not been delivered and that improvements must be made in respect of this.

In response to the non-delivery of savings and other financial management issues, the Council has established directorate finance boards which aim to further scrutinise the finances of the directorates, including that of the savings plans. The directorate finance boards are overseen by the Strategic Finance Board, which tracks financial management at the Council as a whole and will seek to ensure the delivery of future savings. As well as the development of these finance boards, the Council has recognised that some of its planned savings are not realistically deliverable. To maximise efficiency, the Council has brought in more stringent protocols surrounding the scrutiny of savings, and from 2024/25, all legacy savings that are deemed undeliverable will be removed from the Council's savings plans, with efforts being made elsewhere.

We recommend that the Council ensures that future savings plans are realistic and that reporting against the savings plans is clear and transparent.

Financial sustainability (continued)

Budget for 2023/24 and performance thus far

The Council's budget for 2023/24 was approved by Cabinet and Full Council in February 2023, with the Council budgeting for revenue spend of £1,035.977 million. At the time of budget approval by Full Council, the Council had calculated an estimated budget gap of £9.162 million. The Council has opted to use the Transitional Reserve to cover this budget gap, however it is recognised that the Transitional Reserve should be used as a safety net for future budgets or an instrument to manage timing differences between budget deficits and the delivery of savings. As noted previously, the Council has put together a suite of savings plans that will help them to manage future budget gaps. They have also taken steps to monitor finances more effectively by setting up directorate finance boards and the Strategic Finance Board. These are positive changes to their financial management environment that should help the Council deliver more of their savings during the medium and long term.

At the end of quarter 1 of 2023/24, the Council was reporting an overall revenue overspend of £7.629 million, which equated to 0.73% of the revenue budget. The primary causes of this forecast overspend are as follows:

- Adult Services (£3.463 million): recruitment and retention issues and increased reliance on agency workers.
- Children's Social Care (£5.092 million): cost of agency residential placements has increased significantly since September 2021 and costs of social work and other teams have increased due to increased use of agency staff.

The Council has recognised these overspends and the other smaller variances within its financial reporting to Cabinet. These reports demonstrate that the Council has a firm understanding of the cost drivers that influence their expenditure. The Council reported a bigger overspend after the first quarter of 2022/23 and managed to reduce the overspend position in the remainder of that year. The officers we spoke to indicated that they are confident of doing so again in 2023/24.

Delivery of savings will no doubt be key for the Council in the delivery its budget and its medium-term financial plan. As stated, the Council's relatively strong reserve position and the relatively low value of the overspend as at the first quarter of 2023/24 provides assurance that no significant weakness in relation to financial sustainability exists at the Council. However, the Council is advised to continue to look for savings and plan for future budgets to be balanced without the use of the transitional reserve to be truly financially sustainable.

Capital programme

Alongside the revenue budget, the Council brought the 2023/24 capital delivery programme to Cabinet in February 2023. This report set out planned capital expenditure of £239.859 million in the year. However, the capital delivery programme was updated after the first quarter of 2023/24, with expenditure for the financial year forecasted to be £153.796 million, a reduction of £86.063 million from the initial plan. The Council has seen this significant drop in expected capital expenditure for the year due to increased uncertainty around the delivery of several projects. This position is consistent with the 2022/23 financial year where capital delivery was £138.585 million against a budgeted spend of £223.115 million.

The Council is comfortable with the way that it manages its large capital projects and that projects are usually delivered broadly within budget. However, it is also recognised that the Council is often optimistic regarding the timing of its capital delivery, even when specific risks to delivery are known. The Council often overestimates their and their supply chain's capacity to deliver capital projects and underestimates time required for procurement and planning phases to be completed. The Council has recognised that under delivery of capital projects year-to-year is an issue which needs to be resolved.

We recognise that slippage of capital budgets is an issue across local government and is not unique to the Council. Whilst reprofiling and delaying capital isn't necessarily an issue with respect to the financial sustainability of the Council, there is potential that it can have a significant impact on the borrowing profile of the Council and could therefore lead to higher borrowing costs and financial sustainability issues down the line. There is also an opportunity cost of allocating capital to schemes that are delayed which can impact on the Council's wider capital programme and therefore the delivery of its strategic objectives.

We recommend the Council would benefit from more scrutiny of the capital programme, with a particular focus on the profiling and deliverability of planned expenditure. The Council has already taken steps towards this through the creation of directorate finance boards and the Strategic Finance Board.

As noted throughout this report, the Council's reserve position is strong and in the case of capital, there are not any fundamental issues with the Council's financial processes.

Financial sustainability (continued)

Adult's social care

For councils across the sector, adult's social care is one of the highest risk areas with respect to financial sustainability. This risk has only increased since 2021/22 and it will continue to risk in the medium and long term. The key challenges councils face include:

- Lack of transparency in future funding
- Increasing complexity of cases and overall demand
- Increasing prices charged by care providers due to both inflationary pressures and difficulties recruiting care staff
- Lack of capacity to transform services to meet the increasing challenges ahead

Within the Council's 2022/23 financial outturn report, the Council reported an underspend of £7.6 million for Adult Services and Health & Wellbeing, with £7.4 million of this underspend falling within Adult Services and the remaining underspend within Public Health. The Adult Services underspend is composed of an overspend of £2.8m within Adult Care and Provider Services, an underspend of £10.4 million within Adult Community Social Care and an overspend of £0.2 million in Safeguarding and Quality Improvement.

Within the report however, it has been recognised that this was largely due to one-off forms of income and that without the benefit of these, the directorate would have been overspent against budget. To stay within its budget in future years, the Council recognises the need to deliver significant savings across Adult Services.

The Council has recognised that budgeted savings of approximately £13.5 million in Adult Services were not delivered in 2022/23. This resulted in these savings being rolled forward into the 2023/24 revenue budget. In addition to current year savings, this means that the savings planned within Adult Services for 2023/24 are approximately £37 million. To monitor delivery of these significant savings, the Council has developed a new governance structure which includes the Adult Finance Board.

We note that the level of savings planned by the Council within Adult Services is significant, especially given the scale of savings rolled forward from the 2021/22. Delivery of these savings will be challenging for the Council given the demand pressure in Adults that is replicated across the sector. Given the size of the Council's transitional reserve, alongside its other reserves, we have not deemed adult's social care to be a significant weakness, however, as noted in previous pages, we do recommend that the Council ensures the effective monitoring of its savings plans, being sure to update them as regularly as possible to ensure that reporting is transparent and that issues relating to the delivery of savings are dealt with as quickly and effectively as possible.

Children's social care

As with adult's social care, children's social care is also one of the highest risk areas with respect to financial sustainability for councils across the sector. This risk has once again increased since 2021/22 and is set to continue to increase in the medium and longer term. The key challenges councils face include:

- Increased complexity of residential placements and increased associated costs
- Staff retention issues resulting in increased reliance on higher cost agency staff
- Wider societal issues including increased deprivation, mental health issues and substance misuse etc.

The Council's 2022/23 financial outturn reported an £11.9 million overspend within the Education and Children's Services directorate. The outturn included an overspend of £13.7 million within children's social care, netted against smaller underspends within Education & Skills and Policy Commissioning and Children's Health.

Of the £13.7 million overspend, £6.6 million related to residential and fostering placements and £3.6 million related to social work. Smaller variances in other areas made up the balance.

Overspend within residential and fostering placements was not due to demand, which has been falling, but was instead due to the complexity of cases and rises in the associated costs of providing this care. The Council is undertaking a range of activities to aim to ensure more children are cared for within families, whilst also reducing the need for agency foster carers. In addition, the Council is looking to increase its own residential capacity by 10 beds within the next financial year, amounting to an approximate 15% increase.

The overspend within social work was largely due to use of agency staff, which is consistent with what has been seen at other councils. The Council has launched an updated recruitment and retention strategy to fill vacancies and reduce turnover by at least 4%.

As was the case with adult's social care, children's social care is not a significant weakness for the Council at this juncture (largely due to its reserves position), however the Council will need to make sure that planned savings are monitored and delivered to ensure that the Council remains financially stable moving forward.

Improvement recommendations

Improvement Recommendation 1	The Council must ensure that savings plans are realistic and deliverable and ensure that planned savings are fully scrutinised throughout the year, identifying areas of slippage and mitigations which need to be put in place. Savings delivery should be monitored and regularly reported transparently to Members and taxpayers.
Improvement opportunity identified	We have noted that the Council rolls forward significant undelivered savings each year, with the total savings to be delivered in 2023/24 being £80.3 million, which contains £16.2 million of savings rolled forwards from 2022/23. The Council could improve its processes around determining the deliverability of savings and ensure that it has a more realistic view of its potential savings in the medium term.
Summary findings	There is room for improvement for the Council with respect to the assessment of the deliverability of savings given the extent of savings which are rolled forward each year without delivery. We recognise that the Council has already begun making strides towards a more deliverable suite of savings, however we still recommend that more work is done to ensure that savings are more realistic. The Council needs to ensure that an appropriate level of savings are identified and deliverable to ensure that there is not an overreliance on using reserves to balance the budget.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Savings plans form a key part of the monthly budget monitoring process and are reviewed in detail at the monthly Directorate Finance Boards, with the overall position then presented and discussed at the Strategic Finance Board. Where there have been delays in delivery of some agreed savings plans, Directorates have found in-year offsetting mitigations to address those pressures. We have a strong track record of delivering the vast majority of agree savings and the quarterly money matters reports considered by Cabinet include a narrative on any variances in planned savings delivery. We will review the format of the money matters report going forward in light of the recommendation.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit, Risk and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2	The Council must further scrutinise the capital delivery plan to ensure that it is realistic and deliverable.
Improvement opportunity identified	The Council has seen a trend of capital delivery plans being approved by the Cabinet and then being significantly underspent come year-end. The 2023/24 capital programme was also approved by Cabinet before being significantly reduced after the first quarter. The Council has the opportunity to improve its planning and reporting by further scrutinising the delivery plan and ensuring it is realistic and deliverable.
Summary findings	There is room for improvement for the Council with respect to the assessment of the deliverability of the capital delivery plan given the tendency for the Council to slip significant amounts of spend into future years. Regular slipping of capital projects has the potential to increase the overall cost to the Council (through increased borrowing, increased consultancy fees etc.), whilst delays can also limit the Council's ability to refresh its estate effectively and in turn deliver its strategic objectives. We recognise that the Council has already begun making strides towards more robust management of capital deliver, but there is still room for improvement for the Council to ensure that it delivers effectively.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The capital delivery programme for the following financial year agreed at February Full Council is always presented as indicative, reflecting that it is a multi-year programme and is directly impacted by outturn position at the end of march and the need to reflect any further slippage and advanced delivery, changes due to confirmation of capital grant funding levels and updated information on capacity and project delivery timelines into the revised capital delivery plan agreed by Cabinet in the first money matters report of the financial year. The latest reported position for 2023/24 is a 3.75% under-delivery against the in-year plan. The capital delivery plan is overseen and scrutinised by the newly created Strategic Finance Board.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit, Risk and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management & internal control

The Council has several procedures in place to assist in the management of the risks that it faces.

Within the Council's budget and financial reports, risks are clearly documented alongside sensitivity analyses where appropriate. It is clear within the Council's financial reporting that the consideration of risk is seen as a core part of the Council's processes.

Within the Council's Annual Governance Statement (AGS), the Council has provided a concise, high-level summary of the risks identified in the 2022/23 financial year and the governance actions that have been taken to mitigate these risks. Steps taken by the Council with regards to its governance arrangements are reasonable and thorough, showing a good attitude towards risk management.

One key element of the Council's risk management framework is the maintenance of a corporate risk and opportunity register, which is updated and presented to the Audit, Risk and Governance Committee (ARG Committee) on a quarterly basis. Within the register, the Council scores risks based on likelihood and impact. Both metrics range from 1-5, with these being 'insignificant' to 'catastrophic' for impact and 'rare' to 'certain' for likelihood. Scores for each metric are then multiplied to give an overall risk score, which is RAG rated. Target scores are applied to each risk, along with the current score, and each risk is given a risk owner, who is a senior officer or the Corporate Management Team as a whole. We have found that the council's risk register is thorough and includes detailed descriptions of risks along with potential mitigations. The register also contains several opportunities that the Council feels are available to improve service provision and internal functions moving forward.

Despite this, however, we do note that there is currently no direction of travel shown within the corporate risk register. This means that it is not clear for the reader to determine how a risk has developed since the previous iteration of the risk and opportunity register. We recommend that a direction of travel is added for each risk, be this an arrow, a previous score or a written explanation.

Internal audit opinion

Whilst the Council's attitude to risk management is positive, the Head of Internal Audit at the Council was only able to provide limited assurance regarding the adequacy of design and effectiveness in operation of the Council's frameworks of governance, risk management and control for the 2022/23 financial year. This opinion has been formed based upon the delivery of 88 internal audit assignments during the 2022/23 financial year, of which assurance was substantial for 32 (36%), moderate for 24 (27%), and limited for 8 (9%). The remaining 24 (27%) weren't assignments for which an assurance opinion was required.

The primary cause of this opinion given by internal audit is due to the implementation of the Council's new finance and HR system, Oracle Fusion. The Council implemented the new system towards the end of the 2022/23 financial year and experienced significant issues with the functionality of the new system. This included issues which led to the Council being unable to pay suppliers for a short period of time. Internal audit has recognised that the Council was swift in combatting these issues, and through our audit we have noted that suitable workarounds have been put in place to allow the system to function to the level required for the Council to deliver its services. However, work is still to be done to fully unlock the benefits promised by the new system and we recommend the Council continues to work to fix the Oracle Fusion system.

Internal audit performance

The Council's internal audit function has five key performance indicators (KPIs), and these are reported within the internal audit annual report. The internal audit function's performance against these KPIs in 2022/23 is as follows:

1. Percentage of planned audits completed to draft report stage, target: 80%, performance: 75%
2. Percentage of draft reports issued on or before the target deadline, target: 80%, performance: 63%
3. Percentage of final reports issued within five weeks of draft report, target: 80%, performance: 83%

Governance (continued)

Internal audit performance (continued)

4. Percentage of audit feedback questionnaire provide positive feedback, target: 80%, performance: 96%
5. Percentage of required management actions are agreed to be implemented, target: 90%, performance: 100%.

As noted, internal audit has surpassed its target in three of five indicates, falling short on audit completion and draft report submitted by the target deadline. This represents a reasonable performance from the internal audit function.

Investigation of fraud and corruption

The Council takes the issue of fraud and corruption seriously, holding and implementing the following policies:

- Anti-Fraud, Bribery and Corruption Policy
- Fraud Sanction and Prosecution Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy Statement and Strategy

The Council's internal audit function reviews these documents regularly and ensures that they are being updated where required and implemented effectively. Each of these documents were most recently refreshed by internal audit in September 2022 and brought to the Audit, Risk and Governance (ARG) Committee in October 2022.

No issues have been noted with any of the policy documents in question and we have not identified any instances of fraud, corruption or money laundering during our audit.

Code of conduct

The Council has processes and procedures in place surrounding its code of conduct, the management of which sits within the remit of the Monitoring Officer. The Council's constitution has a code of conduct for both members and officers found within Appendices E and F to the constitution. The Council's constitution also sets out the terms for the Conduct Committee. This committee does not sit at regular intervals but is called by the Monitoring Officer as and when complaints are made regarding member conduct. The Committee sat once during 2022/23 in relation to an allegation of a breach of the code of conduct for members in relation to one councillor. The Committee heard the views of the assigned independent person and dealt with the matter effectively.

The ARG Committee receives an annual report of complaints made to the Council from external parties. The most recent annual report was received by the Committee in January 2023 and contained four complaints, with one still being under investigation by the Council as at the report date. The Council appears to take complaints seriously and none of these complaints impact our value-for-money audit.

Audit, Risk and Governance Committee

The Council's ARG Committee serves as Those Charged With Governance for our audit purposes and its primary function is to manage risk and ensure the effectiveness of audit processes at the Council. The Committee is currently composed of eight members with five members representing the Conservative Party, and three representing the Labour Party. The Committee is appropriate in both size and composition.

During the 2022/23 financial year, the Committee sat four times, with those meetings being held in April 2022, July 2022, October 2022 and January 2023. Attendance for each of these meetings was seven out of eight members, plus one substitute used for one meeting. We note that one councillor did not attend any committee meetings during the year.

During the year, the ARG Committee received several reports and updates from both internal and external audit, alongside several other reports relating to risk management and governance issues. From our review of minutes, the Committee appears to carry out its function effectively and we have not noted any deviations from the Council's constitution.

Preston, South Ribble and Lancashire City Deal

The Preston, South Ribble and Lancashire City Deal was agreed in 2013 and is a 10-year programme to deliver £334 million of infrastructure improvements to create new homes and jobs and drive economic growth in the region. Alongside several smaller scheme it consists of four major road schemes. The City Deal was due to end in 2023/24 however primarily due to an increase in costs there is a pause on progressing any projects until additional funding is identified. The City Deal is governed by the City Deal Executive and Stewardship Board chaired by the LEP and comprising the three local authority partner Leaders and Homes England.

Governance (continued)

Due to a number of issues and risks including rising costs, a mid-term review was undertaken during 2018/19 which identified significant financial pressures to deliver the original scope. Options were to be drawn up and a review of the Heads of Terms was proposed.

The Delivery and Performance Update Report for March 2023 was brought to the City Deal Executive and Stewardship Board in March 2023, with a further report being brought to the December 2023 meeting. These reports expressed the need for an extension of the planned timeframe and a revised deal.

We understand that these discussions are still ongoing regarding the revised deal, and we recommend that the Council ensures clear and transparent reporting to both members and the public regarding any potential financial implications for the Council.

Oracle Fusion implementation

During the year, the Council implemented a new finance, people and procurement system named Oracle Fusion. This was completed with the help of a private sector delivery partner, with the new system going live in the final quarter of 2022/23. The system had been brought in to modernise the Council's processes and help further integrate finance, payroll and procurement into the new system.

However, it became apparent that there were issues with the system, which had a significant impact on the system's ability to deliver the expected functionality. The Council has acknowledged that there were several issues with the system implementation, including issues which impacted payment to suppliers, with regular payments being suspended for 6 weeks and emergency payment arrangements being brought in where immediate payment required.

The Council responded quickly to the issues and at the time of writing, has been able to identify effective alternatives for all key processes where the underlying system issue has not been resolved. The system now works with respect to payments and all other key processes. The remaining issues are now limited to some of the reporting elements of the system. The Council should maintain focus on resolving the remaining issues as quickly as possible to remove the inefficiencies and additional workload that is being created by the alterative processes that are in place. In discussion with the Section 151 Officer, he indicated that the Council was actively working with their delivery partner to resolve the remaining issues and that there are agreed plans in place to action the required fixes in this financial year.

In the process of implementing Oracle Fusion, the Council noted that a data breach had occurred and correctly referred the breach to the Information Commissioner's Office (ICO).

Upon further investigation, it transpired that the data breach was not as widespread as first thought and the ICO were comfortable that no further action was required. The Council handled this data breach appropriately and we have no recommendations in this regard.

Regarding the implementation itself, we understand that the Council has taken several steps to mitigate and resolve the issues with the new system, whilst also looking to learn from the implementation. At the time of writing, the Council has had technical work performed by both the Council's internal audit function and by Salford Council to ensure that the system was compliant and worked to the correct minimum standard. The Council has also brought in the help of CIPFA's consultancy arm to look at the governance arrangements surrounding the implementation of the system and the identification of lessons learned.

The implementation of Oracle Fusion during December 2022 and January 2023 impacted upon the timeliness of the completion of the 2021/22 audit of the Council's accounts. Due to limited staff available the audit was not completed before 31 March 2023 and as a result further audit work was then required to respond to the triennial valuation of the pension fund, which was published on that date. The 2021/22 audit was signed off on 29 September 2023.

As part of our audit of the Council's Statement of Accounts, our internal IT Team performed a review of the IT General Controls within the new system alongside a review of the implementation of the system. The results of this work were that 9 significant deficiencies in controls were identified. These 9 deficiencies have been identified as high-risk audit recommendations within our Audit Findings Report which was presented to the April 2024 Audit, Risk and Governance Committee.

Ongoing issues with the new system relating to the running of appropriate reports to perform the required reconciliations also meant that 2022/23 draft Statement of Accounts were not published in line with the national deadline of 31 May 2023. The accounts were delayed until September 2023. As such, our final accounts audit visit was also delayed and took place during October 2023 to March 2024. The audit took longer than would usually be the case due to ongoing implications of the implementation of the new system, limiting capacity at the Council to respond to audit queries.

Whilst we recognise the progress taken by the Council during 2023-24 to address the issues encountered, it is our view that the governance arrangements in place for the 22/23 period in relation to the implementation of Oracle Fusion were not sufficient and represent a significant weakness in securing value for money. Our key recommendation is set out on page 17, we recommend that the Council takes forward all CIPFA's suggested lessons learned and carries out internal training to ensure that future software implementations do not have a significant negative impact on the Council's ability to deliver its services.

Key recommendation

Key Recommendation 1	The Council must ensure that all outstanding issues with the Oracle Fusion system are rectified in line with its current timescale. The Council must also ensure that it engages with all lessons learned activities regarding the Oracle Fusion implementation with a focus on the root causes of issues felt during the process. The Council must also ensure that causes of the issues and the lessons learned from the implementation are appropriately reported to members.
Identified significant weakness in arrangements	As at the end of the 2022/23 financial year significant issues existed with the implementation of Oracle Fusion. The was a significantly longer than expected "black-out" period where emergency payment mechanisms had to be put in place to ensure vital payments were made, the new system was not performing all the required capabilities such as reconciliations and reports, there were delays to the preparation of the 2022-23 financial statements and delays to both the 2021/22 and 2022/23 external audits. Our 2022/23 external audit also identified several significant deficiencies in the design of the IT general controls for the new system.
Summary findings	The Council has recognised that issues existed and still exist with the implementation of the Oracle Fusion system. Additional issues were identified during the 2022/23 External Audit regarding the control environment of the new system and the new system has had a significant impact on the timeliness of the publication of the 2022/23 draft accounts as well as the completion of the 2021/22 and 2022/23 external audits. We recognise that the council has already made significant progress in addressing the underlying issues with the system during 2023/24.
Criteria impacted by the significant weakness	Governance
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements. We recognise that the council has already made significant progress in addressing the underlying issues with the system during 2023/24.
Management comments	Council officers have commissioned and received external assurance reports on the technical aspects of the implementation and also the governance and assurance processes throughout the programme. The findings from these have been factored into the planning for future significant ICT programmes. At the time of 'go-live' for the system there were a number of 'fixes' still needed on the Fusion system and a number were discovered soon after. Officers from within digital services and across the organisation have overseen the completion of these in line with a defined prioritised list with support from external advisors and the majority of these are now complete. The remaining outstanding areas have agreed implementation dates.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit, Risk and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3	The Council should include the direction of travel for risks within the corporate risk register.
Improvement opportunity identified	We have noted an opportunity to improve transparency by allowing readers of the register to understand whether a risk is becoming more or less likely or impactful.
Summary findings	The Council's corporate risk register is RAG rated and contains a reasonable number of well determined risks. However, on a single iteration of the register, it is not clear to the reader whether the risk has become more or less likely or impactful. Direction of travel either as an arrow, a previous score, or in prose would allow for further transparency in the Council's presentation of risks.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	This has been included in the report for the first quarter of 2024/25.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit, Risk and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 4	The Council should ensure that the outcome of any revised Preston, South Ribble and Lancashire City Deal is transparently reported to members and taxpayers.
Improvement opportunity identified	We have noted an opportunity to improve transparency by ensuring an appropriate level of reporting surrounding the Preston, South Ribble and Lancashire City Deal.
Summary findings	We understand that the settling of the Preston, South Ribble and Lancashire City Deal is still ongoing at the time of this report, however we recommend that the Council must ensure transparent reporting of the outcome to both members and more widely via published committee minutes.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	A report will be provided for elected members at the point of any revised arrangements.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit, Risk and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Assessing performance and identifying improvement

Performance information is provided to Cabinet by the Business Intelligence Team on a quarterly basis through the 'Report on Corporate Performance Management'.

This report presents an overview of the key performance indicators used to monitor progress against the four priorities of the corporate strategy:

- Delivering better services
- Protecting our environment
- Supporting economic growth
- Caring for the vulnerable

Previously, quarterly monitoring reports were submitted to the Cabinet Committee on Performance Improvement. However, this committee was dissolved by Cabinet on 5 May 2022.

2022-23 performance had a revised set of performance indicators put in place compared to 2021-22 and corporate risks and opportunities were also updated. The report is broken down into the following main areas of analysis:

Executive Summary - where each Executive Director has summarised the key performance issues within their directorate

Data Tables - each of the four priority areas has their KPIs broken down by frequency of reporting, the directorate it sits in, previous performance and current performance and how that measures against the target. A RAG rating is also provided.

KPI Commentary - detailed commentary is provided for the KPIs listed in Appendix B and provides analysis and insight into performance and, where appropriate, describes the action being taken to improve.

Risks and Opportunities - collated using information provided through directorate risk registers and by individual directors

An online PowerBI corporate performance dashboard is maintained where progress against KPIs is reported against the four priority areas stated above.

Partnership working

The Council can articulate who its partners are and utilises its relationships to improve service delivery for its members. Within the annual governance statement and accounts, the Council clearly identifies its working relationships. Work with Partnerships is overseen by the relevant board and presented to the Cabinet.

Healthcare

The Lancashire Health and Wellbeing Board has significant arrangements in place to oversee key partnerships such as the Better Care Fund (BCF).

Recent NHS reforms and the Health and Care Bill have led to changes in the healthcare and social care system in Lancashire and South Cumbria. The Integrated Care System (ICS) in the region now comprises an Integrated Care Board (ICB) and a health and care partnership. The NHS Lancashire and South Cumbria ICB was established in July 2022 to replace the eight clinical commissioning groups (CCGs) in the region.

The Lancashire and South Cumbria Integrated Care Partnership and Integrated Care Strategy and the Lancashire Place Integration Deal were presented to the Cabinet in May and July 2023, respectively.

Improving economy, efficiency and effectiveness (continued)

Internal Audit gave a moderate assurance rating to the Council's Committees regarding work related to the BCF, with a high-priority recommendation to develop a case for integrated working, clarify roles and responsibilities for budget monitoring, and oversee individual schemes and activities funded by the BCF.

Discussion with key stakeholders has identified that post-Covid, partnership working has improved significantly, particularly with the ICB, and the appointment of LCC's Director of Adult Services (DAS) into the ICB on secondment which has further strengthened this partnership. The DAS is fulfilling this new role; however, it is only on the condition that they meet the responsibilities of this position alongside their current role with the county council. The role will be divided so that 80% of the DAS's time is dedicated to the Integrated Care Board, and 20% is used to fulfil their duties as the Executive Director of Adult Services and Health and Wellbeing for the county council.

Other partnerships

The Council has partnerships with the other councils within Lancashire, which are working well. All 15 leaders have endorsed the Lancashire 2050 Plan.

Lancashire County Developments Limited is the Council's company for carrying out economic development activity, and reporting has noted that the Cabinet was informed of key decisions with its partners.

The Cabinet received comprehensive information, including background and advice, development proposals, potential investment returns, market assessment, financial implications, legal implications, and a list of background papers when making key decisions, such as the £7m investment in a new industrial building at Lancashire Business Park.

The Council is also a member of the Lancashire Enterprise Partnership (LEP). The LEP is a strategic collaboration between business, universities and local councils, which direct economic growth and drives job creation.

The Cabinet Member for Economic Development and Growth sits on the Board of the LEP which oversees the delivery of its key initiatives.

The Council, Lancashire Enterprise Partnership, Preston City Council, South Ribble Borough Council and Homes England are working together to deliver the City Deal programme, discussed in the governance section of this report.

Procurement review

The procurement function underwent an internal review in March and April 2023 alongside a wider review of the Council's processes currently being performed by KPMG. The internal review had three core elements:

1. Third party spend
2. Contract management
3. Procurement

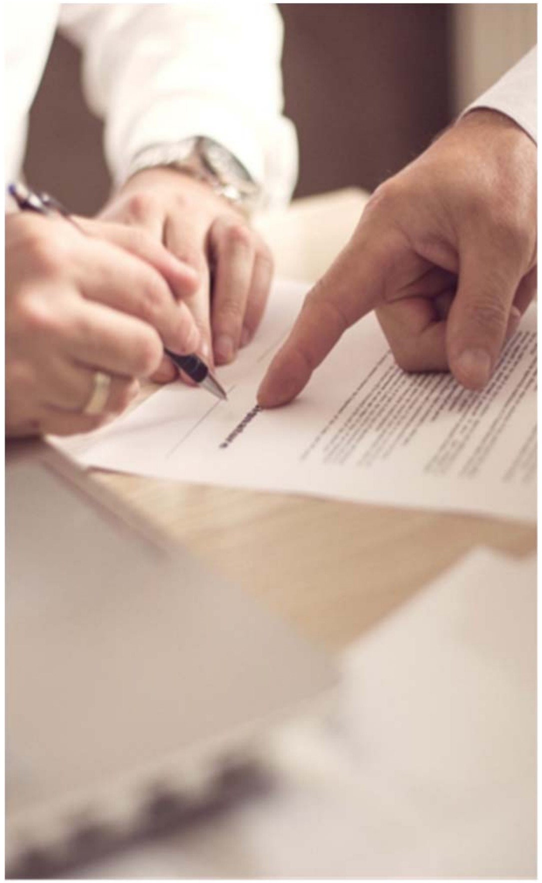
The resulting report has identified substantial opportunities to deliver benefits in high spend categories through the development and implementation of category strategies and/or reviewing existing high-value contracts.

As noted earlier in this report, the Council should look to develop a centralised contract management policy agenda, alongside changes being made to procurement, considering the work done by KPMG when completed. Detail regarding digital procurement has been provided under its own heading at the end of this section.

Procurement management

Procurement will be presenting a revised policy and strategy document to the January 2024 Cabinet. Procurement managers have led the policy revision and conducted workshops with stakeholders.

The Council is working towards a more robust contract management approach to demonstrate added value. It is preparing for national procurement transformation and will be linking with Cabinet for training and guidance.



Improving economy, efficiency and effectiveness (continued)

Procurement management (continued)

The Council is aware of the challenges that change will bring and is working with its lawyers to ensure compliance with new regulations.

While the Council is considered a trusted source for procurement, with good governance and compliance, there is room for improvement in the procurement function's ability to provide added value. The Council is investing in its procurement service, which is a skilled team.

However, the focus is currently on re-tendering contracts, and there is a need for the procurement function to be more involved in the full life cycle of contracts to deliver better outcomes. This includes engaging with stakeholders from the outset to develop procurement strategies that align with the Council's objectives, conducting market research, and identifying opportunities for innovation and value creation.

The Council is working to ensure that its procurement processes align with its medium-term strategic goals. The Council is taking instructions from service areas to procure goods and services that align with their objectives. The ongoing review will help to demonstrate the connection between strategic goals and procurements. However, the Council needs to improve its documentation to demonstrate this link. The Council must ensure that it is realising and monitoring the benefits of procurement after the process is complete.

The review of the procurement process highlights the significance of clearly defining roles and responsibilities in relation to the procurement process. By ensuring that every department understands how to work effectively with the procurement team, the Council can ensure that the procurement process adds the most value to the delivery of its services. Additionally, it is crucial to ensure that the procurement team has a clear understanding of the demands and needs of other departments to achieve optimal results. It is essential to have clear communication, collaboration, and strong relationships between departments and the procurement team to maximise this opportunity.

Contract management

Contract management and monitoring of benefits are the responsibility of the service areas within the Council. However, there are gaps in contract management and monitoring of benefits across the organisation, indicating a need for a more consistent approach.

Service areas may approach the procurement team for assistance with issues related to service providers. In some cases, there are dedicated contract management teams in certain service areas that liaise directly with the legal team to address significant issues that arise.

The procurement review suggests that the Council should implement standardised structures, roles and responsibilities, governance, processes, and controls in relation to contract management.

This approach will ensure that the Council can deliver optimised contract management. Standardising processes and controls will ensure that the Council can maintain consistency in its approach to contract management, leading to greater efficiency and effectiveness.

In addition, the review of procurement has outlined steps that can be taken to deliver savings opportunities of c.£5m over the medium term. These include improving contract compliance and leveraging Oracle to ensure the contract management module is correctly implemented.

Digital services

In 2022/23, issues were raised by the internal audit team regarding digital procurement and compliance with the Council's procurement rules. The audit identified that Digital Services procurement activity was not in compliance with the Council's procurement rules. A disciplinary investigation identified concerns of conflict of interest and inappropriate influence in procurement exercises undertaken by Digital Services for contracts valued at over £7m.

Additionally, the report identified concerns raised by the Head of Procurement in March 2023 regarding the operation of procurement within Digital Services. In particular, the use of the existing Softcat framework to re-procure incumbent systems and suppliers rather than going out for quotations or tenders as per the procurement rules.

The audit report identified key areas of concern, including the need for improved governance and transparency. The report recommends that declaration of interest forms should be signed by anyone involved in tender activity or direct awards in digital services. The report also suggests that there is a need to introduce improved governance and transparency, with a particular focus on the use of Softcat.

It became apparent that the Council should take steps to improve its procurement processes in Digital Services to ensure compliance with procurement rules. This includes introducing improved governance and transparency, signing declaration of interest forms, and ensuring that procurement exercises are conducted in accordance with the procurement rules.

It is noted that upon discussion into this issue, the above steps have been considered by the Council, with procurement activities in Digital being moved over to the procurement team and more robust processes being put in place regarding declaration of interests.

Improvement recommendations

Improvement Recommendation 5	The Council should ensure that the declaration and management of potential conflicts of interest are made key parts of its procurement of all goods and services.
Improvement opportunity identified	Through the issues raised by the Council regarding the digital procurement, it has been noted that some conflicts of interests were not correctly managed within the digital team when it came to the procurement of contracts. This has now been rectified within digital, however there is an opportunity for the Council to also make this amendment for other areas to ensure best practice when procuring contracts.
Summary findings	We have found that the Council did not adequately manage conflicts of interest within the digital team with regards to contract procurement. It has since become clear that the Council could improve conflict of interest management across all teams with respect to contract procurement to ensure no future non-delivery of value-for-money through supplier choices.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Conflict of interest forms have been introduced by the Procurement Service in relation to any contracts awarded directly to suppliers/contractors. The procurement arrangements already provided a conflict-of-interest form to be signed by stakeholders involved in tender activity.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit, Risk and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 6	The Council should focus on developing a centralised contract management policy agenda and make full use of the KPMG report currently being produced surrounding the Council's internal procedures in doing so.
Improvement opportunity identified	We note that the Council hasn't yet developed a centralised contract management policy agenda, however we do respect that KPMG has been commissioned to help the Council improve its internal processes. The Council could improve by developing an agenda and also making best use of the KPMG report when complete.
Summary findings	We recognise that the Council has taken steps to improve its contract management processes through the commissioning of external consultants, however the Council has not yet delivered on developing a contract management policy agenda and we recommend that KPMG's work is used to assist in developing this.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The future Target Operating Model for Procurement and Contract Management is progressing with investment in the service to focus on strengthening category management activity across council services and provide a consistent approach to contract management across the council. It is planned that this will be in operation in the second half of the year.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit, Risk and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should ensure regular monitoring and savings delivery is reported as part of quarterly reporting. All savings should be assessed for deliverability and where appropriate contingency made in budgets against non-delivery.	Improvement	April 2023	The Council reports savings progress at a high level within its quarterly financial reporting to Cabinet. The Council also maintains a RAG rated saving tracker internally, however it doesn't report savings progress in detail.	No	A new improvement recommendation has been raised regarding the deliverability and reporting of the Council's savings plans.
2	The Council should endeavour to increase transparency by reducing the number of Cabinet reports discussed in private. The Council should ensure to always publish a public version of reports unless by exception and to only exempt necessary information. The council should regularly report on the overall financial position of the City Deal and other major capital investment programmes publicly, including detailed financial risks and issues. The reports should clearly set out what spend is committed to schemes and what represent risks but are as yet to be spent.	Improvement	April 2023	All executive decisions are made at meetings of Cabinet. Other similar authorities take many decisions in individual Cabinet Member Decision Making Sessions, and this can mean that more Part II decisions are taken in private sessions. This is an issue that has already been addressed. Since February 2022 to March 2023 (13 Cabinet meetings), there have been a total of just 8 reports entirely in Part II. To maintain transparency (in most cases), the bulk of the information has been put in Part I, with the confidential information only being extracted and placed into Part II appendices.	Yes	The Council should continue ensuring that committee meetings are as transparent as possible, with as few part II meetings as possible. The Council should also ensure transparent reporting of the City Deal, which has been raised as a new improvement recommendation.

Follow-up of previous recommendations (continued)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	In relation to the ICS, the Council has taken a progressive approach to forming relationships, and has good representations at these groups. The Council should now focus on aligning priorities and agendas to maximise its outputs from this operating model and ensure this informs operational decision making. Secondly, the Council should take a more foresighted approach of its management of its Better Care Fund, ensuring it is reviewing the effectiveness of current schemes and has supervision of its metrics of the BCF.	Improvement	April 2023	The Council's statutory Director of Adult Social Care currently occupies a joint role with the local ICS and through this role aims to align priorities between the organisations where relevant and take a strategic approach to system wide financial collaboration. The governance arrangements covering the Better Care Fund are in the process of being reviewed and plans in place for a strategic review of all schemes funded by the pooled arrangement.	Yes	The Council must ensure that the new governance arrangements surrounding the BCF are appropriate and are appropriately reported to members.
4	The Council should monitor the transition to its new financial and people resource management system and ensure a smooth implementation of its financial models.	Improvement	April 2023	The Council has seen the implementation of its new system, however with this there were some issues, including issues paying suppliers as a result of the system. The system is now usable, but still isn't operating as intended, and further work is needed to improve the system.	Yes	The Council must ensure that lessons are learned from the implementation process and that further work is performed to ensure that the system can perform as was expected moving forward. A further improvement recommendation has been raised.

Follow-up of previous recommendations (continued)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	The Council should focus on the developing an updated procurement strategy, which will align to relevant legalisation and place more emphasis on the need for a stronger social value policy. This refresh of policies should be supplemented by relevant training for staff within the Council.	Improvement	April 2023	The Council has developed a procurement strategy and also made changes within digital procurement. This work will be supported and informed by the outcome of a review commissioned from KPMG, and currently underway, to support the contracts review savings target. We do however note that there are still improvements to be made, which have been made within this report.	Yes	A further improvement recommendation regarding the Council's procurement has been made earlier in this report.
6	The Council should focus on developing a centralised contract management policy agenda. Contract management information should then be filtered through to the relevant Executive and Directorate Leadership Team's.	Improvement	April 2023	We understand that the Council is currently undertaking several reviews. The Council's approach to contract management is also being supported and informed by the outcome of the review commissioned from KPMG, and currently underway, to support the contract review savings target.	No	The Council should develop a centralised contract management policy and ensure that the report commissioned by KPMG is used effectively to assist in development.

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

Our audit of the accounts remains ongoing. We intend to have the audit completed by the end of April 2024. We currently anticipate issuing an unqualified opinion on the Council's financial statements, subject to the satisfactory completion of the remaining audit work.

The full opinion will be included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Opinion on the financial statements

Timescale for the audit of the financial statements

The External Audit Plan was presented to the Audit, Risk & Governance Committee on

The planning and interim audit visits took place during March and April 2023.

The national deadline for publication of draft accounts was 31 May 2023. Due to the implementation of the new financial system at the Council, the publication of the draft statement of accounts was delayed until early September 2023.

As such, our final accounts audit visit was also delayed and took place during October 2023 to March 2024. The audit took longer than would usually be the case due to ongoing implications of the implementation of the new system, limiting capacity at the Council to respond to audit queries.

Findings from the audit of the financial statements

Our audit of the accounts remains ongoing. We intend to have the audit completed by the end of April 2024. We currently anticipate issuing an unqualified opinion on the Council's financial statements, subject to the satisfactory completion of the remaining audit work.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit, Risk and Governance Committee on 22 April 2024. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Other opinion/key findings

We did not identify any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement and Pension Fund Financial Statements.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

This work has not yet been started – it will commence on completion of the audit.

Appendices

Appendix A: Responsibilities of the Council

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

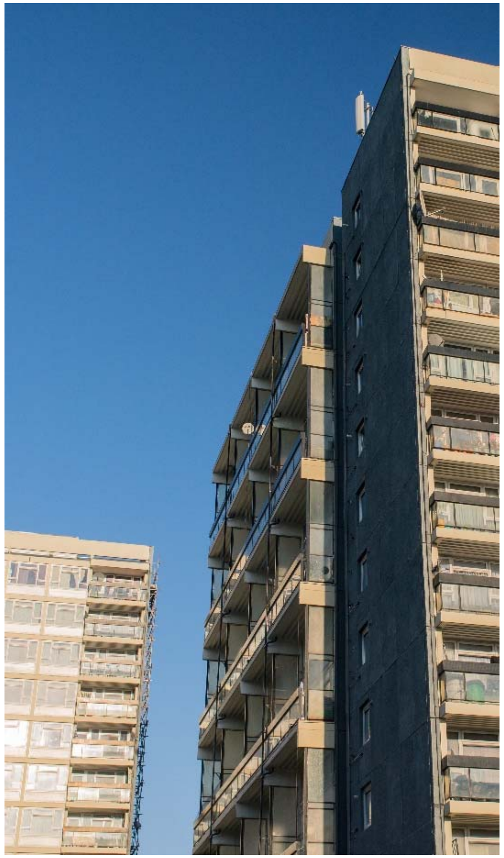
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Appendix B: An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	17
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	12-13, 18-19, 23-24

Appendix C: Sources of evidence

Staff involved

- Angie Ridgwell, Chief Executive (S151 Officer during 2022/23
- Mark Wynn, Executive Director of Resources and Section 151 Officer (appointed April 2023)
- Neil Kissock, Director of Finance
- Heloise MacAndrew, Director of Law and Governance
- Louise Taylor, Executive Director of Adult Services and Health & Wellbeing
- Elaina Quesada, Deputy Executive Director of Adult Services
- Jacqui Old CBE, Executive Director of Education & Children's Services
- Andrew Dalecki, Head of Internal Audit
- Rachel Tanner, Head of Procurement

Documents Reviewed

- Medium-term financial plan, 2022/23 and 2023/24
- Budget documents, 2022/23 and 2023/24
- Annual Governance Statement
- Code of Corporate Governance
- Minutes of committee meetings for the Cabinet, Full Council and Audit, Risk and Governance Committee
- Constitution
- Corporate Risk and Opportunity Registers
- Internal Audit Annual Report
- Anti-Fraud, Bribery and Corruption Policy
- Fraud Sanction and Prosecution Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy Statement and Strategy
- Financial Statements, 2021/22 and 2022/23
- Corporate Strategy
- Corporate Performance Reports
- Lancashire inspection of local authority Children's Services
- Lancashire Place Integration Deal
- Treasury Management Strategy
- VEAT Report
- Lancashire and South Cumbria Integrated Care Partnership and Integrated Care Strategy

Meetings Observed

- Audit, Risk & Governance Committee Meetings
- Pension Fund Committee Meetings

Grant Thornton

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Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected: (All Divisions);

Internal Audit Progress Report
(Appendices 'A' to 'E' refer)

Contact for further information:
Andrew Dalecki, Head of Internal Audit, Tel: 01772 533469,
andrew.dalecki@lancashire.gov.uk

Brief Summary

In the context of the committee's responsibility to consider updates on the Internal Audit Service's work including key findings, issues of concern and action being taken as a result of internal audit work, the committee is asked to consider the internal audit progress report and outcomes of the work for 2023/24 for the period up to 26 March 2024.

Recommendation

The Audit, Risk and Governance Committee is asked to consider the Internal Audit Progress Report.

Detail

This report sets out for the committee the internal audit work performed under the audit plan for 2023/24 approved in April 2023.

Appendices

Appendices A to E are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix A	Highlights key issues that the committee should be aware of at this point in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.
Appendix B	Provides an executive summary of each individual internal audit assignment completed since last reported to this committee on 29 January 2024.
Appendix C	Provides an executive summary of each individual grant audit

	completed since last reported to this committee on 29 January 2024.
Appendix D	Provides an executive summary of each follow up audit completed since last reported to this committee on 29 January 2024.
Appendix E	Included in Part II of the agenda. Provides an executive summary of internal audit assignments containing exempt information.

Consultations

The Executive Director of Resources, the Director of Finance, the Director of Law and Governance and each of the Directors and/or Heads of Service who have sponsored the audit work reported here have been consulted.

Implications:

This item has the following implications, as indicated:

Legal

The Accounts and Audit Regulations 2015 section 5(1) state that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Finance

Internal Audit provides an opinion addressing the council's frameworks of governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled.

Risk management

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

Appendix 'E' to this report is included in Part II of the agenda because it contains exempt information, as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972:

- Information relating to the financial or business affairs of any particular person (including the authority holding the information).

Matters Arising from Internal Audit Work Completed During the Period to 26 March 2024

1 Introduction

1.1 This report highlights key issues that the Audit, Risk and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework. It highlights the issues arising from the work undertaken by the Internal Audit Service up to 26 March 2024.

2 Progress against the internal audit plan

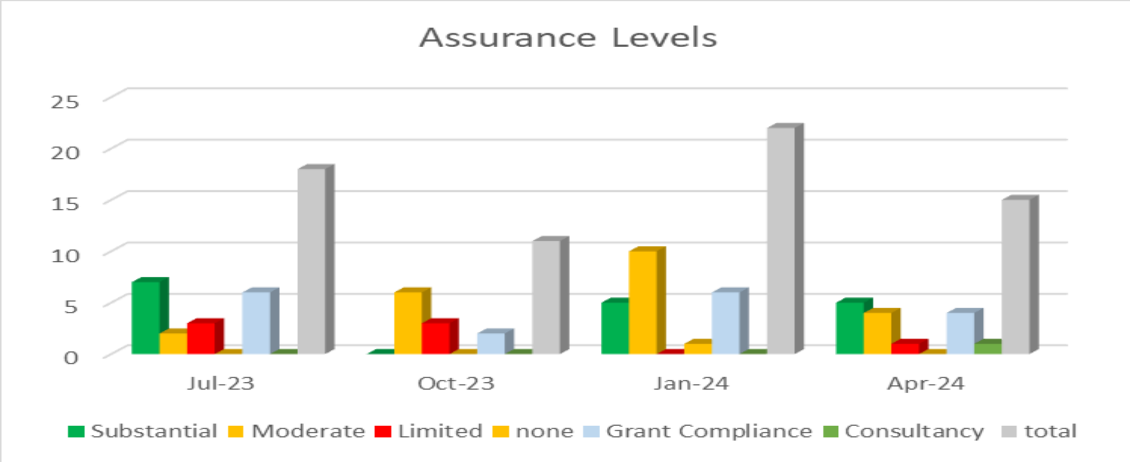
2.1 The audits detailed in the tables at section 3.1 have been completed since the last Audit, Risk and Governance Committee meeting on 29 January 2024.

2.2 The Internal Audit Annual Plan that was approved by the Audit, Risk and Governance Committee in April 2023 contained 100 audit assignments that the Internal Audit Service planned to complete throughout the 2023/24 financial year. These included a variety of audit assignments ranging from full risk and control evaluation audits, grant audits, school audits and consultancy reviews to be completed across the whole Council.

2.3 As at 26 March 2024 the Internal Audit Service had completed and reported the findings for 74 audit assignments. This includes reviews carried over from the previous year's plan and unplanned work requested from service areas during the year. Since the last Internal Audit Progress Report was provided to the Audit Risk and Governance Committee in January, the service has finalised and issued 23 audit reports. There are also currently a further 20 reviews that are at a draft reporting stage or are being progressed.

Stage of audit process	Number of audits on 23/24 Plan	Percentage of audits on 23/24 Plan
Complete and reported to committee	74	74%
Draft report stage	6	6%
Progressing	14	14%
Not Started	6	6%
Total number of audits	**100**	**100%**

2.4 The bar chart below illustrates the assurance levels provided for each audit assignment completed in the 2023/24 financial year and reported to this committee.



2.5 Presently there are six audits that are at the draft reporting stage, which are currently being discussed and agreed with managers.

Control area
Developer support role - pre-application process
Flexible working arrangements
Role of the responsible officer for Adult Services
Treasury Management
Pensions – Governance Arrangements
Discharge to Assess and Provider Payments

2.6 The Internal Audit Service also provides an out-sourced internal audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council. The Internal Audit Service for Wyre Borough Council also commission the service to deliver a few individual audit assignments on their behalf.

3 The assurance available from completed audit work

3.1 A brief summary of the assurance provided can be found in the tables below. The matters arising from each of the completed audits are set out in the executive summaries provided at Appendix B.

Control area	Assurance
Case Audits	● Limited
Management of the timeliness of assessments and reviews	● Limited
Transition from Children's to Adult Services	● Moderate
Academisation	● Moderate
Section 17 Payments	● Moderate

Control area	Assurance
Delivery of Change Governance	Substantial
Occupational Health	Substantial
Use of Council Buildings Under Flexible Working	Substantial
Management of grants for Drug and Alcohol Services	Substantial

School Asset Management Audits	Assurance
School Financial Controls - Clayton-Le-Woods Church of England Primary School	Moderate
School Financial Controls - St Anthony's Catholic Primary School	Moderate
School Financial Controls - Weeton Primary School	Moderate
School Financial Controls - Newtown Nursery School	Substantial
School Financial Controls - Unity College	Substantial
School Financial Controls - Elm Tree Community Primary School	Substantial
School Financial Controls - Flakefleet Primary School	Substantial
School Financial Controls - Dalton St Michael's Primary School	Substantial

4 Grant certification and consultancy reviews

4.1 In addition to providing assurance to the council some audit work is required by various central government departments, to provide them with assurance over the council's use of grant funding and attainment of funding conditions. The table below provides details of this completed review, with an executive summary for each of the reviews provided at Appendix C.

4.2 The committee summary for IT / Cyber Incident Response Plan – Advisory Review (Appendix E) contains exempt information and is included in Part II of the agenda.

Grant Audits & Consultancy reviews	Assurance
Liverpool Combined Authority Local Energy Hub – Q1	Compliant
Liverpool Combined Authority Local Energy Hub – Q2	Compliant
Liverpool Combined Authority Local Energy Hub – Q3	Compliant
Bus Recovery Grant and Local Transport Fund	Compliant
Bus Service Operators Grant	Compliant
Supporting Families Programme Q4	Compliant

IT / Cyber Incident Response Plan – Advisory Review	N/A

5 Follow up audit work

5.1 The Internal Audit Service aims to follow up the action plans agreed by managers to address the risks identified through the audit process, to confirm that action has been taken. The plan for the year therefore includes an allocation of time for this work and the actions agreed to be reviewed with the responsible officers. The status of each management action is established by either the completion of a follow up audit as reported in section 5.3 below, or by seeking management assurance as to the progress made in the implementation of each agreed management action.

5.2 The tables below detail the status of the agreed management actions, including the financial years that any outstanding management actions were agreed. Since last reporting to the committee, the number of incomplete management actions has reduced from 95 to 36. Of the 36 actions not yet implemented, 14 relate to actions of which the action owners are yet to provide a status update.

Action status	**Total – Lancashire County Council**					
	Total		**Risk rating**			
			Critical	**High**	**Medium**	**Low**
Complete	162	64%	1	18	84	59
Incomplete	16	6%	0	7	6	3
Progressing	27	11%	0	10	13	4
Superseded	16	6%	0	2	10	4
Awaiting management Response	18	7%	0	2	10	6
Implementation date not due	14	6%	0	4	5	5
Total	253	100%	1	43	128	81

Incomplete management actions by year						
2021/22	14	39%	0	1	6	7
2022/23	14	39%	0	10	4	0
2023/24	8	22%	0	2	3	3
Total	36	100%	0	13	13	10

5.3 Six follow up audits have been completed. As part of these follow up audits, four management actions were reviewed. The table below provides as summary of the status of these actions and an executive summary of each review can be found at Appendix D.

	Extreme	**High**	**Medium**	**Low**	**Total**
Number of actions	0	1	15	8	24
Implemented	0	1	11	5	17
Superseded	0	0	1	1	2

Progressing	0	0	3	2	5
Not implemented	0	0	0	0	0

5.4 The results of the Digital Services Procurement audit were reported to the last committee meeting held on 29 January 2024. The Committee asked if a further update could be provided for this meeting as to the progress being made in implementing the management actions. Management assurance has been received from the Head of Procurement that both the high and the extreme priority management actions agreed as part of the original audit have been implemented. The management assurance demonstrates that the service has taken swift action to address the risks identified during the Internal Audit review. Work is ongoing to ensure that the changes are fully embedded and works effectively for all future procurement. The management assurance received is set out at Appendix E, included in Part II of the agenda.

6 Amendments to the audit plan for 2023/24

6.1 There have been no amendments to the Internal Audit Annual Plan since the last Audit, Risk and Governance Committee meeting.

Appendix B

Internal Audit

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Appendix B

Case Audits

Overall assurance rating

Limited

Audit findings requiring action

Extreme	High	Medium	Low
0	0	4	0

The audit identified weaknesses in design of the control framework for the management of case audit processes across Adults' Services, and although action is required to enhance aspects of it in support of service objectives and maintaining quality standards, progress has already been made in some areas. This includes introduction of a revised audit and moderation framework incorporating requirements for rates of compliance, providing feedback and recording case notes. Reporting processes have been developed and continue to be enhanced, and a training programme has been launched.

Policies, procedures and guidance exist to support case audit processes, although require review and update to determine a consistent approach so that all staff involved in case auditing are aware of practice requirements, protocols to enhance data recording quality, and promoting a culture of continuous improvement. There is no formal training framework in support of case auditing and currently no service action logs, or defined processes for recording and implementing good practice. Improvements are required to strengthen practice, processes and training, highlight issues, and support reporting to enhance the quality of case recording and the need to correct ratings following moderation.

Initial annual completion targets established for case audits have not been achieved. There is an expectation that managers complete four audits per month, and this is not currently being reached, demonstrated by only 30% of the annual target completed for the six-month period June – November 2023. The service acknowledged the compliance issues and that setbacks encountered in developing guidance and procedure have contributed to this. Dashboards are the primary recording method and reporting source for case audits and moderations. More robust controls are required to strengthen data quality, ensuring collection of key information, and to provide contingency in support of data recording if the dashboard facility is unavailable.

Variations in the way cases are recorded within the case audit tool dashboard, are attributed to enhancements to the reporting function occurring in September 2023, resulting with the introduction of a subsequent version of the report. Although there was no duplication of findings and conclusions, reports have not been consolidated.

Context

Case audit activity is an integral part of the overall Quality Assurance and Practice Improvement Framework. To achieve and improve outcomes for residents, support professional development and promote a culture of continuous improvement, Adult Social Care advocates practice excellence through understanding, auditing, and improving professional practice. The overall aims of the case audit process are to:

- identify, share and celebrate good practice.
- identify where practice needs to improve through a systematic approach to sampling files and developing a continuous improvement process for individuals, teams and the service; and
- provide the senior leadership team with assurance as to the quality of work.

Practice guidance and procedures and the electronic case audit tool, supported by a dashboard to enable recording and performance reporting of audit results, were implemented on 01 June 2023. Initial targets were to complete at least 5,000 case audits a year - representing approximately 25% of the total caseload of 18,000 people with long term support needs. The service continues to review, develop and streamline the case audit process, with updates to guidance and practice standards, support and training for practitioners, and enhancements to performance recording and reporting being progressed.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- policy, procedure, guidance and training
- case audit and moderation processes
- case audit recording
- monitoring and reporting
- quality and continuous improvement

Management of the Timeliness of Assessments and Reviews

Overall assurance rating

Limited

Audit findings requiring action

Extreme	High	Medium	Low
0	0	4	0

There are some weaknesses in the design of the control framework over the management of the timeliness of assessments and reviews and action is required to enhance aspects of it. Progress has already been made in addressing the issues raised.
Although policies, procedures and guidance existed to support assessment and review processes they would benefit from some updating and signposting so that all staff involved in assessment and review procedures are aware of the latest practice and legislative information, and protocols when using Liquidlogic Adults' Social Care System (LAS) to prevent issues with data quality and review scheduling.

There were varying standards in case file data quality, content, and recording. More robust controls surrounding LAS housekeeping and quality checks, including review of work trays, are required to facilitate the accuracy, completeness, consistency of data and timely progression of cases. Statistics from LAS for March to September 2023 indicate that there has been a significant increase in the number of initial outstanding assessments, however, other factors such as seasonal fluctuations affect these figures.
Social care workers reported difficulties meeting targets due to capacity and existing backlogs and differing approaches to task allocation and prioritisation was highlighted. Testing also identified practice issues and practitioner error including learning and training requirements.

Operational staff and the Backlog Performance Board have been proactively working with key stakeholders to identify issues and challenges facing the service, and to establish a workplan formulating an approach towards implementation of sustainable improved assessment and review processes.

Context

In 2022, survey findings from the Association of Directors of Adult Social Services showed that nationally more than half a million people were waiting for an adult social care assessment, for care / a review of their care, or a direct payment to begin.

Locally, known delays and issues with backlogs are analysed and reported to management by operational leads and business intelligence via performance boards. Highlight reports are produced including trend analysis, identification of challenges faced, and actions to be taken in teams / areas across the county.

Scope of Audit

Our review has focussed on work being carried out by the Backlog Performance Board, established to report on the council's position for people waiting for care and support, and how backlogs are being addressed.

We reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, procedures, and guidance
- Case files
- Allocation processes
- Assessments, re-assessments, and reviews following allocation.
- Monitoring and performance
- Reporting

Transition from Children's to Adults' Services

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	2	0

As part of an Adult Services review on Transitions we have highlighted some issues relating specifically to Children's Services. We have not looked at all aspects of Children's involvement in the transition process, therefore we can only provide moderate assurance over the processes and controls in relation to the referral process and ceasing of payments for care packages, for young people moving from Children's Services to Adult Services.

Progress has been made in these areas since the last audit. However, it is still evident that better co-ordination needs to be in place between Children's Services and Adult Services over the referring of cases to the Transitions Team on a timely basis and the ceasing of payments for care packages by Children's Services. We have identified a couple of areas where we consider that the current control framework can be further strengthened, and these have been identified below.

Context

The Care Act 2014 primarily sections 58 to 66 Transition from children to adult care and support requires the council to undertake assessments where there is a significant benefit to do so and at the most appropriate time to ensure a smooth transition from Children's services to adults.

The Transitions Team operates within the Adult Community Social Care, Mental Health, Learning Disability and Autism Service and provides support to young people who are transitioning from Children's services to adults. Referrals may be made for young people from the age of 14 which allows the Team to plan and commission appropriate places particularly for complex cases in advance of the young person turning 18 and moving into Adult Services. There are currently over 770 young people who are managed by the Team and will transition to Adult Services over the next six years. The number of young people that will be transitioning over the next couple of years has increased and current projections anticipate about 150 young people will transition in each year group compared to 2021.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to Referrals and Payments.

Academisation

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	3	2

The Academies Team (the Team) has established detailed procedures and guidance to support the conversion process which comply with the Department for Education's (DfE) process and guidance for schools converting to academies. The Team has responsibility for the overall delivery and coordination of academy conversions through liaison with schools, education trusts and other council services, and this process is administered and controlled effectively. Early indication of schools converting is obtained from various sources and supports arrangements for timely conversion. Key tasks are clearly set out in the Project Plan, and progress is monitored effectively by the Team. However, evidence to support these was sometimes inconsistent or difficult to follow, and copies of the final lease agreement and Commercial Transfer Agreement (CTA) were not held in the Team's conversion folder.

An annual Key Performance Indicator (KPI) was agreed with the DfE to complete conversions within six months, consistent with current services' capacity. However, a delay in establishing the start date meant no monitoring has yet been carried out against this target. Three conversions reviewed were completed outside the six-month time limit though within the agreed conversion date, due to reasons outside the council's control. To reduce the risk of delays a periodic review of conversion numbers and pipeline conversions should be performed to assess the impact on resources. Conversion data is shared with teams across the council on MS Teams to support oversight and monitor completion.

Plans to address surplus and deficit balances were consistent with DfE rules and were properly reflected in the CTA. The council recently produced a draft policy on retention of surplus balances, and this was being reviewed at the time of writing. Schools Finance monitor schools to minimise any deficit and, while plans are in place to recover the largest deficit balances, action has been constrained by lack of resources and that SLAs and Notices of Concern do not address recovery plan targets. Further preventive methods, including risk scoring, are being developed though these should be coupled with an approach to deficit recovery which includes coordination with the Education Improvement Service, enhanced Notices of Concern and risk profiling of schools. All schools are due to be visited by Education Improvement by July 2024 and outcomes will feed into the School Improvement Group (SIG) for intervention, including those in financial difficulty. Budgets are delegated to schools and fall under the responsibility of the Head and Chair of Governors who will act upon advice from Schools Finance and School Improvement, where appropriate. If concerns arise, the council could put in place an Interim Board though in reality no panel of governors is available with the relevant skills to be brought in at short notice.

Context

The Academies Act 2010 allows maintained schools to apply to become academies and requires local authorities to promote and take reasonable steps to support schools to convert. The legislation removed the requirement to consult the local authority before opening an academy. There is no legal requirement for schools to convert to an academy unless Ofsted rate them as 'inadequate' or issue two consecutive 'requires improvement' ratings. Nationally, 42% of schools have converted to academies though Lancashire has one of the lowest percentages in England at 13%, with 84 out of 628 schools converting. Of the remaining 544 schools, 286 were diocesan schools and these were moving quickly on their plans for academisation.

The council supports schools through the conversion process and ensures the council's interests are managed particularly in relation to the treatment of surplus or deficit balances, legal agreements, transfer of staff and land and buildings to the academy. The process is led by the Academies Team and other council services with related responsibilities include Human Resources (HR), Payroll, Legal Services, Design and Construction and Estates. For converter academies, both surpluses and deficits transfer over to the academy trust. In respect of sponsored academies, the council is responsible for any deficits, and whilst surpluses would ordinarily be retained by the council, it can transfer some or all of this to the trust supported by a business case setting out the school's prior intentions to use surplus balances for specific schemes or initiatives.

Scope of Audit

In this audit we reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy and guidance;
- Administration and accountability;
- New conversion identification;
- Project planning and support; and
- Monitoring and performance.

Section 17 Payments

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	2	0

A policy on S17 payments has been produced, was revised in 2023 and includes guidance on the circumstances in which the funds may be used. The Director of Children's Social Care informed us prior to the start of the audit that payments had been routinely coded as S17 payments when they were not, contributing to an overspend on the allocated budget. We identified nine transactions out of 30, with a total value of around £18,000, which were miscoded in this way and which should have been charged to other Children Looked After budget codes. This resulted in the S17 costs being overstated on budget management reports. We confirmed that the 19 remaining payments were correctly coded as S17 payments and generally complied with the policy.

There is an appropriate authorisation process for S17 payments on the LiquidLogic Childrens' System (LCS) and officers are given access in accordance with their position. Email authorisations are received in some cases. Reports are produced providing detailed information on S17 payments made to support monthly review by managers, including coding and duplicates, but these do not appear to be reviewed in detail. Examination of these would flag payments which should be coded elsewhere.

We confirmed that actual amounts disbursed for individual S17 payments were in accordance with maximum limits specified in the policy. Data analysis revealed some duplicate payments, but these were not significant in number or value and one of the causes was delays arising from problems with Oracle Fusion functionality.

Context

Financial support in terms of goods or services can be offered to children, young people, and parents/ carers under Section 17 of the Children Act 1989 to address identified needs, safeguard and promote the welfare of children within their area who are in need, to prevent the child suffering significant harm or to remove the need for the child to be looked after by the local authorities. The support may be provided with assistance in kind, accommodation, or in exceptional circumstances, in cash.

The budget for S17 payments (Family Support – assistance to families) in 23-24 was £1.3 million, recorded as spent by November 2023. The budget is used by Childrens Social Care teams.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Payments are made for eligible purposes and the policy is applied consistently across the council.
- Payments are authorised correctly.
- Payments are made for the correct amounts and not more than the policy maximum.
- Management oversight and review of S17 payments.

The Oracle Accounts Payable system is used to process some S17 payments. This audit did not examine to controls within the Oracle Accounts Payable system as this is part of a separate audit.

Delivery of Change Governance

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

As part of the council's improvement journey, the Programme and Project Management Office (PPMO) embarked on an exercise in 2021, to review programme change practise and procedures, with a view to enhancing the approach to project and programme management and the functions of the PPMO. A light touch review of the adequacy of the controls employed by the PPMO, in delivering the change and improvement desired by the council, was completed by Internal Audit in June 2023. The review highlighted the need to strengthen the control framework surrounding programme management governance, including the implementation of a standardised/ consistent approach that supports collaborative working, transparency, and scrutiny.

We have therefore undertaken a further review for the PPMO, collaborating with the Director of Organisational Development and Change, to provide independent advice and support in formulating a robust governance framework. It is recognised that a considerable amount of work has been undertaken within the PPMO in recent months to transform project and programme management processes including:

- Undertaking an assessment of all projects/ programmes to produce a list of priorities, which were sanctioned by the Executive Leadership Team in November 2023.
- Development of a change programme triage phase to ensure that all change proposals are processed via the Change Front Door framework, which facilitates the submission, assessment, and prioritisation of new projects, and provides independent scrutiny, and assurance that assumptions on benefits to be realised are correct.
- A Change Digital Board has been established, ensuring change programmes/ projects are subject to senior management approval and oversight.
- A review of the service structure has been undertaken, and key roles and responsibilities agreed to facilitate the effective delivery of change programmes.
- There are key controls that remain outstanding that the Director of Organisational Development and Change is currently endeavouring to implement. These include:
- A documented vision, strategy, and philosophy for delivering change, and a clear change management communication strategy to ensure the message is recognised and well understood throughout the authority, enabling effective stakeholder engagement.
- Change requests documented in business cases that clearly set out the benefits to be realised, costs,

timeline, and that contain good quality/ reliable data to support planning, decision making, and realistic assumptions.
- Effective contingency development built into the planning stage of programmes to anticipate slippage in delivery of schemes.
- Development of detailed processes to facilitate the analysis and monitoring of change programme progress and provide a clear audit trail to determine whether risks are managed to an acceptable level, and objectives met.
- Development of a training strategy for the PPMO, together with wider training/ awareness for services, ensuring HoS and Senior Responsible Officers (SROs), have the skills and knowledge to fulfil their respective change management responsibilities.

We have recorded our findings in the risk and control framework (Section 3).

Context

The PPMO provides transformation, project, and programme management across the council. Functions include preparing the council for new challenges, enabling new means of service delivery, and the implementation of large infrastructure projects. Working to a disciplined project management approach, the PPMO facilitates change via an established work plan, delivered by a mix of programme and project managers, project, and change officers, business change analysts and subject matter experts.

The PPMO is currently implementing a delivery framework improvement plan to create a consistent approach to approving, prioritising, and delivering strategic projects of change. The plan includes reviewing and developing PPMO practice and procedure to ensure it is effectively designed to facilitate implementation of the councils' change programme. A service wide review is underway, incorporating a restructure of the service, a full review of processes, and the implementation of digital solutions to facilitate the necessary changes and governance processes.

Scope of Audit

The scope of this review has involved discussion with the Director of Organisational Development and Change regarding the controls in the following areas:

- Governance and accountability
- Planning
- Monitoring and reporting
- Continuous improvement

Limitation of scope

It was agreed within the 2023/24 internal audit plan, that a full review of the adequacy and effectiveness of the governance arrangements within the council to deliver change would be undertaken. However, it is apparent that at the time of this review, the PPMO improvement journey is in its infancy, with the service currently developing the improvement strategy, and designing, constructing, and embedding new programme change processes into business as usual. It has therefore been agreed that this review will be undertaken in two parts. This initial review provides an opinion on the adequacy of the control framework. We will revisit this area during the 2024/25 financial year, to audit compliance with the control framework, and undertake testing to give an opinion on its effectiveness.

Occupational Health

Overall assurance rating	Audit findings requiring action			
	Extreme	High	Medium	Low
Substantial	0	0	0	1

The Occupational Health (OH) Services is provided by Working on Wellbeing Ltd (Optima Health) via a contract managed by the Health Safety and Quality Team (H&S Team).

The H&S Team have adequate and appropriate processes, procedures and comprehensive guidance notes in place to effectively manage the contract and also to provide LCC staff with appropriate information to manage absence situations. The H&S Team have regular monitoring meetings with Optima and key stakeholders to address any issues and they evaluate the contract performance through the weekly progress reports received. During the period January to December 2023, there was no negative customer feedback, thus providing assurance that there are no procedural weaknesses. Checks by the H&S Team are undertaken to confirm that the invoices received for the services provided are correct and they monitor any pattern changes within OH services provided.

A dashboard report is provided to Executive Management Team on a quarterly basis which covers a high-level review of the OH contract performance. There were no significant performance issues reported during this year, other than the significant delays that have been experienced in implementing the managed health surveillance programme. A Lancashire County Council (LCC) Role Risk Matrix has been developed to help address this and Optima's Senior Client Services Manager has taken on responsibility for ensuring the programme is progressed as a priority.

Context

Lancashire County Council (LCC) is committed to promoting a culture of workplace health and wellbeing, and to improve the health of employees, by developing a healthy culture and adopting a systematic approach to occupational health.

The Occupational Health Services is provided by Working on Wellbeing Ltd (Optima Health) via a contract managed by the Health Safety and Quality Team (H&S Team). Optima Health provides occupational health support in relation to preventative action and health promotions, sickness and ill health management and rehabilitation, early intervention and returning to work. Additionally, they act on behalf of LCC when dealing with outside medical agencies such as general practitioners, hospitals and medical specialists, when there is a need to source further medical evidence to assist them in making recommendations to management in occupational health reports.

The average monthly invoice submitted by Optima to LCC for the services provided is £45k.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- That there is a current, signed and up to date contract in place between LCC and Optima which clearly outlines the roles and responsibilities of each party, additionally there are appropriate LCC policies, procedures and processes in place which enables the H&S Team to effectively manage the contract and LCC staff to access and utilise the Occupational Health Service.
- Occupational accidents and/or illness with respect to their fitness for work or Health surveillance takes place in high-risk areas.
- There is monitoring or reporting at organisational level, which enables LCC to monitor the performance of Optima and gauge from the service users if the service provided is effective, efficient and meets the criteria and the Terms and Conditions of the contract which were agreed.
- Invoices processed for payment to Optima are checked to ensure that the referral numbers and the amounts charged are accurate.

Use of Council Buildings Under Flexible Working

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	1

We can provide substantial assurance over arrangements to manage the use of council buildings to support the council's flexible working principles and policies, with effective controls in place to identify needs and implement change. A Property Asset Management Strategy was published in 2020 to support delivery of the corporate strategy and objectives through use of the property portfolio. Oversight of strategic delivery was provided through the now disestablished Working Flexibly Programme Board, however further updates will be reported through the Strategic Assets Board. An effective framework operated to manage delivery of projects and service requests based on working flexibly approaches, supporting strategic and operational decision making. Delivery and decision making was informed by comprehensive Power BI data reporting, facilitating discussions about service requirements and staff working arrangements. Collaborative working between services and project leads informed occupancy patterns, utilisation levels, building change requests and office closures.

Regular reviews and consultations with services were conducted to evaluate properties and utilisation, ensuring decisions were correct, justified and complied with corporate principles. The Facilities Management Accommodation Team (The Team) presented updates on progress with the delivery of services' requirements and expectations at Directorate Leadership Teams meetings and worked collaboratively with Asset Management to implement property strategy decisions approved by Executive Management Team, with relevant actions delivered through the Team. The Team supported the use of council buildings under flexible working strategies through regular communications, staff surveys and presentations, and used the Change Influencer network to share information and obtain feedback.

The Head of Service provided monthly updates to the Director of Strategy and Performance and reported as required to the Executive Management Team (EMT) on progress and outcomes. Corporate and service risks and mitigating controls were appropriately identified and managed.

Context

Facilities Management provide a strategic and operational approach to the management of council properties to enable people, places, processes and technology to support delivery of the council's activities. The Service facilitates implementation of the council's working flexibly approaches into workplace settings in line with corporate expectations. Key benefits of working flexibly include reduction of the property portfolio, revenue savings associated with building closures or leasing, potential reduction in mileage claims, travel time and an increase in productivity, and improved staff work life balance helping to improve retention and attract talent.

The council's property portfolio consists of just under 2000 assets including office accommodation, depots, libraries, family centres, day and residential care, cultural and heritage assets and schools, as well as land for future development. The Facilities Management Accommodation Team support the delivery of the property strategy review, including the delivery of working flexibly principles across the office portfolio, internal accommodation space planning and directorate workspace allocations, monitoring of building utilisation data to inform decision making, relocation of services across the county, building refurbishments, and closures in readiness for disposal/sale of sites. This work is delivered across a range of building types, equating to approximately 275 sites within the council's wider portfolio.

The Team workstreams are also commissioned by Asset Management service proposals for strategic change projects driven by the need to update/review buildings or office space requirements, and by direct change requests from Services through the AskFM portal, requiring working space assessment to improve flexibility and accommodation utilisation.

The council's property portfolio, inclusive of freehold, leasehold and management interests, has an approximate value of £2 billion. The running cost of the operational portfolio were £14.2 million in 2022/23 and £14.5 million in 2021/22.

County Hall annual tenants' budget, including rents, service charges and inflation amounted to £907.9k in 2023/24 compared to £845.6k in 2022/23.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, procedures and governance
- Implementation of strategy
- Strategy outcomes
- Performance and risk

Management of Grants – Drugs and Alcohol Service

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

There is a grant offer letter which determines the terms and conditions of the grant, and a memorandum of understanding that outlines what the funding is to be spent on, for all five grants which Lancashire County Council have received. The council have populated plans and submitted them to Office of Health Improvement Disparities (OHID), informing them of how the council are proposing to spend the grants.

Grants are appropriately monitored by the Senior Public Health Practitioner and the Public Health Specialist through its own unique budget monitoring spreadsheet and cost centre. Funding due has been received and payments due have correctly been made to the providers in accordance with the plans submitted to OHID and the contract arrangements with the providers.

For each of the providers there is a Grant Agreement / Contract Variation Document which clearly identifies the scope of what the council expects from the providers, these documents are appropriately signed by both parties and dated, with the exception of the Individual Placement and Support Grant and Housing Support Grant which are both in draft format awaiting legal clearance. Monthly or quarterly meetings take place with all the providers whereby performance and progress are discussed and to ensure that the required service is delivered effectively.

Quarterly performance reports are populated and submitted to the OHID for all the required grants. There is also a Public Health Contracts and Procurement Group which meets on a monthly basis whereby any issues in relation to the grants are discussed and addressed and actions are accordingly distributed.

Two grants will be fully spent by the end of 2023/24, whilst there will be some small underspends for two grants due to unexpected resources and staffing issues. There is however a significant underspend for the Housing Support Grant of £368,175 which may reduce by £90k if the council can find a way to legally reprofile some of the underspend. The underspend occurred was due to delays in arrangements being in place and implemented by the districts, and therefore was out of the council's control. The situation is now resolved and a collaborative agreement with the districts is in process of being completed.

Context

The Department of Health and Social Care and Department for Levelling Up, Housing & Communities are providing significant additional investment between 2022-2025 to improve services in line with the ambitions of the government's drug strategy (From Harm to Hope), this additional funding focuses on delivering three strategic priorities which are breaking drug supply chains, delivering a world-class treatment and recovery system, achieving a generational shift in demand for drugs.

The grant offered is based on the needs they identify within certain areas of the county; the council does not apply for the grant and there is no provision for them to do so. Due to the size, complexity, and levels of need in Lancashire, the council received all five grants available, from which four are managed by the council and have partnership arrangements with nine third party providers to deliver the service, whilst one relates to Preston City Council.

Grants and Financial Information

Grant	Value in 2022/23	Value in 2023/24
Supplemental Substance Misuse Treatment and Recovery Grant (SSMTRG)	£2,584,679	£4,235,795
Inpatient Detox (IPD) Consortium Grant	£430,109	£430,109
Rough Sleeper Drug and Alcohol Treatment Grant (RSDATG)	£877,809	£877,809
SSMTRG Housing Support Grant (HSG)	£138,969	£873,234
Individual Placement and Support Grant (IPS)	£270,000	£301,329

Previous Audit

This was the first Management of Grants for Drugs and Alcohol audit that has taken place.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- That there are plans in place which clearly states how the council intend to expend the grant money received.
- The grant received has been appropriately coded to the correct cost centre and distributed out to the correct providers in accordance with the terms and conditions or the approved plans.
- Necessary reviews are undertaken with the providers to ensure they can provide the required service effectively and within the timeframes. Additionally, monitoring and reporting processes takes place which provides assurance or highlights concerns to the council and OHID that the grant is being expelled conforming to the Terms and Conditions of the funding.

School Financial Controls - Clayton-Le-Woods Church of England Primary School

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	2	5

Clayton-Le-Woods Church of England Primary School (the school) has appropriate governance arrangements, with a standard committee structure and three resource committee and full governing body meetings per year, the latter clerked by an external supplier. Budget setting, monitoring and financial policy are reviewed by the full governing body and all policies are up-to-date and, except for the Schools Internal Financial Regulations which had no version control or review date, had been reviewed and approved by the governing body. Governors all complete an online annual register of business interests, although one register was not complete, and an annual skills audit is completed based on governor submissions which showed sufficient competence and experience across key areas.

The school buys the council's full school's finance package, with reconciliations completed monthly by the school's finance officer and reviewed by the Headteacher and School Business Manager. The senior leadership team consider the school development plan when discussing the budget planning with the school's finance officer, and once agreed this is submitted to the full governing body. There was adequate separation of procurement duties, with all orders and invoices approved by two separate members of staff. However, users with Finance 6 permissions can authorise both purchase orders and invoices due to the small number of office staff and, although there was clear separation of duties, the deputy head could be set up as an additional user as a contingency in the case of absence. There were ongoing payments to a cleaning supplier which exceeded the minimum value requirement to obtain three quotes, and the school should obtain further written quotes to determine whether the contract provides value for money and report the decision to the governing body. In future, for procurement with a value between £10,000 and £74,999 in aggregate value the school should obtain at least three written quotes. We also suggested the school agree a service level agreement (SLA) with the supplier to define expected service standards.

The school uses a CT389 Petty Disbursement book which staff used for purchases to support curriculum. We confirmed with the school's finance officer that this book is no longer issued, and the school should contact Accounts Payable to update their procedures. We also noted a historical phone bill was paid by direct debit from the unofficial school fund and which was reimbursed from the petty cash disbursement book. Such expenditure should be paid directly from the school account and We proposed the school should raise a purchase order for this service to accurately record expenditure on the school budget.

The school had two lettings, supported by lettings forms with insurance arrangements in place. However, lettings income was paid by cheque into an account operated by the governing body when normally this kind of income should be paid directly into the school's account. The school uses SchoolComms to collect income from parents, the School Business Manager runs a weekly report to alert parents if money is owed and reconciles income to the budget.

Context

As part of Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your school. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The school carried forward a deficit budget amount into 2022/23 -£52,930 and the schools' financial services reports a financial forecast balance of £9228 in surplus carried forward into 23/24. The positive projections were due to increase in high needs funding, increase in early years funding and the Headteacher covering classes.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The school's financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

School Financial Controls - St Anthony's Catholic Primary School

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	0

The school asked us to carry out an audit of its financial systems following an external fraud. Our overall assurance opinion takes into account the limitations in the control framework which enabled the fraud, which have been addressed, but otherwise our audit findings indicate that the school's financial management controls are operating effectively.

St Anthony's Catholic Primary School (the school) has appropriate governance arrangements, with a standard committee structure and three full governing body and resource committee meetings per year. Budget setting, monitoring and financial policy review are delegated to the resources committee. All policies were up to date and had been reviewed and approved by the governing body in the past year. Governors all complete register of business interests annually which is published on the school's website. An annual skills audit is completed based on governor self-assessments, although one self-assessment had not been submitted as the staff governor had only recently become a member of the full governing body. The school had identified a skills gap in finance and were exploring training opportunities for governors to address this. We acknowledge the school has sufficient competency to provide effective scrutiny and minutes are sufficiently detailed to capture questions and answers on key decisions.

The school operates as a bank account school, with reconciliation completed weekly and uploaded monthly on the school portal, and any issues identified are resolved in a timely manner. The budget is prepared annually and has a surplus. The school has sufficient separation of duties arrangements for the ordering of goods and services and is supported by the council's Schools Financial Services with reconciliations and budget monitoring. Lettings are effectively managed, with supporting evidence of insurance retained and service users paying promptly. The school uses LCC payroll services, with an accurate establishment list and adequate separation of responsibility for review and approval prior to monthly payroll processing.

Context

As part of the Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your school. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The school budget is in surplus, with £76,231 total balance carried forward from the 2022/23 financial year and a total operating budget of £76,485 for the 2023/24 financial year.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The school's financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

School Financial Controls - Weeton Primary School

Overall assurance rating

Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	2	2

Weeton Primary School (the school) has appropriate governance arrangements, with a standard committee structure and three full governing body and resource committee meetings per year. Budget setting, monitoring and financial policy are reviewed by the full governing body and policies while policies are reviewed and approved by the governing body annually. However, we did not see all the policies to confirm this as several were not held. The governors had not returned their annual individual self-evaluations which are used to inform the annual overall assessment of skills and knowledge of the governing body which subsequently had not been completed.

The school buys in to the council's premium school's finance package, which provides monthly reconciliations, budget monitoring and reporting. We noted that higher value purchases were not supported by the appropriate number of quotes as per the school's financial regulation and the council's procurement rules. Governing body minutes had reported monies had been allocated for one of the purchases, another related to a contract for a cleaning service which commenced in 2019. We propose that quotes are requested in accordance with the financial regulations, and these are reported to the governing body.

The school had a surplus and were exempted from clawback in 2022/23 and carried forward £614,520 into 2023/24, and the school has applied for an exemption again this year and are waiting for a decision from the Schools Forum. The school is located on Army barracks and funds had been saved to cover staffing costs for an increase in pupil numbers when the regiment returns in February 2024.

Context

As part of the Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your school. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The 2022/23 school budget balance brought forward from 2022/23 was £614,520 and a total operating budget of £1.563m for the 2023/24 financial year. The school was exempted from clawback by the Schools Forum in 2022/23, the school has requested exemption again and is awaiting a decision from the Schools Forum. The school is set on Weeton Army Barracks and had been maintaining reserves for the increase in pupil numbers in 2024 when the regiment is due to return.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The school's financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

School Financial Controls - Newtown Nursery School

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Newtown Nursery (the nursery) has appropriate governance arrangements, with a standard committee structure and three full governing body and resource committee meetings per year. We noted some scrutiny and recording of questions and answers in the minutes, although this was minimal. The nursery has a budget recovery plan set by Schools Finance Services and requires sign off from the council before agreeing their budget. Budget setting, monitoring and financial policy are reviewed by the full governing body and all policies were up-to-date and had been approved in the past year. Annually, all governors complete a register of business interests and a formal competency assessment, and the latter are used to carry out a skills audit which is submitted to the full governing body for approval. The audit indicated sufficient governor competency across key areas.

The Nursery buys into the full School's Financial Services package. The nursery has a budget recovery plan set by Schools Finance Services, and which requires sign off from the council before agreeing their budget. The schools finance officer completes the budget planning process with the support of the headteacher and the school's business manager. Once agreed upon, the budget is presented to the full governing body. As the nursery is funded termly funding can fluctuate throughout the year and this has contributed to deficits. The nursery generated a large amount of their income through increased pupil numbers which, following the pandemic, has since declined and the competition from private nurseries in the area has risen. The nursery has sufficient separation of duties and contingency arrangements for the ordering of goods and services. The council provide payroll services, with the nursery maintaining an accurate establishment list.

Context

As part of the Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your college. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The balance brought forward from 2022/23 was -£206,632 and the forecast in year budget deficit was -£42,360. The estimated balance carried forward to 31st March 2024 to -£248,992.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

School Financial Controls - Unity College

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Unity College (the college) has appropriate governance arrangements, with a standard committee structure and three full governing body and resource committee meetings per year. Budget setting, monitoring and financial policy are reviewed by the full governing body and all policies were up-to-date and had been approved in the past year. Governors all complete a register of business interests annually and we confirmed a skills audit was undertaken as part of the annual SFVS review in full governing body meetings with sufficient governor competency across key areas.

The college buys into the basic School's Financial Services package. The budget planning process is completed by the Director of Finance and the Headteacher. Once agreed upon, the budget is presented to the Full Governing Body for approval. The college has sufficient separation of duties and contingency arrangements for the ordering of goods and services. The council provide payroll services, with the college maintaining an accurate establishment list.

The budget is prepared annually and has sufficient reserves to cover forecasted in-year deficits. The bank account reconciliation is undertaken monthly by the Director of Finance and then approved by the Headteacher.

Context

As part of the Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your college. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The 2023/24 college budget had an in-year deficit of -£472,827, reducing the carried forward balance surplus to £1,057,174. The budget report approved by governors showed positive projections of an in-year surplus of £234,381 going into 2024/25, with carried forward projections for 2024/25 totaling £1,291,555.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

School Financial Controls - Elm Tree Community Primary School

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	3	1

Elm Tree Primary School (the school) has appropriate governance arrangements, with a standard committee structure, and one resource committee and three full governing body meetings per year, the latter clerked by an external supplier. Budget setting, monitoring and financial policy are reviewed by the full governing body and all policies were up-to-date and all but the internal financial regulations had been reviewed and approved by the governing body in the past year. All governors complete a register of business interests, and an annual skills audit was completed based on governor submissions which showed sufficient competence and experience across key areas.

The school buys in to the council's full school's finance package, with reconciliations completed monthly by the school's Finance Officer and reviewed by the Headteacher and School Business Manager. The senior leadership team consider the school development plan when discussing the budget planning with the school's Finance Officer, and once agreed this is presented to the full governing body. The Finance 6 user permissions allowed users to authorise both purchase orders and invoices due to a small officer structure, and purchase orders and invoices had been approved by the same user. We acknowledge the difficulty of ensuring purchase orders and invoices are approved by separate people but to reduce the risk of unplanned or inappropriate purchases, access to these tasks should be restricted and additional users should be set up as a contingency in the case of absence. We confirmed procurement rules were followed. The school buys into the council's payroll services and the HR manager notifies LCC of a leaver and maintains the school's single central record.

We were told petty cash was maintained at £2000 to support regular school trips and was stored in a safe to which only the senior leadership team had access, with the HR manager travelling alone to the bank in Wigan to collect the monies. Alternative arrangements, such as a school credit card, should be considered to reduce the risks of carrying relatively large amounts of cash, including staff safety and loss or theft.

The school operates as a bank account school. Income related to dinner money, holiday clubs and school trips etc., was correctly accounted for, and reconciliations were completed and emailed to the council and Headteacher, although we were unable to confirm these were checked. The school's Finance Officer had repeatedly asked that the petty cash expenditure within Finance 6 should be updated in order to show an accurate representation of expenditure on the oracle budget outturn but this had not been actioned at the time of our visit.

Context

As part of Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your school. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The school carried forward a surplus budget amount into 2023/24 £9558 and the schools' financial services reports a financial forecast balance of -£27,009 in deficit in 2024/25. The predicted deficit assumed that pay scales, national insurance, superannuation and inflation would increase. The school receives High Needs Block (HNB) funding.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The school's financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

School Financial Controls - Flakefleet Primary School

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	3

Fleetwood Flakefleet Primary School has appropriate governance arrangements, with a standard committee structure and three full governing body meetings per year. Budget setting and monitoring are delegated to the resources committee and the governing body undertake the financial policy review. Governors all complete register of business interests annually and whilst a skills audit had been undertaken and the school considered the governing body had sufficient collective knowledge and experience, we were unable to confirm this as we did not see the completed individual governor skills audits. These are used to inform the overall annual governing body skills audit. The result of the skills audit is due to be reviewed at the next governing body meeting, which had not taken place at the time of our audit visit.

The school buys in to the council's premium school's finance package, which provides monthly reconciliations, budget monitoring and attendance at committee meetings. There is sufficient separation of duties arrangements for the ordering of goods and services. The school had received funding from the Fylde Coast Medical Services to open a community coffee shop within a building set in the school grounds, a Community Interest Company has been set up and the school is preparing to put a letting arrangement in place in the New Year.

Context

As part of the Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your school. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The school ended 2022/23 with a deficit balance of £-9,097.00 with a total operating budget of £3.04m for the 2023/24 financial year. The forecasted outturn balance to carry forward to 2024/25 had since improved to £56,160 due to in year savings against staffing costs and additional income received.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The school's financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

School Financial Controls – Dalton St. Michael's Primary School

Overall assurance rating

Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	2

Dalton St Michael's Primary School (the school) has appropriate governance arrangements, with a standard committee structure and three full governing body and resource committee meetings per year. Budget setting, monitoring and financial policy are reviewed by the full governing body and all policies were up-to-date and had been reviewed and approved by the governing body in the past year. Governors all complete register of business interests annually and we confirmed a skills audit was with sufficient governor competency across key areas.

The school buys in to the council's full school's finance package, with reconciliation completed monthly by the school's finance officer and approved by the Headteacher. We noted the school has access to a business manager one day a week, and so had an adequate separation of duties for the ordering of goods and services. The council provide payroll services with an accurate establishment list. The budget is prepared annually, and a deficit was brought forward into 2022/23, with an in-year budget surplus. We noted the potential for a deficit was attributed to Oracle Fusion's launch and a substantial overpayment for one employee's payroll. Financial circumstances have since improved with the Headteacher covering for absent teachers.

Context

As part of the Lancashire County Council's 2023/24 internal audit plan, the Internal Audit Service are reviewing a sample of schools across the county to assess the adequacy of the financial controls and supporting governance arrangements. This report summarises key findings for your school. A further report outlining best practice found during the audit will be published later this year on the Schools' Portal. Internal Audit's role regarding schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

The 2022/23 school budget Balance brought forward from 2022/23 - £11,135, with an in-year budget surplus of £6,349. Financial circumstances have since improved, partly due to the headteacher covering for an absent teacher. Discussion around potential deficit were generally attributed to Oracle Fusion's launch and a substantial overpayment for one employee's payroll.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the follow key risks:

- Governance and operational financial management responsibilities are not clearly understood or carried out, meaning key tasks are not completed correctly or at all, or are not subject to the appropriate scrutiny;
- The school's financial management system does not provide timely or accurate financial information for budget monitoring purposes so financial decisions are based on incorrect information;
- Inadequate level of knowledge and expertise, resulting in key tasks not being carried out effectively and proposed budgets are ineffective;
- Schools do not set appropriate budgets, meaning academic and organisational objectives and priorities are not delivered;
- Budget targets are not achieved, leaving budget deficits or surpluses not addressed.

Appendix C

Internal Audit

Grant Audit Committee Summaries

2023/24

Appendix C

Lancashire County Council

Liverpool Combined Authority Local Energy Hub – Q1 to Q3 2023/24
Grant certification and verification We reviewed grant expenditure for the period Quarter 1 to Quarter 3 of the 2023-24 financial year, submitted by Lancashire County Council to the Liverpool City Region Combined Authority in relation to the Local Energy Hub grant programme. The objective of this review was to provide assurance that: • All items claimed are in accordance with the agreed eligible expenditure, • All items claimed are within the grant funding period, • There are no duplicate transactions, and no expenditure has been included on a prior claim and • Accurate Forecasts have been included which are based on the most update information available. From the audit work completed, we can confirm that all expenditure complied with grant conditions, with an approximate £113.5k supplier spend and £49.4k payroll spend for an Lancashire County Council Senior Project Officer (Low Carbon and Renewable Energy).

Context

This audit has been conducted to provide assurance to the Liverpool City Region Combined Authority that the Internal Audit Service consider that information and evidence provided by the External Funding and Investment team in support of the grant claims submitted for quarter 1 to quarter 3 2023/24, is complete, accurate and that grant terms and conditions have been complied with. The audit covers the period April 2023 to December 2023 and has been conducted in conformance with the Public Sector Internal Audit Standards.

Grant funding was allocated to Lancashire County Council to support the establishment of the North West Local Energy Hub and further development of local energy strategy. Liverpool Combined Authority, as the accountable body, secured funding from the Secretary of State for Business Energy and Industrial Strategy (BEIS). Schedule 3 of the grant conditions state payment will be made to Lancashire County Council within 20 working days of receipt of each quarter's claim forecast, subject to satisfactory audit assurances that payments comply with grant conditions and reconciliation of any previous quarter's payment. A quarterly certificate confirming this must be signed by the S151 Officer and the Head of Internal Audit and submitted for each claim.

Grant funding in respect of expenses was allocated to Lancashire County Council to support the establishment of the North West Local Energy Hub and further development of local energy strategy. Liverpool Combined Authority, as the accountable body, has secured funding from the Secretary of State for BEIS)

Scope of Audit

The scope of our work was to verify the accuracy of the grant submissions and to verify that the expenditure incurred was in accordance with the terms and conditions attached to the grant.

Bus Recovery Grant and Local Transport Fund

Grant certification and verification

We confirmed that the Bus Recovery Grant (BRG) of £268,474.34 and Local Transport Fund (LTF) of £3,141,624 was received and accounted for by Lancashire County Council for the full amount between January 2022 and July 2023. LTF is a successor grant scheme to the BRG paid to local authorities for the provision of bus services including tendered bus services. Grant conditions state that funding may be used for the purposes of supporting bus services including:

- Provision of tendered bus services valued over £29,999;
- Cover losses where the local authority or operator takes the revenue risk on a tendered service;
- Ensure provision of a replacement service where a commercial service has been withdrawn;
- Provide additional tendered services or to alter existing tendered services;
- Support community transport services; and
- Provide bespoke support to individual bus operators where this support is required, and withdrawal of services by an operator would result in increased costs to the taxpayer.

We confirmed that all expenditure incurred complied with grant conditions. The council is required as part of the grant funding to complete Network Reviews to outline plans to ensure the sustainability of its commercial, as well as tendered network. A Network Review was completed, and the Network Review pro-forma required to be completed by the Department for Transport (DfT) was submitted by the end of June 2022 deadline. An updated briefing note on the Network Review was produced in October 2022 following extension of the grant funding. The DfT has not set out its requirements for the provision of information on the services that the grant has been used to support nor arranged for the council to attend any fare evasion workshops.

A grant certificate was produced and signed off by the Head of Internal Audit and the Director of Finance (on behalf of the Executive Director Resources) for submission to the DfT.

Context

This audit has been conducted to provide assurance to the DfT that the Internal Audit Service considers information and evidence provided by the Public Transport team in support of grant claims submitted for in 2022 and 2023 is complete, accurate and compliant with grant terms and conditions.

The audit covers the 2022/23 and 2023-24 financial years and has been conducted in conformance with the Public Sector Internal Audit Standards. Our audit work was completed during February 2024. Grant funding was allocated to Lancashire County Council by the DfT to provide support to the authority towards expenditure lawfully incurred relating to the provision of bus services including tendered bus services.

In line with the grant determination letter, full LFT funding totalling £3,141,624 was received by the council between May 2022 and July 2023. BRG funding of £268,474.34 was received by the council between January and April 2022. This funding has been spent throughout the 2022/23 and 2023/24 financial years, supporting amongst other things, bus services and tendered bus services through revenue support to cover losses and provision of additional or replacement services, where existing commercial services are withdrawn.

Scope of Audit

The scope of our work was to confirm receipt of devolved funding and to verify that the expenditure incurred was in accordance with the terms and conditions attached to the grant.

Bus Service Operators Grant
Grant certification and verification We confirmed that funding was receipted by Lancashire County Council for the full amount of £1,866,269 in July 2022. Grant conditions state that funding may be used only for the purposes of supporting bus services (including community transport services run under a section 19 permit), or for the provision of infrastructure supporting such services in that authority's, or a neighbouring authority's, area. We confirmed that all expenditure incurred complied with grant conditions, including annual charges for a charitable organisation providing transport services, pay enhancement for alternative shift work, utility billing for a bus station and private contractor work for reactive maintenance. A survey is required to be completed which reports how the authority made use of the devolved funds. The Department for Transport (DfT) is expected to provide this survey in late September and the authority will ensure that this survey is completed and published online. While we were unable to confirm that this survey was published due to the need to submit a compliance certificate to the DfT by the end of September, we confirmed the council published the survey for 2021/22 funding on its internet page. A grant certificate containing the grant income received and spent in the financial year was produced and signed off by the Head of Internal Audit and the Chief Executive for submission to the DfT by Public Transport.

Background

This audit has been conducted to provide assurance to the DfT that the Internal Audit Service considers information and evidence provided by the Public Transport team in support of grant claims submitted for 2022-23 is complete, accurate and compliant with grant terms and conditions.

The audit covers the 2022-23 financial year and has been conducted in conformance with the Public Sector Internal Audit Standards. Our audit work was completed during September 2023.

Context

Grant funding was allocated to Lancashire County Council by the DfT to provide support to the authority towards expenditure lawfully incurred relating to bus services or the provision of infrastructure supporting such services.

Financial Information

In line with the grant determination letter, full funding totalling £1,866,269 was received by the council in July 2022. This funding has been spent throughout the 2022-23 financial year, supporting bus station operations through employment of staff, utilities bills, funding for charitable transport services, as well as contributing towards private contractor and agency costs.

Scope of Audit

The scope of our work was to confirm receipt of devolved funding and to verify that the expenditure incurred was in accordance with the terms and conditions attached to the grant.

Supporting Families Grant Claims - Q4
Grant certification and verification We have examined claims made in quarter four of 2023-24 financial year, in compliance with grant conditions at the request of the Children and Family Wellbeing service to meet the Ministry of Housing, Communities and Local Government (MHCLG) Financial Framework for the Expanded Supporting Families Programme. Audit testing for January, February and March 2023 comprised a 10% sample of claims from a total population of 924. We can confirm that in each sample case we tested, the family was eligible for the programme and had worked with the Supporting Families way, and that outcomes achieved were in line with the council's outcome plan. For the avoidance of doubt, our validation process is limited to confirming that the screenshots provided support the eligibility criteria claimed. It does not include separate examination of the detailed underlying information held within numerous systems used by teams across the council and beyond. We do, however, acknowledge that in producing the templates for audit submission errors in the underlying spreadsheets would be detected and corrected, and indeed we are aware that ineligible claims are routinely identified as part of the internal checking mechanisms. Similarly, whilst we do not check the consistency of the underlying spreadsheets against the master spreadsheets recording eligibility, we do obtain assurance of this on a periodic basis through conducting a walkthrough test.

Background

Audits of compliance with grant conditions are conducted quarterly at the request of the council's Children and Family Wellbeing service to meet the Ministry of Housing, Communities and Local Government (MHCLG) Financial Framework for the Expanded Troubled Families Programme.

Context

For each claim window, the Supporting Families team submit to the Internal Audit Service (IAS) all claims they consider eligible for submission to MHCLG, and in accordance with the financial framework for the Expanded Supporting Families Programme. They complete a template collating sources of evidence to support the case eligibility including screenshots from Supporting Families spreadsheets populated from case management recording systems and spreadsheets. Our validation process is limited to confirming that the screenshots provided support the eligibility criteria. We do not audit underlying information held within the various systems used by council and external teams but we do conduct periodic audits of the accuracy and completeness of this data.

Financial Information

Quarter 4 claim included 924 families, with £800 being awarded for each individual submission. This totals £739,200 for the period reviewed.

Scope of Audit

The audit covers the quarter 4 of 2023/24 period (Jan to Mar 24) and was completed during the March 2024. Audit testing is based on a random sample of 10% of the total claims to be submitted.

Appendix D

Internal Audit

Follow up Audit Committee Summaries

2023/24

Appendix D

Lancashire County Council

Follow up report: 0-19 Healthy Child Programme

Original audit assurance rating

Substantial

	Extreme	High	Medium	Low
Number of actions				3
Implemented				2
Superseded				
Progressing				1
Not implemented				

Our previous review of the 0-19 Healthy Child programme, reported in March 2023, resulted in a substantial assurance opinion. We reported that:

- Robust financial monitoring arrangements are in place and there is scrutiny of Key Performance Indicator (KPI) submissions. The Public Health Practitioners identify any anomalies or errors in the performance information, along with any trends; declines and improvements in performance, they also provide feedback to the provider and will ask for data to be presented differently where it does not meet their needs.
- The outcome reporting has identified a number of areas not meeting the required targets and the council and the provider have been working together on these areas, in an effort to improve performance.
- The underperformance has been internally escalated to the Public Health Contracts and Procurement board, with decisions being taken at the highest level on the appropriateness of implementing a formal remedial action

plan, which the council and the provider agreed to be delivered during quarter 4 of 2022/23.

- The Public Health team have already recognised areas where the service specification could be improved and on where there have been lessons learned from the existing contract which can be taken forward into the re-commissioning of the service.

Our original review did not identify any significant gaps or weaknesses in the overall contract monitoring framework. We did agree two actions to strengthen the current control environment and one to improve efficiency and are pleased to report that two of these have now been implemented and one is progressing well ready for the mobilisation of the new provider.

Follow up report: Management of Failing Care Homes

Original audit assurance rating

Moderate

	Extreme	High	Medium	Low
Number of actions			3	1
Implemented			2	
Superseded				
Progressing			1	1
Not implemented				

A follow-up audit has been completed to determine the progress made to implement the actions agreed in the internal audit report, Managing Failing Care Homes, issued in November 2022. The processes and controls operated by the Quality Improvement and Contract Monitoring Teams in relation to the management of failing care homes were adequately designed and effectively operated.

Three medium and one low risk action were agreed to be implemented and based on the information and evidence provided to us, we are satisfied that adequate progress had been made in implementing these actions. One action had been partially implemented, although staff had received training on the Quality Performance and Improvement Plan processes the peer review had yet to be completed. It is intended that it will be conducted later in the year allowing time for processes to embed and updates to the terms of reference to be completed. A revised implementation date of when they intend to have conducted the peer review was agreed.

Follow up report: Safeguarding Adult Reviews

Original audit assurance rating

Moderate

	Extreme	High	Medium	Low
Number of actions			3	
Implemented			3	
Superseded				
Progressing				
Not implemented				

A follow-up audit has been completed to determine the progress made to implement the actions agreed in the internal audit report, Safeguarding Adult Reviews, issued in November 2022. The processes and controls operated by the Lancashire Safeguarding Adults Board in relation to safeguarding adult reviews (SARs) were adequately designed. At the time of the review only one SAR had been completed and there was insufficient evidence available to provide assurance over the effectiveness of the controls in operation.

Three medium risk actions were agreed to be implemented and based on the information and evidence provided to us, we are satisfied that they have been implemented. The SAR process has been reviewed and guidance updated to include contingency arrangements to send an alternative officer to the SAR Panel in the event the representative is not able to attend. Also, a decision flowchart has been developed for the key stages of the SAR setting out timescales. Learning is highlighted throughout the SAR literature and meetings have been held with senior managers to address implementation of the historic Lancashire actions.

Follow up report: Transition from Children's to Adults' Services

Status of agreed actions

Original audit assurance rating

Moderate

	Extreme	High	Medium	Low
Number of actions			2	1
Implemented			2	1
Superseded				
Progressing				
Not implemented				

A follow-up audit has been completed to determine the progress made to implement the actions agreed in the internal audit report, Transition from Children's to Adult Services, issued in March 2023. Our original audit provided moderate assurance that the processes and controls operated by the Transitions team in relation to the transitioning of young people into Adult Social Care are adequately designed and effectively operated.

Two medium and one low risk actions were agreed to be implemented and based on the information and evidence provided to us, we are satisfied that they have been implemented. The Transitions Policy has been approved by Cabinet in December 2023 and had been published on the council's intranet policy, procedures, and guidance. A terms of reference had been introduced for the Preparing for Adulthood Delivery Group and actions are recorded and allocated to a named officer and annotated when the actions have been completed. Officers had been reminded to complete mental capacity assessments and instances are raised where staff have been asked to undertake work outside their remit.

Follow up report: Workforce Wellbeing

Status of agreed actions

Original audit assurance rating

Moderate

	Extreme	High	Medium	Low
Number of actions		**1**	**2**	
Implemented		1	1	
Superseded				
Progressing			1	
Not implemented				

Our previous review of Workforce Wellbeing was completed in March 2023. We reported one high priority action associated with governance and responsibility for a consolidated corporate approach, and two medium priority actions regarding publicising availability and accessibility of wellbeing information, support and training, and measuring effectiveness of employee support mechanisms on offer.

The original review considered existing methods and how the wellbeing approach and offer could be further enhanced and improved to contribute to the overall corporate workplace wellbeing agenda and staff experience. Across the council, there were a number of teams and services delivering various aspects of the wellbeing approach, and also corporate and directorate workstreams such as the People Strategy and the Adult Social Care Workforce Development Strategy being progressed via corporate improvement and change programmes.

During 2023, the overall wellbeing approach was subject to corporate review. This has resulted in changes to governance structures and operational delivery processes, and specifically, establishment of People Services. As development continues, we are pleased to confirm that significant progress has been made towards improving and delivering the wellbeing offer and achieving the organisational outcomes of the People Strategy.

Follow up report: Supervision within the Quality, Contracts and Safeguarding Adults Service

Status of agreed actions

Original audit assurance rating

Moderate

	Extreme	High	Medium	Low
Number of actions			**5**	**3**
Implemented			3	2
Superseded			1	1
Progressing			1	
Not implemented				

Our previous review of Supervision within the Quality, Contracts and Safeguarding Adults Service (QCSAS) was completed in October 2021. We reported five medium priority actions associated with supervision practice, guidance and procedure requirements, and three low priority actions regarding policy revision, consistent approach, and supervisee experiences.

The review considered the adequacy of supervision arrangements for supporting staff, ensuring compliance or quality issues are appropriately identified, reported and acted upon, enabling staff to maintain and develop their capacity to meet work objectives.

Since the original review was completed, adult social care supervision practice guidance and procedure has changed, they are now administered electronically, also there have been staffing structure changes within the QCSAS. As a result and based on the information and evidence provided to us, we are satisfied that two agreed actions regarding updating policy and maintaining contracts have been superseded, five relating to process requirements and continuous improvement have been implemented, and one associated with quality assurance is progressing.

Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected: (All Divisions);

Internal Audit Annual Plan
(Appendix 'A' refers)

Contact for further information:
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Andrew.Dalecki@lancashire.gov.uk

Brief Summary

This report explains the approach to establishing the Internal Audit Plan for 2024/25 and the work proposed that will support the Head of Internal Audit's overall opinion for the year on the council's framework of governance, risk management and control. Appendix A sets out the audit planning process and the plan.

Recommendation

The Audit, Risk and Governance Committee is asked to consider and approve the Internal Audit Annual Plan for 2024/25 as set out at Appendix A.

Detail

This report sets out the Internal Audit Annual Plan for 2024/25. The Audit, Risk and Governance Committee is asked to consider and approve it under the committee's terms of reference. Appendix A sets out the background and context to this report.

Appendices

Appendix A is attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix A	Internal Audit Annual Plan for 2024/25

Consultations

The work set out in this plan has been discussed with officers comprising the Compliance and Assurance Board, Executive Directors, and Directors across the organisation.

Implications:

Legal

The Accounts and Audit Regulations 2015, section 5(1) states that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Finance

The Internal Audit Annual Plan for 2024/25 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The aim of the plan is to provide an opinion addressing the council's frameworks of governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled.

Risk management

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Appendix A

Internal Audit Annual Plan 2024/25

1. Introduction

1.1. This report sets out the Internal Audit Plan for 2024/25. The Audit, Risk and Governance Committee is asked to consider and approve it under the committee's terms of reference.

1.2. The Audit Plan for 2024/25 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all Internal Audit Service providers in the public sector. In accordance with PSIAS, the mission of Internal Audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

1.3. The PSIAS require that the Internal Audit Service is delivered and developed in accordance with the Internal Audit Charter. The Charter provides the functional and organisational framework in which Internal Audit operates to best serve Lancashire County Council and to meet its professional obligations under the PSIAS.

1.4. The Internal Audit Service aims to achieve the core principles set out by the Chartered Institute of Internal Auditors and reiterated in PSIAS, which are that the service:

Demonstrates integrity	Demonstrates quality and continuous improvement
Demonstrates competence and due professional care	Communicates effectively
Is objective and free from undue influence (independent)	Provides risk-based assurance
Aligns with the strategies, objectives, and risks of the organisation	Is insightful, proactive, and future-focused
Is appropriately positioned and adequately resourced	Promotes organisational improvement

2. The purpose of the audit plan

2.1. The council is responsible for a wide range of services across the county, and it is expected that the council's members and senior management are aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks should be managed by controls designed to reduce it to a corporately acceptable level, and which operate effectively and consistently in practice. The Chief Executive, Audit, Risk and Governance Committee, and ultimately the council, need assurance that these controls are adequately designed and operating effectively. At the end of the financial year the Chief Executive and the Leader will jointly sign an annual governance statement that is published with the council's financial statements.

2.2. The Head of Internal Audit is required by professional standards to provide an opinion addressing the council's frameworks of governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled. The Audit, Risk and Governance Committee is required by its terms of reference both to consider the Head of Internal Audit's annual report and opinion and to review the council's annual governance statement. The committee should therefore consider and approve an Internal Audit Plan designed to provide the assurance that the council, committee, Leader, and Chief Executive require.

2.3. Because the overall opinion covers a twelve-month period, the evidence to support it must relate to the controls in operation for that period. The plan therefore chiefly addresses work for just one year, but projections may be made into audit requirements for future years. The work in any annual plan will rarely be fully complete at the end of the year but will be sufficient to inform the council's annual governance statement shortly after the year end.

3. Obtaining the evidence to support an overall opinion for 2024/25

3.1. An Internal Audit Plan designed to provide the evidence necessary to support an opinion on governance, risk management and control should arguably encompass the following:

- Coverage of the key components of each part of the opinion: aspects of the council's governance; risk management; and control.
- Sufficient coverage of controls across the council's operations as a whole, so that a fair assessment may be made across the organisation.
- Coverage of the controls that serve to mitigate the council's most significant risks to an acceptable level, and particularly those that operate most widely across the council.
- Assessment of the actions being taken to develop improved controls in the areas of greatest unmitigated risk.

3.2. It will therefore be necessary as a minimum to audit aspects of the council's governance and risk management processes, as well as a range of control processes. However, information will also be available from less formal sources than planned audit engagements and this will also inform the overall opinion.

3.3. A control framework applicable to the council's governance, risk management and control is shown on the following page. The Internal Audit Plan is designed to address, proportionately, the coverage required across this controls framework for the whole organisation. It addresses each of the areas of the overall opinion, each of the areas of control set out in the control framework, and each of the major areas of service delivery. A number of individual audits address some common themes, including contract monitoring, safeguarding, health and safety, and improvement plans that may also inform a more corporate view. The plan also includes work to follow up the action plans agreed by managers as a result of audit work over previous years.

A framework for governance, risk management and control

Governance and democratic oversight

Corporate governance	Decision-making	Oversight and scrutiny	Policy setting

Business effectiveness

Risk management	Performance management	Organisational design	Financial governance and planning	Working in partnership

Service delivery

Growth, Environment & Transport	Education & Children's Services	Adult Services and Health & Wellbeing	Resources

Service support

Legal services	Skills, learning & development	Core ICT systems	Property management	Health & safety	Programme management	Customer access

Business processes

Financial systems & processes	Procurement	Facilities management	Human resources
Information management	Contract monitoring & management		Payroll processing
Business continuity		Investment	ICT systems

3.4. A detailed list of each audit in the plan is provided at section nine below and sets out how they fit into this framework. It should be noted that the plan will need to be a flexible plan and will almost certainly be subject to change during the year as the council's priorities alter and as the work set out here in outline is scoped in more detail. The committee will be informed of any significant changes as progress is reported during the year.

3.5. The Internal Audit Service appoints an external provider to undertake a programme of specialist ICT audit work for the council. The current contractual arrangement for this service is due to expire in May 2024. Work is ongoing to put in place new arrangements for the delivery of the specialist ICT audit work after May 2024. The work planned for 2024/25 is included in the plan set out at section nine below.

4. The context of the audit work for the year

4.1. The annual planning process involves consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual services and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available.

5. The assurance we will provide

5.1. The assurance we will provide falls into four categories: substantial, moderate, limited and no assurance.

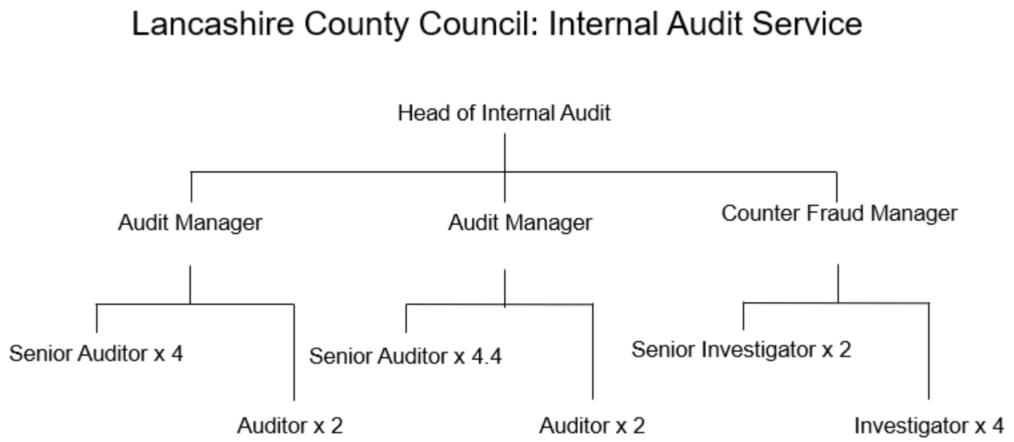
- Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.

- Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system, or process.
- Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
- No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

6. Internal Audit Service resources

6.1. Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver the risk-based plan. The service structure which is set out below equates to 22.4 full-time equivalent (FTE). The service currently has three vacant post one Auditor and two Investigators. Recruitment for the Investigators has commenced and recruitment for the Auditor post will commence in the new financial year.

6.2. The Internal Audit Service also provides an out-sourced Internal Audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council. We also deliver some audits for Wyre Borough Council. This work accounts for approximately 2.4 FTE staff but is undertaken by individuals across the service.



7. Funding and grant certification work

7.1. The Internal Audit Service is required under the funding requirements of certain central government departments to certify certain aspects of the way funding has been spent.

7.2. The Department for Levelling up, Housing and Communities requires the Internal Audit Service to test funding claims submitted by the council's Supporting Families Programme, and we work with the Children and Family Wellbeing Service to process the council's funding claims under this programme.

7.3. We are also aware of the need to certify funding claims in relation to capital improvements to the county's highways and various strands of economic development. However, although we seek to understand in advance what funding may be subject to such certification, new requirements often emerge during the year and these will be accommodated.

8. Internal Audit Annual Plan

8.1. The work set out in the table below is intended to obtain the evidence required to support an overall opinion on the council's governance, risk management, and control processes for 2024/25. Individual elements within the plan may be amended but, taken as a whole, the resulting plan is designed to address the requirement for an overall opinion as set out in the Internal Audit Strategy for 2024/25.

9. Internal Audit Annual Plan 2024/25

Lead Directorate	Service	Audit Title	Audit Work
Adult Services			
Governance and Democratic Oversight			
Strategic and Integrated Commissioning	Integrated Commissioning Team	Health Integration	Ongoing review to assess the adequacy and effectiveness of the governance arrangements established to progress the Health Integration Agenda.
Quality & Improvement	Quality, Contracts and Safeguarding	Effectiveness of the Safeguarding Board	Following a review of the adequacy of the Safeguarding Board (in 2023/24) determine the effectiveness of the Board.
All Adult Services	All services	Scheme of Delegation	The adequacy and effectiveness of the embedding of the revised scheme of delegation.
Business Effectiveness			
Adult Care Provider Services	Older People Care Services Disability Services	CQC (Care Quality Commission) Governance and Process	Process for managing improvements from CQC inspections. Including the role of the responsible officer and the registered manager.
All Adult Services	All services	Workforce Strategy	Determine the adequacy and effectiveness of the council's Workforce Strategy. Focussing on areas where there are recruitment issues.
Service Delivery			
All teams within the Adults and Children's directorates Finance	All teams within the Adults and Children's directorate. Finance.	Direct Payments	A review of the progress made on the implementation of the Plan agreed as a result of the 2022/23 Audit.
Adult Care Provider Services	Disability Services	Client Finance arrangements	The adequacy and effectiveness of the client finance arrangements within Provider Services.

Lead Directorate	Service	Audit Title	Audit Work
Business Processes			
Adult Care Provider Services	Older People Care Services Disability Service	Financial Arrangements in Establishments	The adequacy and effectiveness of the management of financial arrangements within the council's residential establishments.
Strategic and Integrated Commissioning Adult Care and Provider Services Adult Community Social Care Services	All services	Residential & Non-Residential Charging Policy	The adequacy and effectiveness of the charging policies. This should include the application of top up fees and contribution waivers in meeting eligible care needs.

Lead Directorate	Service	Audit Title	Audit Work
Education & Children's Services			
Governance and Democratic Oversight			
Children's Social Care	Child Protection/ Children in Need	Family Safeguarding Board	Effectiveness of governance arrangements.
Children's Social Care	To be confirmed	Information governance	***Scope and coverage to be agreed.***
Business Effectiveness			
Children's Social Care	***with*** Talent and Performance	Assessed and Supported Year in Employment (ASYE) - Programme Management	Cross-cutting audit - E&CS and People. Scope to include supervision and review requirements, caseload, development time, workshop attendance and mechanism for sign off ***or*** involvement on programme board to provide ongoing assurance over delivery.
Education, Culture and Skills	Education Improvement	Education Management System	Effectiveness and fitness for purpose of the new system including contract management arrangements.

Lead Directorate	Service	Audit Title	Audit Work
Service Delivery			
Children's Social Care	Residential Services	Short breaks	Compliance with policy and decision-making including eligibility and consistency of approach, including Breaktime and Breaktime Plus.
Education, Culture and Skills	Cultural Services	Museum asset security	Implementation of and compliance with new policies and procedures to ensure the security of artefacts held by museums. ***Deferred from 2023/24***
Education, Culture and Skills	Inclusion	Inclusion/ SEND (Special Educational Needs and Disabilities)	Scope to be agreed based on where audit can add value - issues in areas including demand, sufficiency, assets, staffing and finance.
Education, Culture and Skills	Education Improvement	School attendance/ children missing from school	Effectiveness of the council's response to increasing school absences.
Policy, Commissioning and Children's Health	Commissioning/ Children's Social Care	External residential placements	Assurance over the process across CSC and PCCH for the provision of external residential placements, including decision making and placement.
Business Processes			
Children's Social Care	Residential Services	Financial management in care homes	Effectiveness of arrangements for managing finances in council operated care homes.
Education, Culture and Skills	Early Help	Supporting Families Programme - Data Quality	Audit of accuracy and completeness of supporting families programme claim data, to verify audit testing of claims.
Education, Culture and Skills	Early Help	Verification of claims made under the Supporting Families Programme	Testing of 10% of all claims made, as stipulated by the Department for Work and Pensions for Q1 of 2024/25

Lead Directorate	Service	Audit Title	Audit Work
Growth, Environment, Transport & Health			
Business Effectiveness			
Highways and Transport	Public and Integrated Transport	Capital Fleet Replacement Programme	Effectiveness of arrangements for managing the replacement of the council's fleet of vehicles, with a focus on environmental considerations and 'green' fleet.
Highways and Transport	Public and Integrated Transport	Vehicle Repair and Maintenance Programme	Effectiveness of Jaama, the replacement for RAMP, to track and manage delivery of repair and maintenance of the council's fleet.
Highways and Transport	Waste Management	Residual Waste	Effectiveness of preparations for implementation of regulations on the disposal of residual waste, including food waste, in 2025 including the procurement of key contracts.
Service Delivery			
Highways and Transport	Highways	Flood Risk: Developer Support	Effectiveness of the process for delivering the lead local flood authority planning advice service for developers.
Highways and Transport	Public and Integrated Transport	Grant: Bus Service Operator's Grant	An assessment of compliance with grant conditions.
Highways and Transport	Public and Integrated Transport	Grant: Bus Recovery Grant & Local Transport Fund	An assessment of compliance with grant conditions.
Environment and Planning	Environment and Climate	Consideration of Public Rights of Way as part of the Planning Application process	A review to determine the adequacy and effectiveness of the controls to ensure that public rights of ways are considered as part of the planning application process.
Growth and Regeneration	Business Growth	Growth Hub Core Funding	Assessment of compliance with grant conditions.
Public Health	Public Health	Distribution of Public Health Grant	The adequacy and the effectiveness of the process for the management of the Public Health Grant. Specifically, looking at the Resource Allocation and Accountability Framework.

Lead Directorate	Service	Audit Title	Audit Work
Environment and Planning	Planning and Environment (Climate)	Grant: Liverpool City Region Local Energy Hub	An assessment of compliance with grant conditions.
Environment and Planning	Planning and Environment	Grant: Capital expenditure (Department of Transport)	An assessment of compliance with grant conditions.
Growth and Regeneration	Business Growth	Grant: Multiply	An assessment of compliance with grant conditions.
Growth and Regeneration	Business Growth	Grant: DfE Skills Bootcamp	An assessment of compliance with grant conditions.
Service Support			
Growth and Regeneration	Estates Business Growth"	Lancashire County Developments Limited (LCDL): Management of properties	A review of the adequacy and effectiveness of the controls the council has to maximise income from the properties they own whilst also supporting the businesses.
Business Processes			
Public Health	Public Health	Commissioning Framework	The adequacy and effectiveness of the recently introduced Commissioning Framework.
Resources			
Governance and Democratic Oversight			
Law and Governance	Legal, Governance and Registration	Risk management	Accuracy and effectiveness of the risk register, with a focus on the identification and implementation of mitigating actions.
Law and Governance	Legal, Governance and Registration	Customer / client focus	Effectiveness of the council's response to external customers and clients, including FoI/ SARs and complaints
Law and Governance	Legal, Governance and Registration	Artificial Intelligence Policy	Early opinion on compliance with new Artificial Intelligence Policy to give a sense of the level of risk [fuller review will be

Lead Directorate	Service	Audit Title	Audit Work
			scheduled for 2025/26].
Strategy and Performance	Corporate Strategy and Policy	Policies and Strategies	Review the adequacy and effectiveness of the revised approach for the management of policies and strategies across the council.
Finance (Pension Fund)	Pension Fund	Pension Administration	Following the implementation of a new pension administration system a review to determine the adequacy and effectiveness of the administration of the scheme to providing a good quality member experience and to discharge the responsibilities of the scheme manager and pensions board in paying benefits to members. This includes the payment of complete and accurate benefits to each member, in accordance with the Trust Deed and Rules, and in line with service level agreement deadlines.
Business Effectiveness			
People	Customer Access Service	Telephony System	Effectiveness of the implementation and operation of the new telephony system, STORM.
People	Human Resources	Recruitment	Compliance with recruitment policy including record keeping and conduct of interviews.
People	Human Resources	Mileage and expense claims	Early opinion on compliance with revised policy based on sample testing including claims made by agency workers.
People	Human Resources	Flexible working	Compliance with process including decision making and appeals.
People	Talent and Performance	Agency contracts	Effectiveness of the management and administration of key agency contracts.
Finance	Corporate Finance and Exchequer Services	Delivery of budget savings	Effectiveness of action to deliver 2024/25 budget savings by directorates/ services including use of risk registers to identify and manage delivery.
Finance	Procurement	Procurement Act 2023	Early opinion on action being taken to ensure the council's procurement policy complies with the new Procurement Act.

Lead Directorate	Service	Audit Title	Audit Work
Finance	Procurement	Contracts Register	completeness and accuracy of the register including contracts
Finance	Procurement	Procurement under £75k	Compliance with contract and procurement rules for purchases with a value of less than £75k.
Service Delivery			
People	Human Resources	Record keeping/ case management	Effectiveness of arrangements for recording and storing casework, including security and disposal.
Finance	Financial Management (Development & Schools)	Schools Financial Value Standard (SFVS)	Compliance with SFVS requirements in a sample of schools to support S151 Officer certification.
Finance	Financial Management (Development & Schools)	Financial management in schools – summary report and opinion	Summary report on findings from audits of the adequacy and effectiveness of financial management arrangements in a sample of schools (schools to be agreed).
Finance	Financial Management (Development & Schools)	Financial management in schools	Adequacy and effectiveness of financial management arrangements in a sample of 15 schools (schools to be agreed).
Strategy and Performance	Digital	Risk management and assurance mapping	To determine the adequacy and effectiveness of risk management within digital services including the external assurances received for Cyber Security including Business Resilience and Business Continuity.
Strategy and Performance	Digital	Contingency	Following risk management and assurance mapping with digital services audits will be scoped using external specialist digital Auditors.
Strategy and Performance	Asset Management	School Planning	Adequacy and effectiveness of controls to maximise contributions from the district and city councils to mitigate the impact of new housing developments on the education infrastructure

Lead Directorate	Service	Audit Title	Audit Work
Strategy and Performance	Asset Management	Tree Asset Management Plan	The adequacy and effectiveness of the development and implementation of the Tree Asset Management Plan.
Service Support			
Organisational Development and Change Also, cross cutting across the council	Organisational Development and Change Also, cross cutting across the council	Change management governance structure and application across the council	Following on from the 2022/23 and 2023/24 pieces of work, review the adequacy and effectiveness of the governance structure to manage change. This will include looking at how this has been applied across the council.
Business Processes			
Finance	Corporate Finance and Exchequer Services	Accounts receivable: central controls	Compliance testing of the key controls, including financial reporting to support the production of final accounts.
Finance	Corporate Finance and Exchequer Services	Accounts payable: central controls	Compliance testing of the key controls. including financial reporting to support the production of final accounts.
Finance	Corporate Finance and Exchequer Services	Cash and banking	Compliance testing of the key controls, including financial reporting to support the production of final accounts.
Finance	Corporate Finance and Exchequer Services	General ledger including accounting for Pension Fund	Compliance testing of the key controls, including financial reporting to support the production of final accounts for both the council and the Pension Fund.
Finance	Corporate Finance and Exchequer Services	Payroll processing including schools	Compliance testing of the key controls, including financial reporting to support the production of final accounts and school salaries.
Finance	Corporate Finance and Exchequer Services	VAT	Compliance testing of the key controls, including financial reporting to support the production of final accounts.

Lead Directorate	Service	Audit Title	Audit Work
Finance	Corporate Finance and Exchequer Services	Treasury management and investment	Compliance testing of the key controls, including financial reporting to support the production of final accounts. The Scope will include pensions, Police and Fire.
Strategy and Performance	Business Intelligence	Data and Analytics	Monitor the introduction and use of data analytics across the council, including Artificial Intelligence.

Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected:
(All Divisions);

The Council's Annual Governance Statement 2023/24 and Code of Corporate Governance 2024/25
(Appendices 'A' and 'B' refer)

Contact for further information:
Paul Bond, Head of Governance, Tel: 01772 534676, paul.bond@lancashire.gov.uk

Brief Summary

The county council is required to produce and approve an Annual Governance Statement which will be included in its Annual Statement of Accounts. A draft Annual Governance Statement is presented for the committee's consideration at Appendix 'A'.

In addition, Full Council in July 2016 approved a new Code of Corporate Governance for the county council that reflected new guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (Solace). Full Council also agreed that the Code would be reviewed on an annual basis.

Therefore, the committee is asked to consider the updated Code of Corporate Governance and whether it wishes to make any changes to recommend to Full Council. The updated Code is presented for the committee's consideration at Appendix 'B'.

Recommendation

The Audit, Risk and Governance Committee is asked to:

i) Consider and approve the draft Annual Governance Statement for 2023/24 for inclusion in council's Statement of Accounts, published on the council's website;

ii) Agree that any subsequential amendments to the Annual Governance Statement for 2023/24 are made by the Director of Law and Governance, in consultation with the Chair of the Audit, Risk and Governance Committee;

iii) Note that the final Annual Governance Statement for 2023/24 will be signed by the Chief Executive and the Leader of the Council; and

iv) Consider the updated Code of Corporate Governance and any amendments it wishes to recommend to Full Council for approval.

Background

Lancashire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

The Accounts and Audit (England) Regulations 2015 require the council to prepare and publish an Annual Governance Statement. This is a public document that explains how the county council makes decisions, manages its resources in line with the county council's priorities, and achieves the required outcomes for service users and communities. In the Annual Governance Statement, the county council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- Describes how the council has monitored and evaluated the effectiveness of its governance arrangements in the year;
- Provides details of how the council has responded to any issue(s) identified in last year's governance statement; and
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them

Annual Governance Statement

The committee is asked to consider and approve the draft Annual Governance Statement presented at Appendix 'A', to be included within the council's draft Annual Statement of Accounts for 2023/24.

It is also asked to note that at this stage the opinion of the Head of Internal Audit is provisional and will be reported to this committee in July 2024. Therefore, it is proposed that any subsequential amendments arising from that report are undertaken by the Director of Law and Governance, in consultation with the Chair of the committee.

The final Annual Governance Statement will be signed by the Chief Executive and Leader of the Council and published on the council's website within the Statement of Accounts.

Code of Corporate Governance

In July 2016 the Full Council approved a new Code of Corporate Governance for the county council and agreed that the Code would be reviewed every year.

The Code is based on best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (Solace) and should articulate and be consistent with the expected standards, principles, and values by which Lancashire County Council officers and members will operate. There should be clear links between the seven new principles within the Code, and the governance framework of strategies, policies and procedures which underpin it. The Code is also in a format that includes sources of evidence providing clarity for members, officers, and stakeholders about how the organisation uses the principles of the Code in practice.

Therefore, the Code now presented for approval at Appendix 'B' has been updated and includes new sources of evidence such as the new Constitution, Scheme of Delegation to Officers, and new officer strategic board arrangements.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk Management

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to publish an Annual Governance Statement may be considered as the council being negligent in its responsibilities for ensuring accountability.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Annual Governance Statement 2023/24

Executive Summary

The Leader of the County Council, County Councillor Phillippa Williamson, and Chief Executive, Angie Ridgwell both recognise the importance of having good management, effective processes, and other appropriate controls in place to run the county council in delivering services to the communities of Lancashire.

Each year the council is required to produce an Annual Governance Statement (AGS) which describes how the corporate governance arrangements have been working across the organisation. To help do this, both the council's Executive Management Team (EMT) and the Audit, Risk and Governance Committee undertake a review of the Council's governance framework and the AGS.

Like all other local authorities, this has been another challenging year for the county council as we have responded to significant inflationary and demand pressures, particularly relating to social care, special educational needs, and home to school transport. The council remains in a relatively strong financial position however we need to constantly innovate and adapt to meet these pressures. Over the next twelve months we will continue our focus on providing services more efficiently and effectively, proactively managing the impact of increasing demand to improve the quality and impact of our services. We will promote responsible partnering, seek to pool budgets where appropriate, and reduce costs to achieve the best outcomes for our residents through targeted investment.

This year, we have robustly reviewed our governance arrangements. This has included:

- A new Executive Director of Resources who has taken over the council's statutory Chief Finance Officer responsibilities;
- A risk and resilience review that involved senior officers and members;
- A new Constitution and Scheme of Delegation to Officers;
- A new officer board structure;
- A review of our companies and the establishment of a Company Member Cabinet Committee;
- A new Shareholder Agreement for Local Pensions Partnership Ltd.

These improved arrangements will help us ensure we are performing to the high standards we expect; that we are meeting our legal obligations and that we have good decision-making processes in place.

During the year we have also worked collaboratively with our Lancashire council partners and consulted with the public and local stakeholders to progress proposals to establish a Combined County Authority (CCA). This includes negotiating a Devolution Deal with Government to draw power from Whitehall and give Lancashire greater control over its public services and funding. The proposed CCA will give

Lancashire a stronger voice both nationally and in the Northwest and give us access to greater funding that can be deployed locally to build on Lancashire's many strengths.

At the end of the year, we received the interim external auditor's Annual Report for 2022/23 and their opinion on the council's accounts. The report has made no material comments on the accounts but did highlight the risk of significant weakness in relation to the implementation of Oracle Fusion and made a key recommendation that we have accepted. The recommendation relates to the position on 31 March 2023 and the report also noted that significant progress had been made in this area since then.

On the 22 April 2024 the Audit, Risk and Governance Committee considered the content of the proposed governance statement to ensure that it properly reflects how the council is run.

Governance Issues

Good progress has been made against the issues identified in last year's Annual Governance Statement and this year's review confirms that the council continues to maintain appropriate systems and processes to ensure good governance. However, we recognise the need for continuous improvement and the following issues are currently being addressed:

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Sustainability – Medium-Term Financial Strategy	Executive Director of Resources (Section 151 Officer)/Executive Management Team	March 2025/Ongoing
Workforce	Executive Director of Resources/ Executive Management Team	March 2025/Ongoing
Promoting independence and reducing demand	Executive Director of Education and Children's Services Executive Director of Adult Services Executive Director of Growth, Environment, Transport and Health	March 2025
Customer centric service delivery	Executive Director of Resources/ Executive Management Team	March 2025
School Places	Executive Director of Education and Children's Services	March 2025
ICT Related Issues	Executive Director of Resources	Winter 2024
Building Schools for the Future	Executive Director of Resources	Autumn 2024

Throughout the year, we will monitor the implementation and operation of our governance arrangements as part of the performance management role of the Executive Management Team. The Audit, Risk and Governance Committee will also provide independent assurance during the year.

--- County Councillor Phillippa Williamson

Leader of the Council

--- Angie Ridgwell

Chief Executive

Signed on behalf of Lancashire County Council

Introduction

Local authorities are required by statute to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/Solace "*Delivering Good Governance in Local Government Framework*" (2016) (the Framework) helps fulfil this requirement. The Framework requires local authorities to be responsible for ensuring that:

- Their business is conducted in accordance with all relevant laws and regulations;
- Public money is safeguarded and properly accounted for; and
- Resources are used economically, efficiently, and effectively to achieve agreed priorities which benefit local people.

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

What is Corporate Governance?

Corporate governance is about the systems, processes, and values by which councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

The council has adopted a Code of Corporate Governance which follows the CIPFA/Solace guidance "*Delivering Good Governance in Local Government*" (2016) which defines the seven core principles that should underpin the governance framework of a local authority:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Council's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Key Elements of the County Council's Governance Framework

Key elements of Lancashire County Council's governance framework are set out below:

Leader, Cabinet and Council	Decision Making	Risk and Performance Management
• The Leader provides leadership • Cabinet develops and sets policy • Full Council agrees the annual budget, sets Council Tax and the policy framework including the Corporate Strategy (the cornerstone of the policy framework)	• Meetings are webcast • Decisions are recorded on the Council's website • Scheme of delegation	• Risk registers identify both operational and strategic risks • Key risks are considered by Executive Management Team (EMT), Cabinet and Audit, Risk and Governance Committee • Processes are in place for managing and reporting performance to Executive Management Team and Cabinet • Directors' complete assurance statements
Council's Leadership Team	**Scrutiny and review**	**External and Internal Audit and review**
• Head of Paid Service is the Chief Executive who is responsible for all council staff and leading the Executive Management Team • The Executive Director for Resources is the council's s.151 Officer and is responsible for ensuring the proper administration of the council's financial affairs • The Monitoring Officer is the Council's Director of Law and Governance who is responsible for ensuring legality and promoting high standards of public conduct	• Scrutiny Committees review council policy, decisions, and budget proposals • Work to deliver local public sector accountability	• External audit provides an opinion on the Council's annual statement of accounts and whether the Council has secured economy, efficiency, and effectiveness in the use of its resources • Internal Audit provides regular assurance on the governance, risk management and internal control framework • External inspections provide an accountability mechanism • Peer challenge/reviews highlight good practice and areas for improvement

How do we comply with the CIPFA/SoLACE Framework?

The council has approved and adopted:

- A Local Code of Corporate Governance;
- The requirements of the CIPFA/SoLACE "*Delivering Good Governance in Local Government Framework*" (2016); and
- A number of specific strategies and processes for strengthening corporate governance.

An updated Local Code of Corporate Governance can be found on the council's website. This shows how the county council has complied with the seven principles set out in the CIPFA/SoLACE Framework. The Code is reviewed annually, and the outcome reported to Audit, Risk and Governance Committee and presented to Full Council for approval. It sets out the requirements underpinning these principles and how the council ensures that it meets them along with the evidence base used to assess their effectiveness.

Managing Performance and Risk

Performance management is a key component of the council's approach to achieving its outcomes. During the year, Cabinet received its Quarterly Performance Report setting out achievements against agreed high-level metrics relating to the corporate strategy. This includes executive summaries from the Chief Executive and Executive Directors and more detailed, service-specific performance metrics enabling members to monitor ongoing service delivery and performance. The reports highlight good performance and mitigation actions where required.

A new Strategy, Policy and Performance Board Chaired by the Executive Director for Education and Children's Services meets bi-monthly. The Board receives a suite of performance dashboards, which draw attention to concerns with performance, describe recovery plans, and escalates issues for discussion and action to the EMT. The Board monitors against service level and corporate indicators and co-ordinates the reporting of performance information to Cabinet. Directorates also monitor performance on a regular basis using performance dashboards.

A new approach to directorate and service planning was introduced during 2023/24 and has been refined for 2024/25. Directorate and service level planning is a cornerstone of effective performance management. It provides a solid foundation to enable us to hold the councils' strategic priorities and values firm, even in times of change. Good business planning also supports the budget planning cycle, ensuring that the council prioritises activity and appropriately supports its objectives through funding decisions.

As part of the business planning process a new approach to workforce planning has also been introduced. Workforce planning is crucial in managing the balance between workforce supply and demand. It's not just about numbers but the right mix of skills and experiences. It aligns service plans with the priorities of the council's Corporate Strategy, ensuring that we have the right people, with the right skills, in the right positions, at the right time. In a dynamic and challenging landscape, the ability to anticipate and respond to workforce needs is a key driver to the on-going delivery of quality services.

Part of the performance management process involves identifying, and where appropriate mitigating risks to ensure that the council's exposure to those risks is reduced. Managing risks is the responsibility of all services. Service risks are scored quarterly with the greatest risks being elevated onto the Corporate Risk and Opportunity Register.

During the year, service risk and opportunity registers were updated regularly, and the Corporate Risk and Opportunity register was reported to the Executive Management Team/Compliance and Assurance Board and Audit, Risk and Governance Committee. During the year, EMT revised the risks on the corporate register to better reflect the changing environment in which the council was operating. Risks are also monitored and reviewed by the new Compliance and Assurance Board that is chaired by the Chief Executive and attended by other statutory officers. In addition to this, the council's Chief Executive, Chief Finance Officer, and Monitoring Officer meet on a regular basis to discuss governance issues including risk and take appropriate action as necessary.

The Audit, Risk and Governance Committee also monitors the effectiveness of risk management arrangements across the organisation. A review of this is undertaken annually by Internal Audit and reported to the committee. The previous Internal Audit review of risk management provided for substantial assurance and that the council's corporate risk management framework is operating effectively.

Equality Impact Assessments together with Health Impact Assessments are used throughout the organisation to assess the impact of service proposals and to inform decision making.

The budget setting process is well established, and services prioritise budgets and spending to achieve intended outcomes. In recent years, the budget setting process has inevitably focused on achieving savings whilst still focusing on the priorities of the political administration.

The Medium-Term Financial Strategy is updated regularly and reported to Cabinet together with relevant resource forecasts. It takes full account of the changing regulatory, environmental, demographic, and economic factors that impact on the financial environment in which the council operates. The report to Cabinet includes in-year revenue and capital expenditure monitoring information along with updates on the multi-year capital programme. The final outturn position will be reported to Cabinet.

Managing our Resources (Value for Money)

The council's external auditors, in their interim assessment of 2022/23, concluded that the council has a strong track record of financial control and that the Medium-Term Financial Strategy is updated regularly. Whilst the external auditor did not note any significant weaknesses, they have made some improvement recommendations regarding the council's savings plans.

During 2022/23, the new Oracle Fusion system, used for procurement, payroll, and financial procedures, was implemented. The implementation gave rise to several issues and due to the significance of the matters, the external auditor raised a key recommendation that has been accepted. Since this happened, good progress has been made in addressing a number of those issues and the council now has a 'business as usual' operating model in place. Aside from this issue the external auditor concluded that the council continues to have good procedures around risk monitoring and governance. The external auditor has made some improvement recommendations regarding risk management reporting arrangements that have been accepted.

The external auditor concluded that the council seeks to improve economy, efficiency, and effectiveness and that it has (broadly) strong arrangements for doing so. The council reports thoroughly on performance and works well with partners. The external auditor was satisfied that no significant weaknesses exist in this area but did identify one improvement recommendation relating to contract management arrangements.

The council ensures that it provides timely support, information, and responses to its external auditors – properly considering audit findings and assumptions around what may happen in the future particularly relating to those elements that cannot be directed by the council.

Financial Sustainability

Councils across the country continue to face ongoing pressures, driven by increasing demand and inflation. When compounded with the current workforce challenges, local government must make difficult decisions and look to be as creative and innovative as possible. Consequently, financial sustainability remains a significant risk facing the county council. Throughout 2023/24 projections were reported to both the Executive Management Team and Cabinet in the 'Money Matters' report which forms a regular review point for assessing the effectiveness of financial plans

In February 2023, Full Council agreed a Council Tax increase for 2023/24 of 3.99% that included a 2% levy for adult social care. Following the Local Government Provisional Settlement announced in December 2023, Full Council agreed a Council Tax increase for 2024/25 of 4.99% (reflecting a 2.99% increase in general Council Tax and a further 2% to be used for adult social care) at its meeting in February 2024.

There are several risks inherent in the assumptions within the budget and considerable challenges and uncertainty within the local government sector at present. The council has, therefore, also developed a strategy for identifying further efficiencies and productivity improvements utilising best practice and technology designed to improve outcomes at lower cost.

The council continues to retain relatively healthy reserves with the current uncommitted transitional reserve, being sufficient to meet the forecast funding gap for the lifetime of the Medium-Term Financial Strategy. However, the intention remains to identify further savings and/or deliver agreed savings earlier than currently planned to reduce the forecast funding gap enabling further investment to be made into priority services. The value of the County Fund will be kept under review in future years including ongoing assessment of risks that it is established to cover. The relatively healthy uncommitted transitional reserve level also supports and mitigates emergency situations.

The council updates its Medium-Term Financial Strategy twice a year. The forecast for future years considers anticipated cost pressures (both inflationary and demand led), planned savings and expected resource levels. The forecast is necessarily underpinned by a range of estimates and recommendations through the Executive Management Team, Cabinet and the Audit, Risk and Governance Committee. The financial management arrangements of the council conform to the governance requirements of the CIPFA Statement on the *Role of the Chief Finance Officer in Local Government*.

Financial Management Code

The CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets out six principles underpinned by a series of financial management standards identifying the professional standards to be met if a local authority is to meet the minimal expectations of financial management that are acceptable to meet the fiduciary duties to taxpayers, customers, and lenders.

The council continues to undertake medium-term financial planning which has driven the annual budget-setting and monitoring process. Through the Scrutiny Management Board and the Audit, Risk and Governance Committee sources of assurance are recognised as an effective tool in delivering and demonstrating good financial management. The positive financial performance of the council during the year has once again evidenced that the long-term sustainability of local services is at the heart of the council's strategy supported by the prudent use of public resources.

How do we know our governance arrangements are working?

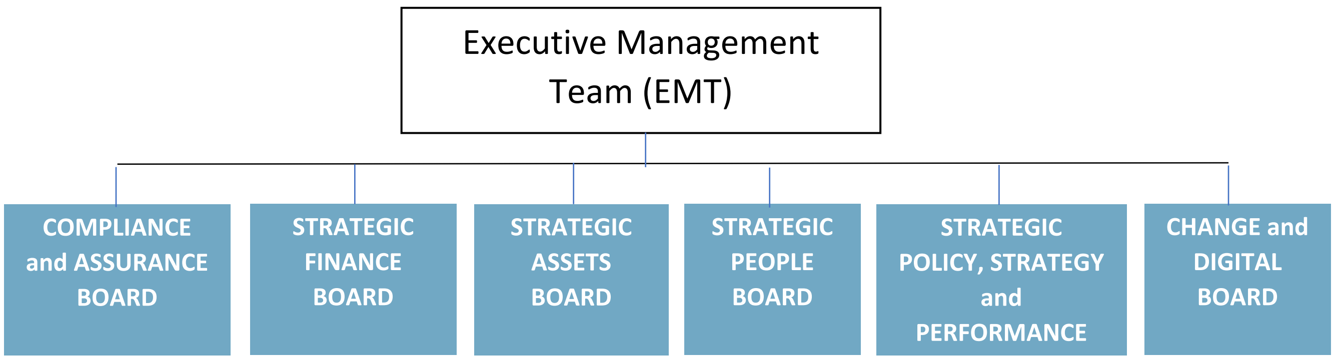
There are several ways we do this:

The Role of Management

Good governance enables the council to pursue its vision effectively as well as underpinning that vision with good arrangements for the control and management of risk. To do this the Executive Management Team review the council's governance arrangements annually and can confirm that appropriate internal controls for which they have responsibility are in place. This includes their scrutiny of regular budget and performance reports including performance against savings targets within the Medium-Term Financial Strategy. In addition to this, the three statutory officers – the Head of Paid Service, Chief Finance Officer and Monitoring Officers meet on a regular basis to review and discuss governance issues and take forward any actions to improve the governance framework.

Directors have the day-to-day responsibility for managing and controlling services – they are accountable for their successful delivery. They set the culture, develop, and implement policies, procedures, processes, and controls. Directors have completed an 'assurance statement' for 2023/24 that reports on service compliance, and they produced regular directorate risk registers that set out appropriate mitigating actions for significant risks. Where the evidence needed to provide full assurance is not available, improvement plans are in place.

This year a new officer governance board framework has been introduced:



Each board is chaired by a member of EMT and seeks assurance that processes for operational decision making are robust and are in accordance with agreed schemes of financial delegation. It also ensures that decisions are not only compliant but deliver the required outcomes. The new governance framework enables effective and consistent strategic operational management of council business.

The Monitoring Officer regularly reviews the council's Constitution and ethical governance arrangements and there are regular briefings on key corporate governance issues to Directors and Heads of Service.

The Role of the Audit, Risk and Governance Committee

The council's Audit, Risk and Governance Committee plays a vital role in overseeing and promoting good governance, ensuring accountability, and reviewing the way things are done.

The committee provides an assurance role to the council by examining such areas as audit, risk management, internal control, counter fraud, treasury management, and financial accountability. The committee exists to challenge the way things are done, making sure the right processes are in place. It works closely with both the Internal Audit Service and senior management to continually improve the council's governance, risk, and control environment.

In addition to the standard items on the agenda, the committee considered reports on the following:

- Oracle Fusion Data Breach
- Governance Risk and Resilience Framework Review
- The Overpayment of Salaries
- Local Member Grants Scheme
- Cyber Security Risks
- Assurance over the Pension Fund
- Data and Analytics Risks

In July 2023, the Chairman presented his annual report. The report set out the work the committee had undertaken and provided a means by which it was able to review its own effectiveness.

The Role of the Head of Internal Audit

For 2023/24 the Head of Internal Audit provided moderate assurance (provisional*) overall regarding the adequacy of design and effectiveness in operation of the council's frameworks of governance, risk management and control. This is an improvement from 2022/23 when the opinion was limited due to the issues concerning the implementation of Oracle Fusion.

In forming his opinion, he considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements. Audit work covered the full range of the council's services. The council is in a much stronger financial position than many local authorities, however, the financial projections show that it still faces financial challenges. The county council has adapted well to the changing risk environment and appears to be operating as would be expected.

*(*The Head of Internal Audit will be reporting his final opinion to Audit, Risk and Governance Committee in July 2024. However, based on the work currently undertaken it is anticipated that a moderate opinion will be given.)*

External Assurances

The opinions and recommendations of the external auditor and other inspection and review agencies and peer reviews offer us further assurance.

External auditor's interim Annual Report of Lancashire County Council 2022/23

The external auditor's work identified one significant weakness in relation to Oracle Fusion and the key recommendation has been accepted. Several improvement recommendations were identified and will be responded to appropriately.

Joint Targeted Area Inspection on Serious Youth Violence

The council was subject to a thematic Joint Targeted Area Inspection on Serious Youth Violence. The inspection lasted for three weeks, with week three (from Monday 5 February) being the 'on-site' week.

Inspectors from Ofsted, the Care Quality Commission (CQC), His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and His Majesty's Inspectorate of Prisons (HMIP) carried out the inspection.

Colleagues from the Police, Health, Education, Children's Social Care, the voluntary sector, and organisations such as the Lancashire Violence Reduction Network came together to showcase all that is done every day to reduce the risk of serious youth violence and prevent it from happening in the future. The report will be published late Spring 2024.

Adult Services Peer Review

To help us prepare for the Adult Services Care Quality Commission (CQC) Inspection, which may take place sometime during the next year, the council has sought external opinion on its self-assessment from two external peer review teams. The first peer review was undertaken in October 2023 and focused on the council's self-assessment of theme one – Working with People. The second peer review undertaken by a team from the Local Government Association took place in February 2024 and was run as a full mock inspection covering all four themes. Although the reviews are not a formal inspection, they provided the council with a good indication of its strengths and which areas it may need to do some more work on.

Information Governance

The council has a comprehensive Information Governance Framework in place, overseen by the Senior Risk Information Officer (SIRO) and the Corporate Information Governance Group (CIGG). The constitution of the CIGG has been broadened to include representation from Children's Social Care, Internal Audit, Investigations and Fraud.

The Corporate Cyber Risk and Security Group (CCRSG) was established in June 2023 to coordinate and manage cyber risk for the county council and create a collaborative and decision-making forum for cyber risk and security. The CCRSG meets monthly and may escalate or inform matters to the CIGG and Compliance and Assurance Board as appropriate.

A bi-monthly Compliance and Assurance Board has also been established to provide an overview of compliance and assurance on statutory responsibilities, statutory officer compliance and risk awareness reporting and governance management. To align with these new reporting arrangements, the CIGG now meets bi-monthly (at adjacent months to the Compliance and Assurance Board). The annual review of policies took place in January 2024 and appropriate amendments made to existing policy. An Artificial Intelligence Policy is in draft format and under review.

Access to Information

A review of the work undertaken by Information Governance in 2023 confirms a busy and productive year despite the challenges of managing higher demand for services and fluctuating capacity and availability of resources:

Request Type	Total Received	Note
Freedom of Information requests	1,541	9.5% increase from 2022
Subject Access Requests	1,064	17% increase from 2022
Police Requests for information held by LCC in connection with investigations	389	4% increase from 2022

Information Security Incident Reporting

There were 618 information security incidents reported to Information Governance. This is an increase of 56% from the 395 incidents reported for the same period in 2022. Of these incidents, only 4 (0.6%) were deemed to be 'data breaches' and subsequently reported to the Information Commissioner's Office (ICO). This is a decrease of 43% from 2022, when 7 incidents were reported to the ICO.

This provides assurance that there is a 'speak up' culture at Lancashire in terms of the duty to report any concerns. The rise in information security reporting together with the reduction of data breaches to the ICO is a positive indication that employee awareness has increased, and the severity of incidents has reduced.

Oracle Fusion

Last year, a data breach occurred involving personal data held within Oracle Fusion, the system used for HR, Payroll, Finance and Procurement and during the implementation several issues arose that need to be rectified. The issue regarding implementation was identified as a significant weakness by the external auditor. However, over the past year officers have worked hard to resolve them, and the council now has a business-as-usual operating model in place. In terms of the data breach this was reported to the Information Commissioner's Office and no further action was taken because of the council's swift response.

Both issues have been risks on the Corporate Risk and Opportunity Register and both EMT and the Audit, Risk and Governance Committee have received progress reports on the issues.

Local Government and Social Care Ombudsman

During 2023/24 Full Council did not receive any public reports from the Local Government and Social Care Ombudsman.

Lancashire County Developments Limited

Lancashire County Developments Limited is an owned subsidiary of Lancashire County Council. As a material entity it forms part of the council's group accounts. The county council has the power to change decision making rights, and to appoint and remove Directors of the company. Board Directors are county councillors who regularly meet and receive financial and performance reports. In the 2023/24 financial year there were no governance issues reported. The company is annually subject to a separate external audit to the county council. No significant issues were identified during the audit and the accounts were signed off by both the Board and the auditors.

Constitutional and Governance Changes

During 2023/24 governance practices across the council have been reviewed. This project had several elements.

Risk and Resilience Review

The aim of this work was to review how the council's governance works in practice, and to identify any potential risks and improvement actions. The findings contributed to the review of the Constitution, and the production of a robust Annual Governance Statement. Ensuring that the council has a strong governance culture is a priority for all officers and members. This review was undertaking independently by the Internal Audit Service at the request of the council's Monitoring Officer to provide evidence of areas of governance strength and identify areas requiring continuous improvement.

Overall, the responses from officers and members were positive with a significant majority either agreeing or strongly agreeing with the seven characteristics of good governance. The review identified several actions to improve specific areas of governance including the 'speak up culture' and these were put forward to Audit, Risk and Governance Committee for approval in January. The committee also agreed that a further review be undertaken after the 2025 county council elections.

Constitution Review

Following the leadership of the new Monitoring Officer, the Political Governance Working Group agreed, in May 2023, to undertake a full review of the Constitution to ensure it is accurate, up to date and properly reflects the council's operational arrangements. As part of the review, all county councillors were invited to attend a briefing and take part in a survey. Group briefings and feedback have also been provided and views gathered as part of Internal Audit's Risk and Resilience Review have been utilised. External benchmarking on best practice was also conducted.

An Officer Working Group was consulted to ensure the input of specialist officers, for example in Procurement and Finance. Officers particularly commented on the Scheme of Delegation to Officers, which sets out the rules for officer decision making. The new Constitution was approved by Full Council in March 2024.

Officer Governance Board Framework

As mentioned above a new officer governance board framework has been introduced that enables effective and consistent strategic operational management of council business.

Review of Council Owned Companies

Following a Full Council request, an audit exercise was conducted into how the county council is performing as a company member/shareholder in relation to the companies over which it exercises control. The audit concluded that whilst there were no significant problems in relation to any of the county council companies, the independent auditors identified a gap in the county council's governance arrangements. In response, a new Company Member Cabinet Committee was established to provide strategic management of county council owned companies. Any risks identified by the Company Member Cabinet Committee in relation to the companies will be reported to the Audit, Risk and Governance Committee.

Overview and Scrutiny

Following the establishment of new overview and scrutiny arrangements for 2022/23, there is a requirement for the Scrutiny Management Board to produce an Annual Report to Full Council. The Government's Statutory Guidance on Overview and Scrutiny in Local and Combined Authorities, and best practice guidance from the Centre for Governance and Scrutiny highlight this as an important way of ensuring that Full Council is informed about the activities of the scrutiny committees.

The Annual Report was presented to Full Council in December 2023 and provided a summary of activity undertaken by scrutiny during 2022/23 and incorporated information relating to scrutiny's findings, impacts and its contribution to the council's corporate priorities. The annual report for 2023/24 will be reported to Full Council during 2024.

Code of Conduct for Members

In general, Lancashire continues to receive relatively few complaints about county councillors. In January 2024, the Audit Risk and Governance committee considered a reporting setting out a summary of all complaints received in 2023 against county councillors under the Code of Conduct.

Independent Remuneration Panel

The Independent Remuneration Panel met in November 2023 and recommended to Full Council that:

- The Basic Allowance be increased by £1,925 (the same flat rate as the 2023/24 staff pay award);
- The current ICT and mobile phone subsidies of £240 per year be removed, and be added instead to the Basic Allowance; and
- The Special Responsibility Allowances be increased using the Scheme's existing multipliers and based on the increased Basic Allowance (£13,777).

The same percentage increase (18.64%) would also be applied to the Chairman / Vice Chairman Allowances and the Dependants' Carers' Allowance.

Full Council approved the recommendations at its meeting in December 2023.

Staff Survey 2023

For the council's most recent staff survey, the response rate was 46%. The comments are helping shape the way the council operates, improving those things that are most important to employees, so that the council can deliver the best possible services to Lancashire's residents. Officers have explored the survey findings in more detail and have focused on designing the actions needed to build on the council's many strengths and improve those areas that staff have highlighted. Each service has produced an action plan, set up a Staff Voice Group, and appointed Change Influencers to drive improvement.

Social Value Policy and Framework

Cabinet agreed a revised Social Value Policy and Framework that sets out the legal context for social value and the approach for the county council to deliver social value through its commissioning, procurement, and contract management activities. At the centre of the social value strategy are the priorities for the county council and Lancashire 2050. The aim of the revised policy is to focus the council's procurement activity across all service areas with a shared aim, shared ambition, shared goals, and shared priorities. The revised policy will provide a structured approach to monitoring, measuring, and reporting the council's social value achievements.

Lancashire Combined County Authority and Devolution Proposal

As part of the Autumn Budget Statement on 22 November 2023, the Government announced the opportunity for a Devolution Deal for Lancashire and proposed the creation of a Combined County Authority for the administrative area covered by the three upper tier councils, Blackburn with Darwen Council, Blackpool Council and Lancashire County Council.

To progress the potential Devolution Deal, under the Levelling-up and Regeneration Act 2023, a consultation was completed on the draft Combined County Authority (CCA) Proposal. In November 2023 Full Council agreed the proposal and consultation with residents and other stakeholders of the wider CCA area for a period of 8 weeks commencing on 1 December 2023.

Following consultation, the three councils met in March 2024 to agree their final Proposal to Government, which took account of the outcome of the consultation and formally proposed the creation of the CCA. The creation of the Combined County Authority by regulation will then be subject to formal parliamentary approval in summer and autumn 2024.

Role of the Responsible Officer for Adult Services

The services of the Executive Director for Adult Services (Executive Director), are shared with the Lancashire and South Cumbria Integrated Care Board (ICB), based on 80% ICB to 20% Lancashire County Council (LCC), via a secondment agreement. To facilitate continuity whilst the Executive Director undertakes ICB business, additional director capacity has been secured by way of a Deputy Executive Director of Adult Services (the Deputy), who directly line manages the relevant Adult Services Directors, providing day to day support and direction to them, and professional support to the council.

There are significant benefits to be secured for residents and for the NHS/local authorities if the secondment arrangement delivers improved integration between health and social care in the county, although, seconding the lead officer to a different organisation presents a risk to the council especially as Adult Services are moving to a Care Quality Commission (CQC) inspection regime.

An Internal Audit review has been undertaken at the request of the Executive Director, to consider the operation of the arrangement with a view to identifying and addressing any material risk. The review provides a substantial assurance opinion with regards to the control framework surrounding the revised leadership arrangements. Robust controls exist to ensure that strategic responsibility and accountability for the planning, commissioning, and delivery of social services for all adult client groups, ensuring adults receive the care and support they need, when they need it. The review has highlighted where controls could be strengthened.

A particular area of focus for the Executive Director has been in relation to income receivable from the NHS. There are many different joint funding arrangements with the NHS across a range of services, most of which are quite complex and have been subject to ongoing discussion and negotiation. Recent work has focused on several savings targets and the directorate's ability to recover due income from the NHS. This is an area of particular challenge for the NHS in Lancashire due to the overall financial position of the ICB and poses significant risk to the adult services budget. Work is ongoing with the Executive Director and the council's Treasurer to reach a reasonable resolution to this and other areas with the NHS, where a shared approach to funding is required.

Lancashire County Pension Fund

Lancashire County Pension Fund (LCPF) is a Pension Fund within the Local Government Pension Scheme (LGPS England and Wales) which is a funded pension scheme (not paid through taxation such as other public sector schemes). Lancashire County Council is the body appointed under statute to act as the Administering Authority for LCPF. While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within the council's overall governance framework.

Governance documentation

LCPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013. This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its governing bodies, the Pension Fund Committee, and the Local Pensions Board. It is reviewed on an ongoing basis.

In addition, there are several strategy statements and policies which together ensure suitable governance of LCPF.

Governance Structure

The Pension Fund Committee fulfils the role of 'Scheme Manager', as set out in regulations, for LCPF which includes the administration of benefits and strategic management of Fund investments and liabilities. It is responsible for establishing and monitoring the progress on the strategic objectives of LCPF through the Fund's Strategic Plan.

The council has established two bodies to assist and support the Pension Fund Committee to oversee LCPF:

- The Pension Fund Investment Panel; and
- The Lancashire Local Pension Board.

The Pension Fund Investment Panel provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel also supports the Head of Pension Fund with the specialist advice required by the Pension Fund Committee.

The Local Pension Board's role is to assist Lancashire County Council as the Administering Authority and in its role as Scheme Manager (as delegated to the Pension Fund Committee). This includes the following roles:

- To secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS.
- To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- In such other matters as the LGPS regulations may specify.

The council is also responsible for the financial arrangements of the Lancashire County Pension Fund and a separate assessment of the adequacy of these arrangements is also required.

During 2023-24, there has been a governance review resulting in an updated Shareholders' Agreement for Local Pensions Partnership Ltd.

Risk Management

The management of risk is central to the activities of LCPF, and it has established its own risk management arrangements which include the following:

- Risks are monitored and assessed on a quarterly basis;
- Risk reporting and risk register are presented to the Pension Fund Committee and the Local Pension Board on a regular basis;
- Additional oversight is provided by the council's Audit, Risk and Governance Committee; and
- LCPF has a 'Risk Management Framework' policy document which is reviewed periodically and sets out all the risk management arrangements for managing all risks for the Fund.

The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with LCPF, including risks associated with managing scheme assets and pension liabilities.
- Member risk – all risks which may impact on the high levels of service the fund members receive.
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance.
- Transition risk – temporary risks arising from changes in the management of investments or service delivery.
- Emerging risk - evolving, new risk that is difficult to characterise or assess now, as the cause and / or how the risk will impact the organisation is unclear.

Investment and Administration Services

Pensions administration and investment functions have since 2016 been delivered on behalf of LCPF by the Local Pension Partnership Limited (LPPL), a company group owned by Lancashire County Council and the London Pensions Fund Authority (LPFA). Pension administration services are provided by the administration arm of the Local Pensions Partnership, which is called Local Pensions Partnership Administration Limited (LPPA), with investment services being undertaken by the investment arm, Local Pensions Partnership Investments Limited (LPPI).

2023/24 has been a challenging year due to the implementation of new IT systems by LPPA and Lancashire County Council. The transition to new systems has adversely impacted overall service experience for members and employers. However, officers remain confident that long term improvement is achievable as the new systems 'bed in' and both parties are implementing plans to enhance service provision.

The Pension Fund Committee monitors the performance of these functions. For all arrangements where there is a relationship between the Fund and another organisation LCPF seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of “service level agreement” where a contract is not appropriate.

Internal audit assurance

The council's Internal Audit Service undertakes an agreed audit plan each year to provide assurance regarding the operation of the Pension Fund Service.

Strategic Oversight of Actions to Address the Council's Governance Challenges in 2023/24

This section provides a concise, high-level summary of strategic actions taken to address the council’s governance challenges for the 2023/24 financial year, and what arrangements are in place for oversight of delivery.

Challenge to be addressed	Governance actions taken
Financial Sustainability Failure to deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities.	• Updates provided to Cabinet through the money matters reports covering in-year financial position and medium-term financial strategy on a quarterly basis. • Directorate Leadership Teams (DLT's) meet regularly and have a monthly focus on financial position and savings delivery chaired by the relevant Executive Director. • Overall, the Council has an appropriate level of reserves available to manage the financial risks it is facing from 2023/24 to 2026/27. However, on current forecasts it will be necessary that additional savings will be required to bring the council to a financially sustainable position. • Indicative savings targets covering updated MTFS position have been allocated to Directorates to identify savings proposals to meet the forecast future gap. Budget proposals for 24/25 presented to November Cabinet along with MTFS update. • The updated MTFS and budget proposals (including council tax) went to January Cabinet incorporating the outcome of the local government financial settlement. • Following the Local Government Provisional Settlement announced in December 2023, Full Council agreed a Council Tax increase of 4.99% (reflecting a 2.99% increase in general council tax and a further 2% to be used for adult social care) at its meeting in February 2024.

Recruitment and Retention Unable to attract and recruit candidates and retain staff leading to an inability to deliver services.	• People Strategy developed which gives a coherent and cohesive direction of travel for the business in terms of attraction, recruitment, retention, and development with associated metrics. • New operating model for people services agreed to support the business with key strategic people risks and activities. • Full review of contingent workforce completed to identify required staffing levels and skills. • Recruitment process to be redesigned and benchmarked against emerging and best practice. • Talent attraction team in place as part of People Services operating model • Development of a leadership capability framework • Revised approach to strategic Workforce planning launched November 2023 • Adult Social Care vacancy rate reducing overall from 20% to 15% • Childrens Social Care nearly full establishment
Demand for Services Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of council services.	• **Adult Social Care** • New Living Well at Home framework now incorporated into a single 'Pseudo Dynamic Purchasing System' to enable better utilisation of provider capacity at a fixed price. • Living Better Lives in Lancashire new operating model is agreed, and operational plan is being formulated. • Additional resource has been procured to help reduce waiting lists and risk assessment plans for people on waiting lists. This work will start in January. • **SEND** • Additional SEN Units continue to be established. • Agreement to establish new SEN provision in North of the county. • Staffing options developed and short-term investment secured. • Refreshed Alternative Provision Strategy 2023-26 agreed by Cabinet September 2023 • SEND Inspection readiness work continues to strengthen oversight. • Refreshing Improvement Plan.
Our Improvement Journey	• Revised change governance in place - Change and Digital Board (CandD) established and meeting.

That the council will not be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed over the next 12 months and beyond	• Further prioritisation of change activity underway with paper to EMT Dec 23 agreeing further consolidation of priorities • Single view of change requirements developing through collaboration between CandD Board and People Board, plus links to property programme • Single change and programme management office service to be introduced by March 2024, review to commence imminently; includes additional resources to deliver agreed priorities. • Service redesign proofs of concept completed on schedule by December 23, including business case for implementing first element of service redesign. • Initial work to develop Resources redesign and agreed areas of LCC blueprint on completed Dec 23
School Places Insufficient school places in some parts of the county meaning children and young people are missing out on education	• Ongoing discussions to identify further opportunities and mitigations. • Developed approaches to better support new arrivals to county/country including support to address language barriers. • Publicity, including social media has reduced the number of late applications. • The website now shows levels of subscription for individual schools and maps of geographical priority areas. • Officers attend open evening for the most oversubscribed schools, and year 6 parent information sessions are held in the areas with the most pressure for places. • The expansion of popular schools including Unity College (Burnley), Primet Academy (Colne) and Saints John Fisher and Thomas More RC High School (Colne). The number of places available for Year 7 pupils has been increased, as has the availability of places in higher year groups to accommodate in-year admissions. • Consultations have taken place in respect of primary and secondary schools in Preston. • 11 secondary schools increased their intake of pupils to reflect the growth in demand: Longridge High, St Cecelia's RC High, Fulwood Academy, Lostock Hall Academy, Academy@Worden, Albany Academy, Parklands Academy, Bowland High, Clitheroe Royal Grammar, Shuttleworth College, Burnley High.

ICT Related Issues Cyber Security, and the Oracle Fusion Implementation and Data Breach	• There have been quarterly updates on each issue to both EMT and Audit Risk and Governance Committee and a range of mitigating actions have been put in place. There has been a reduction in the risk score for Cyber Security following the implementation of tools and services with a new security partner. • An enormous amount of work has been completed by colleagues to rectify the Oracle Fusion post implementation issues. There have been numerous service improvements and a business-as-usual operating model is now in place.
Building Schools for the Future	• There have been quarterly updates on this issue to both EMT and Audit Risk and Governance Committee and a range of mitigating actions have been put in place.
Mental Health Beds	• Community Mental Health Team Transformation supports earlier intervention and support in times of crisis and was rolled out in Quarter 3, 2023. • Lancashire and South Cumbria Foundation Trust have an ambitious capital and workforce plan phased over the next 2 years to significantly increase the overall inpatient bed base to address this gap. • The use of Out of Area placements will continue throughout this period of transition.

Governance Challenges for 2024/25 and Onwards

The review of governance arrangements has identified the main areas where the council will need to focus its efforts during 2024/25, to address changing circumstances and challenges. These are set out below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2025.

Sustainability – Medium Term Financial Strategy

Financial sustainability remains one of the council's biggest risks and it is encouraging that the projected revenue underspend has continued to improve. However, a significant risk factor is in relation to savings delivery, as the budget is based on the delivery of both new / previously agreed savings. Mitigation plans have been implemented to reduce the financial impact both in-year and within the Medium-Term Financial Strategy.

Workforce

The council faces recruitment and retention issues with significant hard to recruit to areas such as social work and structural engineering. Through the new People Strategy, the council wants to become an employer of choice with a workforce that is skilled, productive, healthy, and motivated. A new approach to strategic workforce planning has been integrated into business and service planning process to help to achieve this aim.

Promoting Independence and Reducing Demand

Demand management is incredibly challenging and post-covid residents are presenting with increasingly complex needs. However, the continued reduction in children being taken into care is a good example of where the practice model can have significant positive impact, in this case keeping families together and children and young people safe in their own homes. The council is also now more confident of reducing waiting times for adult social care clients and the issues relating to Education, Health and Care Plans, and home to school transport, are being addressed.

Customer Centric Service Delivery

In terms of change and improvement, the priority change portfolio has been agreed with the Executive Management Team. Further scoping of programmes and projects is underway to enable forecasting and allocation of resources and production of programme plans for key areas including SEND, WOCL, Adults Services quality and practice elements and in-house residential review. Recommendations from the change programme health check are being implemented. Recruitment to the Change

Service is in progress, with internal and external recruitment taking place and work to deliver against the service redesign financial targets is progressing, with the first redesign project commencing in April 2024.

School Places

This issue continues to be one of the council's main priorities and work continues to identify further opportunities and mitigations. Support to help new arrivals to county/country has been strengthened, including support to address language barriers. Outreach in terms of publicity is improving and this has reduced the number of late applications for school paces. The council's website now shows levels of subscription for individual schools and maps of geographical priority areas. Officers will continue to attend open evenings for the most oversubscribed schools, and Year 6 parent information sessions will be held in the areas with the most pressure for places. The expansion of popular schools has increased the number of places available for Year 7 pupils and the availability of places in higher year groups to accommodate in-year admissions. Work will continue with secondary schools to increase their intake of pupils to reflect the growth in demand.

Information Technology

The council's Digital Strategy will be refreshed to ensure a digital first approach and look at the use of Artificial Intelligence to help residents access council services in an easier and more responsive way. The council will also continue to work with cyber security partners to minimise the risk of attacks on services and focus on reducing cyber-crime. Officers will continue working on the post implementation issues related to Oracle Fusion.

Building Schools for the Future

Work will continue with partners to resolve the issues identified in the affected schools.

Monitoring Implementation

The key governance challenges facing the council in 2024/25 will be monitored by the Executive Management Team, the Compliance and Assurance Board and are identified risks in the Council's Corporate Risk and Opportunity Register. This document is the 'action plan' for each issue identified.

The governance arrangements relating to the register involve its review by the Executive Management Team and Compliance and Assurance Board, which is then reported in turn to the Audit, Risk and Governance Committee. The register identifies risks, the current controls that apply and the mitigating actions to be taken, producing a "risk score" and a residual (target) score after mitigating actions have been applied.

Conclusion

The council's governance arrangements have continued to provide overall assurance over the past 12 months and have been strengthened in several areas. As a result, the county council has the appropriate systems and processes in place to ensure good governance is maintained. Whist these work generally well, the council has identified several areas where further improvements can be made to strengthen its governance framework. The external auditor's interim Annual Report for 2022/23 has identified a weakness in relation to the implementation of Oracle Fusion. At the time, the council acted swiftly to resolve the issues and now has a business-as-usual operating model in place. A lesson learnt assessment has been undertaken to ensure that the issues encountered are avoided in any future digital programme implementation.

The governance of the county council will continue to be monitored by the Audit, Risk and Governance Committee, the Executive Management Team and the Compliance and Assurance Board.

Glossary

Audit, Risk and Governance Committee - The committee provides independent oversight of the adequacy of the council's governance, risk management and internal control framework, and oversees the financial reporting process.

Better Care Fund – A programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing and live independently in their communities for as long as possible.

Capital Programme – Identifies agreed capital schemes, showing the total cost of schemes and the projected phasing of those schemes over current and future financial years.

Care Quality Commission – The independent regulator of all health and social care services in England.

Constitution – Sets out how the council operates, how decisions are made, and the procedures which are followed to ensure that decision-making is efficient, transparent, and accountable to local people.

Executive Management Team (EMT) – The strategic officer leadership body within the council that advises and supports the elected members of the council and its key post holders and bodies, including the Cabinet and Overview and Scrutiny.

Corporate Risk Register – A formal record of the major risks facing the county council and the mitigating actions to reduce the risk.

Directors' Assurance Statements - Provide an assurance on the internal control framework operating within their service(s).

Equality Impact Assessment – A process designed to ensure that a policy, project, or scheme does not discriminate against any disadvantaged or vulnerable people.

External Audit – External auditors review financial statements to ensure they are a 'true and fair' account of past financial performance and current financial position.

General Data Protection Regulation (GDPR) – A regulation in EU law on data protection and privacy for all individuals within the European Union (EU) and the European Economic Area (EEA).

Integrated Care System – Lancashire and Cumbria Integrated Care System is a partnership which joins up health and social care services.

Intermediate Care – Services provide support for a short time to help individuals recover and increase their independence.

Internal Audit – An independent, objective assurance and consulting activity designed to add value and improve the county council's operations.

LRF (Local Resilience Forum) – Multi-agency partnerships made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency, and others.

Medium-Term Financial Strategy – The Council's key financial planning document. It aims to provide the Council with an assurance that the Council's spending plans are affordable over the medium term.

Monitoring Officer – Holds the specific duty to ensure that the council, its officers, and its elected councillors maintain the highest standards of conduct in all they do.

Oracle Fusion – The council's digital system for HR, Payroll, Finance and Procurement.

Ofsted – The Office for Standards in Education, Children's Services and Skills. They inspect services providing education and skills for learners of all ages.

Outbreak Control Plan – Sets out how the Council will prevent and manage Covid-19 cases and outbreaks across the county.

Passport to Independence – Aims to help people stay healthy and self-sufficient (independent) for longer.

Performance Management – The activity and set of processes that aim to maintain and improve performance in line with an organisation's objectives.

Reserves – Liquid assets order to meet expected future payments and/or emergency needs.

Risk Management – An important part of both corporate governance and performance management. It allows the council to avoid problems and failures, rather than just reacting to them when they arise. It helps the council to identify where it needs to focus its efforts and resources, to exploit more opportunities and suffer fewer failures.

Section 151 Officer – The Chief Finance Officer; an officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs.

Scheme of Delegation – Sets out how the Cabinet and Full Council have delegated their Executive and non-Executive powers.

Code of Corporate Governance 2024/25

What is Corporate Governance?

Corporate governance is about the systems, processes, and values by which councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

Lancashire County Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled “Delivering Good Governance in Local Government (2016)"

The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

What are the benefits of having a Code of Corporate Governance?

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. It enables the council to pursue its priorities effectively as well as underpinning those priorities with mechanisms for control and the management of risk.

Lancashire County Council has a good governance framework in place. The documents and arrangements which comprise the framework demonstrate that the council continually seeks to ensure it is and remains, well governed, through integration of the core principles of the CIPFA/SOLACE framework into all aspects of the council’s conduct and operation.

The Monitoring Officer is responsible for ensuring the Code is reviewed annually, and the outcome of the review, along with adoption of any revision to the Code is reported annually to the Audit, Risk and Governance Committee. It is then presented to Full Council for approval.

Lancashire County Council Code of Corporate Governance (Principle 1)

Principle 1: **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law:**		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will:	This will be evidenced by:
• Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of law	• Maintain shared values both for the County Council and its officers. These are defined in the corporate strategy and reflect public expectations about the conduct and behaviour of individuals. • Use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the County Council. We demonstrate this by adherence to the constitution. • Have adopted formal codes of conduct defining standards of personal behaviour for Members and officers. • Maintain the Audit, Risk and Governance Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the County Council's culture. • Have put in place arrangements to ensure that Members and staff of the County Council are not influenced by prejudice, bias, or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies. • Ensure that systems and processes for financial administration and control together with protection of the County Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness. • Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. Officers will actively recognise the limits of lawful activity placed on	• Our values ○ Supportive ○ Innovative ○ Respectful ○ Collaborative • Corporate Strategy & Priorities • Annual Governance Statement • The new Constitution which includes: • Financial Procedure Rules • Contract Procedure Rules • Anti-Fraud and Corruption Strategy • Anti-Bribery Policy • Rules relating to Members External Interests • Rules relating to Gifts and Hospitality • Codes of Conduct for Members and Employees • New Scheme of Delegation • Procedural Standing Orders • Register of Interests • Terms of reference • Information Security Policy • Information Governance Policy • Money Laundering Policy • Whistleblowing Policy • External inspections of accounts

	them but also strive to utilise their powers to the full benefit of their communities. • Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law and integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making. • Have put in place effective systems to protect the rights of staff. We ensure that policies for whistleblowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. • Have established a corporate information governance group (CIGG) with the remit of collecting assurance information across all council functions. Establish a Senior Information Risk Officer and Data Protection Officer. • Publish an Annual Governance Statement, signed by the Leader of the Council and the Chief Executive to confirm that we are satisfied that we have effective governance arrangements in place.	• Member's induction • Complaints Policy • Partnership Protocol • Job descriptions and Person Specifications • Clearance of committee reports • Anti-money laundering policy • Calendar of meetings • CCTV Policy • Companies – compliance with Companies Act 2006, directors' duties, LEP assurance framework • Councillor – Use of resources, social media, AUP • Employee policies & procedures • FOI Publication Scheme • Grants rules, process, decisions and website • Pre-election guidance • Election's complaints process, fly posting, website • Identifying politically restricted posts • New Officer Board structure

Lancashire County Council Code of Corporate Governance (Principle 2)

Principle 2: **Ensuring openness and comprehensive stakeholder engagement:**		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will:	This will be evidenced by:
• Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively	• Ensure that the Council's vision, strategic plans, priorities, and targets are developed in consultation and that they are clearly articulated and disseminated. • Maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what. • Strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. • Publish reports giving information on the County Council's strategies, plans and financial statements as well as information about outcomes, achievements. • Deliver effective scrutiny of the County Council's business as appropriate and produce regular reports on the activities of the scrutiny function. • Ensure that the Council is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. • Attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality (where it is proper and appropriate to do so).	• Corporate strategy • Corporate priorities 2021-25 and communication strategy • Lancashire 2050 • Staff Survey • Local Member Grants • Internal Audit reviews • Annual Governance Statement • Family Safeguarding • Special Educational Needs and Disabilities Improvement Plan • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Annual report on members allowances • Annual Pay Policy Statement • Freedom of Information Publication Scheme • Research and Consultation Strategy • Research and Consultation Database • Service Specific consultations • Communication Strategy • Constitution • New Scheme of Delegation • Money Matters Budget reports • Lancashire Health & Wellbeing Strategy • Community Safety Agreement • Director of Public Health Annual Report • Children's Partnership Plan

		• Statement of Accounts • Scrutiny Reports • County Council Website • Joint Strategic Needs Assessment • Strategic Assessment of Crime & Anti-Social behaviour • Anti-Bribery Policy • Anti-Fraud & Corruption Strategy • Anti-Money Laundering Policy • Calendar of meetings • Companies - Companies database, Companies House database, Compliance with the Companies Act 2006, Director's duties, LCDL - 2020/21 Statement of Accounts, LEP Assurance Framework, LEP website. • Employee Policies and Procedures • Equalities, Cohesion, and Integration Strategy • Equality/ health Impact Analysis • External inspections of accounts • Grants rules, process, decisions, and website • Health and Safety Policies and Procedures • Information Governance Framework • Information Security Policy • Information sharing policy Partnership Protocol • Privacy Impact Analysis • Privacy Notice • Procedure for complaints against Councillors • Publication of Members' Allowances paid • Privacy Impact Analysis • Scheme for access of information

		• Outbreak Management Plan • Community Safety Strategy 22-25 • Economic Development Strategy 23-25 • Environment & Climate Strategy • Children's & Young Peoples participation strategy

Lancashire County Council Code of Corporate Governance (Principle 3)

Principle 3: **Defining outcomes in terms of sustainable economic, social and environmental benefits**:		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will:	This will be evidenced by:
• Defining outcomes • Defining outcomes benefits	• Make a clear statement of the Council's purpose and priorities and use it as a basis for corporate and service planning. • Publish reports to communicate the Council's activities and achievements, its financial position and performance. • Ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications. • Identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. • Maintain a Prudential Financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved. • Ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.	• Corporate Strategy • Corporate priorities 2021-25 and communication strategy • Lancashire 2050 • Arrangements proposed for the Lancashire Combined County Authority (due to come into existence later in 2024) • Local Member Grants • Service Plans • Family Safeguarding model • Special Educational Needs and Disabilities Sufficiency strategy • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Money Matters Budget Reports • Director of Public Health Annual Report • Reports to Audit, Risk & Governance Committee • Performance reports to Cabinet • Monthly budget monitoring reports • Statement of Accounts • External Auditors letter & reports • External Inspections • Approach to Risk & Opportunity • Treasury Management Strategy • Capital Investment Strategy • Adult Services Annual plan • Boost Lancashire's Business Growth Hub

		• Care Act Policies, Procedures and Guidance • Children's Social Care • Community & Resilience Plan • Companies - annual business plans • Consultancy Code • Consultation and Engagement Procedures • Corporate Procurement Strategy, policies and guidance • Customer Access Strategy • Development Plan • Digital First Strategy • Equalities, Cohesion and Integration Strategy • Full Council Framework documents • Health and Wellbeing Strategy Delivery Plan • Lancashire Children Looked After Sufficiency Strategy • Lancashire CLA Residential Strategy • Lancashire County Council Dementia Strategy • Lancashire Economic Development Strategy 23-25 • Lancashire Environment Strategy • Lancashire Health and Wellbeing Strategy • Lancashire Renewables • Libraries, museums, and culture strategy • Local Transport Plan • Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private • Prevent Strategy and Delivery Plan • Property Asset Management Strategy • Transport Assert Management Strategy • Risk Management framework

		• Roads, parking, and travel plans • Treasury Management Strategy • Youth Justice Plan • Digital First Strategy • Adult Social Care Winter Plan • Strategy for Libraries, Museums, Culture and Archives 2019-24 • Capital Strategy for Schools • Community Safety Strategy 22-25 • Outbreak Management Plan • Family Safeguarding model • Adherence to the Financial Management Code • School Place Planning Strategy • Lancashire 2050 • Community Safety Strategy 22-25 • Environment & Climate Strategy

Lancashire County Council Code of Corporate Governance (Principle 4)

Principle 4: **Determining the interventions necessary to optimise the achievement of the intended outcomes**		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will:	This will be evidenced by:
• Determining interventions. • Planning interventions • Optimising achievement of intended outcomes	• Make a clear statement of the Council's purpose and priorities and use it as a basis for corporate and service planning. • Have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes. • Ensure that there are effective arrangements in place to monitor service delivery • Put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents. • Have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions. • Provide senior managers and Members with timely financial and performance information. • Ensure that budget calculations are robust and reserves are adequate. • Align financial and performance data to provide an overall understanding of performance.	• Corporate Strategy • Corporate priorities 2021-25 and communication strategy • Lancashire 2050 • Arrangements proposed for the Lancashire Combined County Authority (due to come into existence later in 2024) • Family Safeguarding model • Special Educational Needs and Disabilities Improvement Plan • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Our approach to Risk & Opportunity Management • Corporate Risk & Opportunity Register • Corporate & service performance dashboards • Business Continuity Plans • Emergency Plan • Money Matters Budget Reports • Social Value Policy & Framework • Anti-Fraud & Corruption Strategy • Committee specific training for Scrutiny members • Companies - Articles of association, Directors duties, LEP Assurance Framework, Service level agreements • Scrutiny Committee's

		• Scrutiny Task Group Meetings/Reports • Webcast of all Scrutiny Committee meetings • Corporate Emergency Response Team • New Officer Board structure

Lancashire County Council Code of Corporate Governance (Principle 5)

Principle 5: Developing the County Council's capacity, including the capability of its leadership and the individuals within it.		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will:	This will be evidenced by:
• Developing the County Council's capacity • Developing the capability of the County Council's leadership and other individuals	• Through the constitution set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually. • Set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers. • Have developed protocols to ensure effective communication between Council Members and officers in their respective roles. • Have developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained. • Set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011. • Have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required. • Ensure that effective management arrangements are in place at the top of the organisation. • Ensure the Chief Executive is responsible and accountable to the Council for all aspects of operational management. • Ensure the Section 151 Officer is responsible to the County Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial	• Our Improvement Journey and organisational development programme • New Constitution • Annual Pay Policy • New Scheme of Delegation • Leadership Development Programme • Performance Engagement Reviews • Member Development Strategy and Programme • Member Development Working Group • Family Safeguarding model Special Educational Needs and Disabilities Improvement Plan • New Scheme of financial delegation to officers • Induction programme • Health & Wellbeing Policy • Children's Partnership Board - Terms of reference • Code of conduct training for councillors • Companies - Articles of association, Directors duties, Directors induction packs, Directors induction training, Internal controls manuals • Corporate induction e-learning • Councillors - Internet and email acceptable use policy, Provision and use of resources, Use of social media, Fair Use Policy for Mobile Phones • County Councillor Training Records

	records and accounts, and for maintaining an effective system of internal financial control. • Have appointed a professionally qualified and experienced S151 Officer who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the County Council • Ensure the Monitoring Officer is responsible to the County Council for ensuring that the constitution is adhered to. • Assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively. • We will assess the skills required by officers through the performance engagement process and address any training gaps, to enable roles to be carried out effectively. • We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. • We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council. • We provide the Director of Finance with the resources, expertise, and systems necessary to perform the role effectively within the County Council. • We will provide the Executive Director Education & Children's Services with the resources, expertise and systems necessary to perform the role effectively within the Council and respond to any inspections appropriately.	• Job descriptions/specifications for officers • Internet, Email and Telephone Acceptable Use Policy for staff • Lancashire County Council Behaviour Framework • Leadership Development Programme • Mandatory e-learning modules • Recruitment & Selection Policy • People Strategy

Lancashire County Council Code of Corporate Governance (Principle 6)

Principle 6: **Managing risks and performance through robust internal control and strong public financial management.**		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will:	This will be evidenced by:
• Managing risk • Managing performance • Robust internal control. • Managing data. • Strong public financial management	• Maintain an effective Audit, Risk & Governance Committee which is independent of the executive and scrutiny functions. • Enable the s151 and the Director of Finance to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained. • Ensure that risk management is embedded into the culture of the County Council, with Members and managers at all levels recognising that risk management is part of their job. • Ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports. • Ensure effective internal control arrangements exist for sound financial management systems and processes. • Maintain a Strategic Policy, Strategy & Performance Board that meets regularly. The Board receives a suite of performance dashboards, which draw attention to concerns with performance, describe recovery plans, and escalate issues for discussion and action to EMT. • Ensure that a regular Corporate Performance report is produced and used to hold Cabinet Members and officers to account.	• Audit, Risk & Governance Committee • Money Matters Budget Reports • Approach to Risk Management and publication of a quarterly Corporate Risk & Opportunity Register • Annual Governance Statement • New Officer Board structure • Corporate Performance report • Internal Audit Reports • O&S arrangements • Information Governance Strategy • Data Protection Policy • Companies - account filed in accordance with all regulations, Companies House Database, LEP performance committee, own audit & finance committees e.g. active companies, Quarterly monitoring reports, Regular financial monitoring reports, Risk Management reports • External Auditors letter & reports • Internal Audit Plan 2024/2025 • Lancashire County Pension Fund - Annual Governance Statement of Compliance • Peer Reviews • Local Code of Corporate Governance • External reports protocol • Directors Assurance statement • Directorate Project Plans and Risk Registers

		• Health and Wellbeing Board revised terms of reference • Health and Wellbeing Strategy Delivery Plan • Lancashire Insight website • Medium Term Financial Plan • Minutes of committee meetings • Monthly budget monitoring reports • Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private • Partnership Protocol • Statement of Accounts 2023/2024 • Treasury Management Strategy • Webcasting of committee meetings • Public Bond issue • Data Strategy

Lancashire County Council Code of Corporate Governance (Principle 7)

Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will:	This will be evidenced by:
• Implementing good practice in transparency • Implementing good practices in reporting • Assurance and effective accountability	• Comply with the local government transparency code and publish all required information in a timely manner. • Have established a medium-term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review. • Put in place effective transparent and accessible arrangements for dealing with complaints. • Maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall. • Maintain an effective Audit, Risk & Governance Committee which is independent of the Executive and Scrutiny committees. • Ensure an effective internal audit function is resourced and maintained. • Maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. • Attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so • Put in place arrangements for whistleblowing to which staff and all those contracting with the County Council have access.	• Medium Term Financial Strategy • Complaints Procedures • Scrutiny Committees • Audit, Risk & Governance Committee • New Constitution • Modern.Gov • Whistle-blowing Policy • Monthly budget monitoring reports • Annual Pay Policy • Statement of Accounts • External Audit Reports • Annual Governance Statement • Approach to Risk Management & publication of a quarterly Risk & Opportunity register • Companies - Companies House database, LCDL - 2022/23 Statement of Accounts, LEP Assurance Framework, own audit & finance committees e.g. active companies • Data Protection Policy • External inspections e.g., Ofsted • External inspections of accounts • Information Governance Framework • Internal Audit Plan • Internal Audit Reports • Money Matters Budget Reports • O&S arrangements • Performance Reports • New Officer Board structure

	• Produce clear, timely, complete, and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council. • Maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011. • Publish annually details of County Councillors remuneration and expenses	

Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected:
(All Divisions);

Corporate Risk and Opportunity Register - Quarter 1 Update
(Appendices 'A' – 'C' refer)

Contact for further information:
Paul Bond, Head of Governance, Tel: 01772 534676, paul.bond@lancashire.gov.uk

Brief Summary

This report provides an updated (Quarter 1 2024/25) Corporate Risk and Opportunity Register for the committee to consider and comment on. The register has been refreshed to reflect the council's current operating environment and is presented to this committee to provide a progress update and assurance that the current risk management arrangements are both robust and effective.

An Executive Summary is attached at Appendix 'A' and the updated Corporate Risk and Opportunity Register is attached at Appendix 'B'.

The risk entries for Cyber Security, Oracle Fusion Post Implementation, and Building Schools for the Future contain exempt information, so are provided at Appendix 'C' and included in Part II of the agenda.

Recommendation

The Audit, Risk and Governance Committee is asked to consider, comment on, and approve the Executive Summary and the updated Corporate Risk and Opportunity Register.

Detail

This report provides an updated (Quarter 1 2024/25) Corporate Risk and Opportunity Register together with an Executive Summary for the committee to consider and comment on. The register has been updated to reflect the council's current operating environment and is now presented to committee to provide an update and assurance that the current risk management arrangements are both robust and effective.

In line with the council's Risk Management Framework, the Compliance and Assurance Board review the Corporate Risk and Opportunity Register on a quarterly basis, taking account of the current and predicted internal and external environment in which the county council and its strategic partners operate. The Corporate

Register sets out the 'across the board' risks that could threaten the authority's core business and the way it operates.

Below this are directorate registers which are managed by the council's Executive Directors and identify risks that could threaten day to day activities. Where a new directorate risk has a score of 12 or above, it is referred to the Compliance and Assurance Board for consideration for inclusion on the Corporate Register. However, the Compliance and Assurance Board may decide not to escalate such a risk onto the corporate register and ask that it is managed at an operational level. This may be because the Board think that the risk does not threaten the core business of the organisation or that the score has been over inflated (scores are subjective).

This process was discussed at a previous meeting of the Audit, Risk and Governance Committee. Consequently, the committee asked to be informed of instances when a risk has been considered by the Board. For Quarter 1, the Board considered one new risk relating to the council's inability to deliver major transport infrastructure impacting development and growth, health and social inclusion objectives in published plans, strategies, and programmes (at national, regional, county and district levels). This risk has a score of 16 and a target score of 8 (ongoing). The view of the Executive Director for Growth, Environment, Transport and Health, and subsequently the Board, was that this risk should be managed at an operational level and not escalated onto the corporate register. It is anticipated that further mitigations will be put in place shortly that will reduce the risk score.

In terms of the main points for the Quarter 1 update:

- The risks relating to the Oracle Fusion Data Breach and Mental Health Beds have been removed from the corporate register and will be monitored at directorate level.

- The Risk Confidence Profile RAG rating for the Workforce (CORP2) risk has changed from red to amber as the service is more confident that it will achieve the target score by the target date.

- The risk description for several of the corporate risks has been updated to better reflect the nature of the risk.

- Additional impact assessments regarding reputation and financial loss/impact have been added to the template.

- The recommendation from the External Auditor regarding a direction of travel assessment has been incorporated into the register.

Appendices

Appendices 'A' - 'C' are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	Executive Summary

Appendix 'B'	Corporate Risk and Opportunity Register – Quarter 1 2024/25
Appendix 'C'	Risk entries for Cyber Security, Oracle Fusion Post Implementation, and Building Schools for the Future – contain exempt information and therefore included in Part II of the agenda.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to develop and maintain a Corporate Risk and Opportunity Register means the council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel

N/A

Reason for inclusion in Part II, if appropriate:

Appendix 'C' to this report is included in Part II of the agenda because it contains exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972:

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

- Information relating to any action taken or to be take in connection with the prevention, investigation or prosecution of crime.

Corporate Risk and Opportunity Register

Executive Summary

Quarter 1 (April – June) 2024-25

Angie Ridgwell, Chief Executive

Since the last risk report, there has been little change in the risk profile of the existing risks however the risk in relation to the Oracle Fusion data breech has been removed following mitigation and confirmation from the Information Commissioner that the matter had been managed effectively and that no further action was necessary. Many of these risks are reflective of either a national position or a partner issue over which our levers to mitigate are limited. As a result, the risk relating to Mental Health Beds has also been removed from the corporate register. That does not mean that the council does not respond to and manage these risks, but simply recognises the fact that it can take time to reduce them to a level aligned to our risk appetite.

Three of our highest risks remain around financial sustainability, our workforce, as well as improvement and transformation of our services. These are all intrinsically interlinked alongside demand and capacity management which are also on the risk register. It is essential that we focus on our ability to innovate and be creative to ensure that we provide the most efficient and effective services that enable our residents to be as independent and self-sufficient as possible. This will free up our constrained resources to focus on the most vulnerable residents who need more assistance as well as those universal services that make all our residents' lives easier.

Using technology and retaining a motivated, skilled, healthy, and adaptable workforce are critical to managing these risks and delivering the best possible outcomes. Significant work is in hand to build the infrastructure to secure these opportunities including our People Strategy which was launched last year and our Digital Strategy that is in development. Our relatively strong financial position gives us the opportunity to capitalise and build on our strengths.

As we progress with the strategic and structural changes to change our delivery model it is equally important to respond to the immediate challenges particularly around demand in social care, SEND, home to school transport, and public expectations of our services in general. New investment in our special educational needs and home to school transport services are being targeted to improve response times and address backlogs.

Our partners, particularly across the public sector, are also critical to achieving our strategic ambitions and face their own challenges. The Integrated Care System is experiencing a significant financial pressure with the Integrated Care Board (ICB) forecasting a £148m deficit in its last monitoring report, despite additional support from NHS England. This is posing a risk to previously agreed arrangements and creating fragility within the partnership. We continue to liaise closely across the Lancashire and South Cumbria footprint with a view to navigating these challenges as a supportive partner to the ICB in the best interests of our residents.

Across the organisation, risks are being proactively managed with appropriate mitigating actions in place. We will continue to monitor and respond to external threats and foster positive relationships with partners to help manage a Lancashire wide response where appropriate, recognising the strength in unity. Strong governance and a good line of sight to inform effective strategic decision making and manage both strategic and operational risk remains essential; the new governance arrangements including the new Constitution agreed at Full Council recently will assist with this.

Jacqui Old, Executive Director of Education and Children's Services

Our risks relating to children's social care reflect the challenge in securing good quality homes for a small but significant number of children and young people in our care with the most complex needs, for whom we have no choice but to place in unregistered homes. Robust care planning, risk assessments and decision making are helping to mitigate risks. Significantly higher levels of oversight are in place to ensure that we secure the best possible homes and outcomes for children and young people in our care. We continue to work closely with agency providers, and in developing in-house homes, to meet need.

The significant increases in requests for Education, Health and Care Needs Assessments results in continued risks relating to our ability to meet the needs of children and young people with Special Educational Needs and Disabilities in an appropriate and timely manner. Short term investment in additional capacity to help undertake assessments and reviews, together with the establishment of a SEND Helpline in autumn 2023, are providing some mitigation. Following significant investment agreed as part of the 2024/25 budget, further recruitment is underway to ensure that assessments and reviews are progressed, alongside the operation of the Helpline. Alongside this, we are continuing to refresh our Improvement Plan for Inclusion, together with partners, to strengthen the response across the children's system.

Work continues to actively address the challenges posed by the influx of students from other areas and resultant pressures on school places. Through collaboration with Asset Management and with Lancashire's schools, we are working to ensure that all districts have sufficient school places, allowing children to receive the education they deserve.

Louise Taylor, Executive Director of Adult Services

This quarter work has been focused around developing a clear operational plan for people who are waiting for assessment and review. The directorate has made good progress in securing additional resource to improve performance in completion of annual reviews through the application of additional government grant (Market Sustainability and Improvement Fund). This will be also followed by additional investments to reduce waits linked to Deprivation of Liberty Safeguards (DoLS) assessments whilst capacity within the social care teams will be focused on initial reviews, reassessments, and Community DoLS. Work is also underway to ensure risk is being RAG rated in all our waiting lists.

Preparation is underway linked to implementing the strength-based practice model from 1 July which includes ensuring all staff are trained as well as changes to IT system which reflect the model. Staff and managers will be supported by a new practice and managers handbook. Policies and procedures will also be made more easily accessible to staff and residents through the new policy and procedure portal on the internet. This approach sees a change to how the service will manage demand with the establishment of the Wellbeing and Early support function which will create three front doors to triage community referrals for adult social care for north, east and central. By offering residents access to advice, guidance, and community-based support in the first instance we expect Lancashire will follow trends in other local authorities which has resulted in reducing the need for specialist social care solutions. Data is informing how the model will be implemented and how many staff we will need to respond to both new contacts into the council as well as existing people who are already open to social care. Applying this methodology will also assist in understanding productivity and responding to those waiting for assessments and reviews in the medium-term.

The departmental risk confidence in respect of the workforce (CORP2) has reduced from red to amber. The directorate has appointed a new Director of Quality and Practice / Principal Social Worker who is responsible for delivering the directorate's workforce strategy. Pressures remain linked to retention and turnover. Positive news overall as vacancy rates have reduced from 20% to 15%. We also know however that there are some service areas that have vacancy levels double this and specific action plans are being developed to ensure risks can be mitigated.

Mark Wynn, Executive Director of Resources

Financial sustainability remains one of our biggest risks and it is encouraging that our projected revenue underspend has continued to improve. However, a significant risk factor is in relation to savings delivery, as the budget is based on the delivery of both new and previously agreed savings. It is pleasing to report that mitigation plans have been implemented to reduce the financial impact both in-year and within the Medium-Term
Financial Strategy. The delivery of the capital programme is also on target.

To ensure the council continues to manage this medium-term risk a significant review of all council services is underway to identify best practice from across the country and opportunities to achieve better outcomes for less cost. The outcomes of this review will further support our drive for financial sustainability.

Good progress is being made on developing a clear role and identity for the Resources Directorate. This will enable us to better support the organisation and help mitigate both strategic and operational risks. The second year of Business and Service Planning has focused on the delivery of the council's priorities. As part of the planning process, we have integrated our approach to both risk management and workforce planning to help us ensure we get the right resources in place, at the right time.

In terms of change and improvement, our priority change portfolio has been agreed with the Executive Management Team. Further scoping of programmes and projects is underway to enable forecasting and allocation of resources and production of programme plans for key areas including SEND, Adults Services quality and practice elements and in-house residential review. Recommendations from the change programme health check are being implemented. Recruitment to the Change Service is in progress, with internal and external recruitment taking place and work to deliver against the service redesign financial targets is progressing, with the first redesign project commencing in April 2024.

On the digital front, we are refreshing our digital strategy and reducing risk from cyber-attacks by improving our security. Good progress continues with the delivery of our property strategy, aimed at delivering savings, providing suitable locations for service delivery, and managing our carbon impact. We are already moving forward with options that will help deliver, and possibly exceed the target for the next financial year.

Work on improving our governance arrangements continues at pace. The new Constitution was approved by Full Council in March and a new Scheme of Delegation for Officers is being implemented. Work is progressing on the Devolution Deal for Lancashire and Legal Services are providing support for the Building Schools for the Future programme and other major development projects to minimise the risk to the council.

Our People Strategy has been developed which gives a coherent and cohesive direction of travel for the business in terms of attraction, recruitment, retention, and development with associated metrics. It is anticipated that this will help mitigate some of our recruitment and retention challenges. We are supporting the Council to robustly manage sickness levels. This continues to be a key priority including more targeted work that differentiates clearly between approaches to short term and long-term absence management.

Phil Green, Executive Director of Growth, Environment, Transport and Health

The directorate remains focused on mitigating risks wherever possible, as set out within the risk registers. The rising costs of home to school transport continues to form part of the financial and demand risk to the Council and mitigation of this pressing issue continues to be worked on by various teams across the council as well as being addressed in the council's budget and Medium-Term Financial Strategy

An emerging risk relates to the procurement of the 0-19 health visiting and school nursing service and the transfer to a new provider from 1 April 2024. The transfer (of service, data and staff via TUPE) is subject to delays with legal and financial implications that have been escalated to ensure appropriate mitigation to reduce the risks to an appropriate level.

As the council faces financial pressures, macro-economic conditions continue to pose investment, development, and construction risks. However as reported in the Q3 performance report, whilst inflation is still high (particularly relating to construction costs), investor markets are now 'guardedly optimistic' with improved confidence. Risks to the delivery of major projects continue to be carefully monitored and mitigated. Increased funding opportunities for infrastructure projects, such as the recently announced Local Transport Funding, continue to emerge which can help mitigate financial gaps. The full potential of this in terms of addressing risks will be better understood when guidance is published.

Detailed assessment of priorities, managing external risk and the allocation of staff is crucial in maintaining delivery as well as a considered approach to securing new funding for projects. Increased funding, whilst welcome, increases the pressure on already stretched staffing resources to delivery additional programmes of work, with recruitment for additional roles being highly competitive.

Progress continues to be made towards a Devolution Deal and Combined County Authority within Lancashire ('LCCA'). Following approval by the respective Full Councils, the post-consultation proposal has been formally submitted to the Secretary of State. Subject to approval of the next steps, in partnership with Blackpool and Blackburn with Darwen councils, management of the process in the next nine months is crucial, accepting some risks such as the calling of a General Election in 2024, before the LCCA has been put in place, are beyond the control of the three councils.

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

<table>
<tr><td>Risk Description</td><td colspan="10">CORP1: Sustainability – Medium Term Financial Strategy
Failure to deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities.</td></tr>
<tr><td>Risk Owner</td><td colspan="10">Executive Director of Resources: Mark Wynn</td></tr>
<tr><td>Last Update</td><td colspan="2">Q1 2024/25</td><td colspan="2">Target Date</td><td colspan="2">March 25 / ongoing</td><td colspan="4"></td></tr>
<tr><td>Target Score</td><td colspan="2">Amber (12)</td><td colspan="2">Target Likelihood</td><td colspan="2">Possible 3</td><td colspan="2">Target Impact</td><td colspan="2">Major 4</td></tr>
<tr><td>Current Score</td><td colspan="2">Red (16)</td><td colspan="2">Current Likelihood</td><td colspan="2">Probable 4</td><td colspan="2">Current Impact</td><td colspan="2">Major 4</td></tr>
<tr><td>Risk Confidence Profile
(Likelihood of achieving target score by target date)</td><td>22/23</td><td>Q3</td><td>Q4</td><td>23/24</td><td>Q1</td><td>Q2</td><td>Q3</td><td>Q4</td><td>24/25</td><td>Q1</td></tr>
<tr><td>Reputation Impact Assessment</td><td colspan="2">Moderate</td><td colspan="2">Financial Impact Assessment</td><td colspan="2">Band 8</td><td colspan="2">Expected Direction of Travel</td><td colspan="2">↔</td></tr>
<tr><td>Progress</td><td colspan="10">

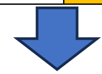
Overall, the council has an appropriate level of reserves available to manage the financial risks it is facing within the medium-term financial strategy (MTFS) period. However, additional savings will be required to bring the council to a financially sustainable position.
The 2024/25 revenue budget was approved at Full Council in February following the outcome of the local government finance settlement and final taxbase information from district councils, with a very small contribution from reserves of £0.856m following and with £37m of new agreed savings.
The updated MTFS is forecasting a gap of £10.4m in 2025/26 and £3.3m in 2026/27 however there are a number of risks inherent within that forecast position including future levels of demand for service, inflationary changes and savings delivery, with c£100m of agreed savings embedded within the 2024/25 budget and MTFS.
2024/25 Quarter 3 monitoring position presented to Cabinet in February showed a forecast small revenue overspend of £5.828m (0.56% of the revenue budget) with pressures on demand-led services, particularly children's social care and home to school transport being mitigated by offsetting cost reductions.
Update on the proposed 2025/26 budget development process was presented to EMT w/c 11/3/24 and work is progressing with district councils regarding improved local tax collection.

</td></tr>
</table>

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

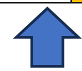
<table>
<tr><td>Risk Description</td><td colspan="10">CORP2: Workforce
Unable to attract and recruit candidates and retain staff leading to an inability to deliver services.</td></tr>
<tr><td>Risk Owner</td><td colspan="10">Executive Director of Resources: Mark Wynn</td></tr>
<tr><td>Last Update</td><td colspan="2">Q1 24/25</td><td colspan="2">Target Date</td><td colspan="2">March 25 / ongoing</td><td colspan="4"></td></tr>
<tr><td>Target Score</td><td colspan="2">Amber (9)</td><td colspan="2">Target Likelihood</td><td colspan="2">Possible 3</td><td colspan="2">Target Impact</td><td colspan="2">Major 3</td></tr>
<tr><td>Current Score</td><td colspan="2">Red (16)</td><td colspan="2">Current Likelihood</td><td colspan="2">Probable 4</td><td colspan="2">Current Impact</td><td colspan="2">Major 4</td></tr>
<tr><td>Risk Confidence Profile
(Likelihood of achieving target score by target date)</td><td>22/23</td><td>Q3</td><td>Q4</td><td>23/24</td><td>Q1</td><td>Q2</td><td>Q3</td><td>Q4</td><td>24/25</td><td>Q1</td></tr>
<tr><td>Reputation Impact Assessment</td><td colspan="2">Low</td><td colspan="2">Financial Impact Assessment</td><td colspan="2">Band 0</td><td colspan="2">Direction of Travel</td><td colspan="2">↔</td></tr>
<tr><td>Progress</td><td colspan="10">
People strategy developed which gives a coherent and cohesive direction of travel for the business in terms of attraction, recruitment, retention, and development with associated metrics.
A new People Services operating model to commence in April 2024 with key priorities established and including a talent acquisition function.
Review of contingent workforce being refreshed to identify required staffing levels and skills and recruitment process to be redesigned and benchmarked against emerging and best practice.
Leadership and management performance framework agreed and ready for roll out.
Revised approach to strategic workforce planning launched November 2023 and has been integrated into the business planning process.
Adult Social Care vacancy rate reducing overall from 20% to 15% over last 12 months (however still running at 30% in some services such as Acute Services).
</td></tr>
</table>

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

Risk Description	**CORP3: Promoting Independence and Reducing Demand** Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services									
Risk Owner	Executive Director of Adult Social Care: Louise Taylor and Executive Director of Education and Children's Services: Jacqui Old									
Last Update	Q1 24/25		**Target Date**		March 25 / ongoing					
Target Score	Amber (9)		**Target Likelihood**		Possible 3		**Target Impact**		Moderate 3	
Current Score	Amber (12)		**Current Likelihood**		Probable 3		**Current Impact**		Major 4	
Risk Confidence Profile (Likelihood of achieving target score by target date)	**22/23**	**Q3**	**Q4**	**23/24**	**Q1**	**Q2**	**Q3**	**Q4**	**24/25**	**Q1**
Reputation Impact Assessment	High		**Financial Impact Assessment**		Band 8		**Direction of Travel**			
Progress	**Adult Social Care** Waiting lists and backlogs are a priority in the improvement plan. Facilitate Consultancy leading the review and have secured additional resource to support the reduction in people waiting. New strength-based practice model will improve processes around front-line assessment and the creation of new Wellbeing and Early support function will reduce waiting times. Focus on 'demand management' through Adult Social Care Savings programme/Finance Board, participation in hospital escalation calls to undertake mitigating actions required as appropriate, and ongoing dialogue with partners. **Placements for Children with Complex Needs** Where our Children Live Capital Bid to DfE and bid to DfE for children's home capital funding both successful, and proposals to develop additional in-house home support supported by specialist NHS team. Low occupancy complex needs in house children's homes being developed to meet need. Recruitment strategy in place to equip our workforce with the skills and knowledge to meet the needs of these children. **SEND** Additional SEN Units continue to be established and agreement to establish new SEN provision in North of the County. Refreshed Alternative Provision Strategy 2023-26 agreed by Cabinet September 2023. SEND Inspection readiness work continues to strengthen oversight and refreshing the SEND Improvement Plan. Strengthened Early Help offer through Family Hubs Networks and further Hubs being launched in March 2024. However, there is currently a backlog of Education, Health and Care Plans and a recovery plan is in place to ameliorate the issue.									

	Home to School Transport The service is introducing more attractive Transport Assistance Grants (TAG) and putting additional resources into encouraging their uptake. (A TAG is a regular payment to a parent/carer to provide transport themselves for their eligible children. Many families find the payment very attractive, and we benefit from considerable cost savings cf. a taxi). Independent Travel Training is being pursued to give young people the skills to travel on conventional transport. (This gives young people valuable life skills whilst reducing our costs). A Dynamic Purchasing System (DPS) has been introduced to manage transport tenders and the option for reverse auctions is included. Additional vehicles are to be introduced into the in-house fleet of minibuses. Most of the new vehicles will have a lower capacity which will have the benefits of being able to be deployed flexibly and driven by drivers who don't possess D101 licence exemptions. This will help us to consolidate journeys on several taxis and will particularly help where taxi provision is weak and/or costly. We are looking to keep single occupancy journeys to a minimum recruit additional drivers and passenger assistants and service budgets are being increased to accommodate additional costs.

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

<table>
<tr><td>Risk Description</td><td colspan="10">CORP4: Customer Centric Service Delivery
That the council will not be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed over the 4 years of the current MTFS period 2022/23-2025/26</td></tr>
<tr><td>Risk Owner</td><td colspan="10">Executive Director of Resources: Mark Wynn</td></tr>
<tr><td>Last Update</td><td colspan="2">Q1 24/25</td><td colspan="2">Target Date</td><td colspan="2">March 25 / ongoing</td><td colspan="4"></td></tr>
<tr><td>Target Score</td><td colspan="2">Amber (9)</td><td colspan="2">Target Likelihood</td><td colspan="2">Possible 3</td><td colspan="2">Target Impact</td><td colspan="2">Moderate 3</td></tr>
<tr><td>Current Score</td><td colspan="2">Red (16)</td><td colspan="2">Current Likelihood</td><td colspan="2">Probable 4</td><td colspan="2">Current Impact</td><td colspan="2">Major 4</td></tr>
<tr><td>Risk Confidence Profile
(Likelihood of achieving target score by target date)</td><td>22/23</td><td>Q1</td><td>Q2</td><td>23/24</td><td>Q1</td><td>Q2</td><td>Q3</td><td>Q4</td><td>24/25</td><td>Q1</td></tr>
<tr><td>Reputation Impact Assessment</td><td colspan="2">Moderate</td><td colspan="2">Financial Impact Assessment</td><td colspan="2">Band 8</td><td colspan="2">Direction of Travel</td><td colspan="2"></td></tr>
<tr><td>Progress</td><td colspan="10">Revised change governance in place through the Change and Digital Board, meeting monthly and Priority Change portfolio agreed by Executive Management Team in Jan 2024.
Single view of change requirements developing through collaboration between Change and Digital Board and People Board, plus links to property programme and contracts programme.
Change Service restructure completed and recruitment ongoing, with service live by March 2024. Service redesign proofs of concept completed with phasing plan in place with first redesign commencing April 24. Work underway on Resources-wide redesign and agreed areas of the council's blueprint.</td></tr>
</table>

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

Risk Description	**CORP5: School Places** Insufficient school Places in some parts of Lancashire meaning children and young people are missing out on education.									
Risk Owner	Executive Director of Education and Children's Services: Jacqui Old									
Last Update	Q1 24/25		**Target Date**		March 25					
Target Score	Amber (9)		**Target Likelihood**		Possible 3		**Target Impact**		Moderate 3	
Current Score	Amber (12)		**Current Likelihood**		Possible 3		**Current Impact**		Major 4	
Risk Confidence Profile (Likelihood of achieving target score by target date)	**22/23**	**Q3**	**Q4**	**23/24**	**Q1**	**Q2**	**Q3**	**Q4**	**24/25**	**Q1**
Reputation Impact Assessment	Moderate		**Financial Impact Assessment**		Band 5		**Direction of Travel**			
Progress	• Developed approaches to better support new arrivals to county/country including support to address language barriers. • Publicity, including social media has reduced the number of late applications, and the website now shows levels of subscription for individual schools and maps of geographical priority areas. • Officers attend open evenings for the most oversubscribed schools, and year 6 parent information sessions are held in the areas with the most pressure for places. • The expansion of popular schools and the number of places available for Year 7 pupils has been increased, as has the availability of places in higher year groups to accommodate in-year admissions. • Consultations have taken place in respect of primary and secondary schools in Preston. • 11 secondary schools increased their intake of pupils to reflect the growth in demand.									

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

Opportunity Description	**Opportunity ID CO1: Sub Regional Place Leadership and Governance** There is an opportunity for Lancashire to secure appropriate sub-regional governance, powers and resource to maximise shared outcomes and priorities (e.g. Combined Council Authority and Devolution Deal(s)) through Central Government legislation, negotiation, reorganisation or other mechanism.									
Risk Owner	Executive Director of Growth, Environment, Transport and Heath: Phil Green									
Last Update	Q4 23/24		**Target Date**		Autumn 25					
Target Score	Blue (16)		**Target Likelihood**		Possible 3		**Target Impact**		Major 4	
Current Score	Light Blue (12)		**Current Likelihood**		Probable 4		**Current Impact**		Major 4	
Risk Confidence Profile (Likelihood of achieving target score by target date)	**22/23**	**Q3**	**Q4**	**23/34**	**Q1**	**Q2**	**Q3**	**Q4**	**24/25**	**Q1**
Reputation Impact Assessment	Moderate (positive)		**Financial Impact Assessment**		Band 8 (positive)		**Direction of Travel**			
Progress	• A Devolution Deal was signed by the 3 UTLA Leaders and the Levelling Up Minister in November 2023. Full Council approval for the deal and subsequent consultation was achieved in late November. • The process for securing the Deal and the CCA is ongoing with risks being managed. • Resources required to support the next phase of work, drawing on all UTLAs is being agreed, ahead of a more detailed design of the CCA Governance, Organisational design, and funding proposals. • Resource allocation and recruitment proposals are being considered.									

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

Scoring Matrix

	CATASTROPHIC (for risk) OUTSTANDING (for opportunity)	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

Risk Estimation

It is important that the council as a whole uses the same methodology to calculate risk to ensure that LCC has an accurate overview of the risks that are posed. The risks are scored using two criteria scales that are then multiplied together to produce a total score by which the risk is assessed as to the impact to the directorate and then to the council. The two criteria used are the Likelihood of an event occurring and the Impact that event could have.

Corporate Risk and Opportunity Register – Quarter 1 (April – June) 2024/25

Corporate Impact Assessment Criteria of Risk Category								
Scale	**Financial (Cost per annum)**	**Reputational**	**Physical Injury/Health and Safety**	**Environmental Damage**	**Service/Operational Disruption/Key Targets/Objectives**	**Statutory Duties/ legal Implications**	**Partnership Implications**	**Stakeholder Implications**
5 Very High	>£25,000,000	Lasting or permanent brand damage resulting from adverse comments in national press and media. Members/Officers forced to resign	Death or severe life-changing injuries	Major national or international	Severe disruption/loss of service more than 7 days	Multiple Litigation	Complete failure / breakdown of partnership	Stakeholders would be unable to pursue their rights and entitlement and may face life threatening consequences
4 High	£10,000,000 to <£25,000,000	Temporary brand damage from coverage in national press/media	Extensive or multiple injuries/ Incidents reportable to HSE	Major local impact	Disruption/Loss of service less than 7 days	Litigation	Significant impact on partnership or most of expected benefits fail	Stakeholders would experience considerable difficulty in pursuing rights and entitlements
3 Medium	£5,000,000 to <£10,000,000	Extensive coverage in regional press/radio/TV/social media	Serious injuries/ incidents reportable to HSE	Moderate locally	Disruption/Loss of service less than 48 hours	Ombudsman	Adverse effect on partnering arrangements	Some minor effects on the ability of stakeholders to pursue rights and entitlements, eg other sources or avenues would not be available to stakeholders
2 Low	£2,5000,000 to <£5,000,000	Minor adverse comments in regional press/social media	Minor (i.e. first aid treatment)/ No time lost from work	Minor locally	Internal disruption only, no loss of service	Individual Claims	Minimal Impact on Partnership	Minimal impact without needing to look at other sources or avenues
1 Negligible	<£2,500,000	Minimal adverse comments with minimal press/social media	None	None/ Insignificant	No loss of service	No impact	No Impact	No impact

Likelihood Scoring

5	**Almost certain**	The event is expected to occur every year.

4	**Probable**	The event could occur every year.
3	**Possible**	The event could occur every two years.
2	**Unlikely**	The event could occur every five years.
1	**Rare**	The event could occur every 10 years or longer.

Reputational Risk

Each risk is assessed for the potential reputational brand damage to the council if the risk materialised.

Extremely high	Lasting or permanent national/local brand damage resulting from adverse comments in national press and media. Members/officers almost certainly forced to resign. For example – S114 notice or criminal investigation.
High	Temporary national/local damage lasting up to two years from coverage in national and/or regional press/media. Members/officers potentially forced to resign. For example – major service failure leading to inadequate inspection.
Moderate	Temporary local brand damage lasting up to one year from extensive coverage in regional press/media. For example – budget savings resulting in service reduction or inability to meet demand pressures.
Low	Temporary local brand damage lasting up to a few weeks from minor adverse comments in regional press/social media. For example – response to local incident such as flooding or fire and/or Ombudsman reports.
Extremely low	Negligible local brand damage from limited adverse comments with minimal press/social media. For example – closure of a local service point.

Financial Risk

Each risk is assessed for the potential range of capital and/or revenue loss to the council if the risk materialised.

Band 8	Loss over £20 million
Band 7	Loss between £10 million and £20 million
Band 6	Loss between £5 million and £10 million
Band 5	Loss between £3 million and £5 million
Band 4	Loss between £1 million and £3 million
Band 3	Loss between £100,000 and £1 million
Band 2	Loss between £50,000 and £100,000
Band 1	Loss under £50,000

Band 0	No financial loss

Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected:
N/A;

Local Member Grants Scheme Annual Report

Contact for further information:
Josh Mynott, Head of Democratic Services, Tel: 01772 534580,
josh.mynott@lancashire.gov.uk

Brief Summary

Under the Local Member Grants Scheme, each county councillor has a specific budget which they can spend to support the work of voluntary, community and faith sector groups in their local community.

Monitoring of the money awarded under the Local Member Grants Scheme is conducted by Democratic Services. This is an annual report to the Audit, Risk and Governance Committee on the outcomes of that monitoring activity, in line with the committee's responsibility for oversight of the county council's governance and risk management.

This annual report covers the 2022/23 and 2023/24 financial years.

Recommendation

The Audit, Risk and Governance Committee is asked to consider the Local Member Grants Scheme Annual Report.

Detail

On 16 December 2021, Full Council approved the reintroduction of the Local Member Grants Scheme with effect from 1 January 2022. Under the Scheme, each county councillor has a specific budget which they can spend to support the work of voluntary, community and faith sector groups in their local community.

To support the reintroduction of the Scheme and in line with the powers granted by the Local Government and Public Involvement in Health Act 2007, the Leader of the Council has authorised individual county councillors to take formal decisions on behalf of the county council. This legislation does not apply to Cabinet Members as they already have these decision-making powers.

Every decision taken by a county councillor to award a grant under the Scheme is available to view on the county council's website here:

https://council.lancashire.gov.uk/mgDelegatedDecisions.aspx?bcr=1&DM=0&DS=2&K=0&DR=&V=0

Each year, county councillors are allocated a budget of £2,000 to award to organisations in their area and can also carry forward a maximum of £200 that was unspent in the previous financial year.

In addition, Full Council approved two increases to each county councillor's budget of £500, in commemoration of the Platinum Jubilee of Queen Elizabeth II in 2022/23 and the Coronation of King Charles III in 2023/24. Accordingly, county councillors had a total budget of £2,500 to award in those financial years, plus any funds carried over.

In accordance with the Local Member Grants Scheme rules, grants must be awarded to not-for-profit organisations, used to fund projects that will directly benefit the community, and fit in with the council's corporate priorities particularly 'caring for the vulnerable' and 'protecting the environment'.

The information below provides a summary of the money awarded under the Local Member Grants Scheme for 2022/23 and 2023/24.

2022/23

In total, 486 applications were submitted to the Local Member Grants Scheme in 2022/23. 413 grants were approved by councillors, totalling £183,007.82.

£8,216.02 of unspent budget was carried forward into the next financial year (a maximum of £200 per councillor) and £28,189.72 was reallocated to the care leavers' budget.

2023/24

In total, 549 applications were submitted to the Local Member Grants Scheme in 2023/24. 452 grants were approved by councillors, totalling £191,114.96.

£6,756.66 of unspent budget was carried forward into the next financial year and £18,780.40 was reallocated to the care leavers' budget.

The grants awarded were categorised as follows:

Category	Number of grants awarded
Community events	172
Equipment	107
Sports and leisure	40
Community facilities	36
Repairs and renovations	28
Education and PTFAs	23

Other	18
Environment and climate change	11
Healthy living	8
Cost of living	4
Older people	3
Parks and play areas	2

Monitoring of the money awarded under the Local Member Grants Scheme is conducted by Democratic Services. After an organisation's project has ended or six months after a grant has been awarded, the organisation is contacted to request evidence of their expenditure. This is to ensure the money awarded has been spent in line with the Scheme rules and as agreed by the local councillor(s).

The information below provides the Audit, Risk and Governance Committee with a summary of the outcomes of this monitoring activity for 2022/23 and 2023/24, in line with the committee's responsibility for oversight of the county council's governance and risk management.

2022/23

			Satisfactory evidence of use		No or unsatisfactory evidence of use	
Month	**Total number of grants awarded**	**Total amount awarded (£)**	**Total no. responses received**	**Total amount (£)**	**Total no. responses outstanding**	**Total amount (£)**
Apr 2022	34	12,074.98	33	11,824.98	1	250.00
May 2022	64	23,069.78	60	21,069.78	4	2,000.00
Jun 2022	23	9,046.00	20	7,701.00	3	1,345.00
Jul 2022	26	8,985.00	25	8,735.00	1	250.00
Aug 2022	9	3,220.00	7	2,220.00	2	1,000.00
Sep 2022	30	13,065.00	25	9,915.00	5	3,150.00
Oct 2022	23	9,976.70	16	5,426.70	7	4,550.00
Nov 2022	31	14,417.57	27	12,012.60	4	2,404.97
Dec 2022	29	14,606.06	23	10,788.56	6	3,817.50
Jan 2023	21	10,803.00	17	8,023.00	4	2,780.00
Feb 2023	42	17,973.41	38	16,166.55	4	1,806.86
Mar 2023	81	45,770.32	67	37,505.32	14	8,265.00
Total	**413**	**183,007.82**	**358**	**151,388.49**	**55**	**31,619.33**

For the period from 1 April 2022 to 31 March 2023, a response providing satisfactory evidence of expenditure has been received in relation to 87% of grants, equating to 83% of the total value awarded. This information is correct as of 1 April 2024.

Where evidence of expenditure is outstanding, Democratic Services have made regular contact with the organisations. The main reason for delayed or outstanding evidence is a delay to organisations' projects, meaning they have not spent the grant money yet.

2023/24

			Satisfactory evidence of use		No or unsatisfactory evidence of use	
Month	**Total number of grants awarded**	**Total amount awarded (£)**	**Total no. responses received**	**Total amount (£)**	**Total no. responses outstanding**	**Total amount (£)**
Apr 2023	52	21,239.98	32	11,082.98	20	10,157.00
May 2023	39	17,197.00	20	7,387.00	19	9,810.00
Jun 2023	44	14,124.98	9	2,328.00	35	11,796.98
Jul 2023	41	13,763.44	2	850.00	39	12,913.44
Aug 2023	32	13,964.28	2	1,200.00	30	12,764.28
Sept 2023	28	11,073.60	0	0.00	28	11,073.60
Total	**236**	**91,363.28**	**65**	**22,847.98**	**171**	**68,515.30**

For the period from 1 April 2023 to 30 September 2023, a response providing satisfactory evidence of expenditure has been received in relation to 28% of grants, equating to 25% of the total value awarded. This information is correct as of 1 April 2024.

For grants awarded from 1 October 2023 onwards, very few project dates have passed and therefore few organisations have been able to provide their evidence of their expenditure. Updated information for the 2023/24 financial year will be provided in the next annual report to the Audit, Risk and Governance Committee in April 2024.

The total number of grants awarded over the last six months is as follows:

Month	**Total number of grants awarded**	**Total amount awarded (£)**
Oct 2023	24	9,923.35
Nov 2023	33	13,028.87
Dec 2023	13	4,795.20
Jan 2024	31	14,600.53
Feb 2024	50	25,854.78
Mar 2024	65	31,548.95

Total	**216**	**99,751.68**

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Legal

There are no legal implications identified.

Finance

As set out in this report.

Risk management

Democratic Services maintain an effective audit trail of the money awarded under the Local Member Grants Scheme.

Monitoring is intended to be proportionate and takes into account that the organisations receiving the money are often small, volunteer groups with limited resources, meaning that it is important to keep requests for paperwork to a minimum and to be flexible with the type and nature of evidence accepted. Where no reply is received, this is followed up and, as previously recommended by the Audit, Risk and Governance Committee, the relevant county councillor informed.

In some cases, organisation may never respond to Democratic Services' requests for evidence of expenditure or may provide evidence that does not sufficiently demonstrate how they have spent their grant money. However, these cases are limited.

Organisations which do not provide satisfactory evidence are noted by Democratic Services. Should they reapply for a Local Member Grant in future, the decision-making county councillor(s) will be informed that the organisation has previously not provided evidence of expenditure.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper Date Contact/Tel

N/A

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Council

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected:
(All Divisions);

Annual Report on the Lancashire Culture and Sport Fund

Contact for further information:
Julie Bell, Head of Cultural Services, Tel: 01772 536727,
Julie.Bell@lancashire.gov.uk

Brief Summary

The report is a review of the Lancashire Culture and Sport Fund which began in December 2022. The report outlines the processes, expenditure and evaluation of the fund and its reach to date.

Lancashire Culture and Sport Fund was introduced in 2022/23 to improve access to culture and sport and improve wellbeing. Crowdfund Lancashire is the crowdfunding platform that administers the Lancashire Culture and Sport Fund. Crowdfund Lancashire and the Lancashire Culture and Sport Fund empower Lancashire communities to shape the culture and sport offer where they live, giving community groups autonomy to fund and deliver projects in their locality. The fund is managed by the Cultural Development team in Cultural Services.

This is the first report to the Audit, Risk and Governance Committee on the outcomes of the fund's monitoring activity, in line with the committee's responsibility for oversight of the county council's governance and risk management.

This report covers the period December 2022 to April 2024. Future reports will be made annually.

Recommendation

The Audit, Risk and Governance Committee is asked to consider the Annual Report on the Lancashire Culture and Sport for December 2022 to April 2024.

Detail

In February 2022, Full Council agreed to provide a match fund to support the culture and sport sector with annual support of £500,000. Officers researched match fund models across the country to develop an effective approach to support cultural and sport activity. This fund would be called the Lancashire Culture and Sport Fund.

The model, agreed at Cabinet in September 2022 was a match crowdfund model. Approximately 30 local authorities currently adopt similar schemes that enable people to show their support for projects which would make a difference in their communities. Following research meetings with colleagues from the Digital Business Engagement team it was agreed that the digital, professional and legal requirements required for the platform could not be delivered internally and that an external provider would need to be sourced. The procurement of a crowdfunding supplier followed and Spacehive was the successful supplier with a significant portfolio of experience working with other local authorities across England. The fund's platform pages are called Crowdfund Lancashire with eligible projects supported through the Lancashire Culture and Sport Fund.

Crowdfund Lancashire therefore works in partnership with Spacehive, to help communities raise funds to improve their local areas. Spacehive offer a comprehensive service hosting the Crowdfund Lancashire platform, providing a technical support team as well as specialist expertise in crowdfunding and project management for communities.

Crowdfund Lancashire launched with an introductory round in December 2022. From the 2023/24 financial year onwards, the annual fund has been split across two funding rounds.

Crowdfund Lancashire gives people a chance to create local culture and sport projects and support the projects which matter most to them. Anyone can contribute towards their community by giving as little as £2 to help bring ideas to life. If it matters to our communities, it matters to Lancashire County Council, who will support eligible projects with a pledge from the £500,000 Lancashire Culture and Sport Fund.

To be eligible for this fund, a project must:

- Support cultural or sporting activity of benefit to the wider community;
- Contribute to improving quality of life for Lancashire residents through culture or sport; and
- Involve the public as audience or participants.

If the project is to fund a capital project, the project should still have a tangible benefit. Priority is given to projects that improve access to culture and sport, contribute to the county council's corporate priorities, and enable free or low-cost activity for public benefit.

Funding Strands

- Community organisations could get a pledge of up to £15,000 (or a maximum of 50% of target) towards a crowdfunding campaign. This amount was reduced from £20,000, following the Community, Cultural and Corporate Services Scrutiny Committee 6 February 2024, in response to the significant demand of eligible projects. The reduction to £15,000 maximum will take effect in 2024/25.

- Town and parish councils are also encouraged to apply for a pledge of up to £5,000 (or a maximum of 50% of target).
- Businesses and individuals with ideas to boost the culture and sports offering in their area could receive up to £1,500 (or a maximum of 50% of target) to make it happen.

Support for Projects from December 2022 – April 2024

Appendix A provides a full list of projects supported by the Lancashire Culture and Sport Fund to April 2024 including the monitoring and evaluation received.

Since its inception, £819,809 has been pledged by the Lancashire Culture and Sport Fund, with the total raised in external pledges so far being over £1.5m. As the recent Lancashire Culture and Sport Fund round was only agreed in March 2024, those projects are only just starting to fundraise. The fund has provided opportunities for more community cohesion, a reduction in social isolation and an improvement in the health, wellbeing and cultural experience of Lancashire's residents.

The eligibility criteria for the fund were developed through lengthy consultation with the independent cultural sector, district council colleagues, leisure trusts, Active Lancashire, Arts Lancashire, colleagues in Public Health, Democratic Services, economic development, and the Cabinet Member for Community and Cultural Services. This was to ensure the criteria reflected the needs and wanted outcomes of the cultural and sport sector in the county. The criteria have been adapted subsequently to reflect learning, address gaps and target identified priority areas over the last 18 months. Through the project creation process on the Spacehive platform, applicants must provide adequate information and explanation to how the project meets the eligibility criteria. Applicants are also required to explain how their project contributes to one or more of the council's corporate priorities.

Leading up to and following the launch, the Cultural Development team has engaged with the district councils, hosting collaborative events in their localities and attending community forums to spread information about Crowdfund Lancashire. The team also engaged with community wide agencies, such as Active Lancashire, Arts Lancashire, Creative Lancashire, and Lancashire Football Association as well as local community/voluntary services and local frontline teams at libraries, leisure centres and community centres. The team also engaged with the two unitary authorities of Blackpool and Blackburn with Darwen to address support for projects taking place across authority boundaries.

There is a deadline for each round, following which all projects are checked against the eligibility criteria by a panel to agree suitability for Lancashire Culture and Sport Funding and a pledge amount. The panel consists of County Councillor Peter Buckley, Cabinet Member for Community and Cultural Services and Steve Lloyd, Libraries, Culture and Registration Services Manager.

Appendix B sets out the eligibility criteria for the Lancashire Culture and Sport Fund.

All projects successful in securing a pledge from the Lancashire Culture and Sport Fund have 12 months from the date they complete their funding campaign to deliver their project and submit their project impact assessment. Any project creators not complying with this cannot apply again.

Project creators are supported to help identify additional funds from district councils, local and national trusts and foundations, as well as ongoing support with raising off-line pledges through fundraising events and financial support from businesses. The team have effective relationships with relevant national and local trusts, foundations, funders and businesses and keep them up to date with projects each round.

At the start of each round, officers and Spacehive work closely with the potential project creators and community groups to refine, highlight and pinpoint the project so it is in the best shape it can be before crowdfunding starts. Spacehive are responsible for the verification of projects including ratifying costs of the project by asking projects for evidence of quotations, confirming the project's legitimacy through analysing the need, and authorising evidence of event permits, planning permissions and other parties' involvements.

Over the past 18 months, Crowdfund Lancashire has achieved one of the highest success rates with projects which reach their fundraising target. This has resulted in Crowdfund Lancashire and Lancashire County Council receiving a 'gold standard rating' from Spacehive. Lancashire County Council is the second-largest funding local authority on the crowdfunding platform.

Appendix C provides case studies for the projects supported through the Lancashire Culture and Sport Fund.

Summary of Outcomes

- For every £1 Lancashire County Council contributes to the Lancashire Culture and Sport Fund, this levers at least another £1.50 in external pledges to support projects in local communities.

- Crowdfund Lancashire and Lancashire Culture and Sport Fund supports creative and physical activities within communities where there is little other affordable access, supporting the wellbeing of those communities.

- Crowdfund Lancashire and Lancashire Culture and Sport Fund galvanises individuals to feel better equipped, confident, and empowered to develop their local culture or sport offer, by supporting them to become constituted groups which provides the opportunity to secure more funding.

- Crowdfund Lancashire and Lancashire Culture and Sport Fund empowers Lancashire communities to shape the culture and sport offer where they live, giving community groups autonomy to fund and deliver projects that are of need in their locality.

- Crowdfund Lancashire and Lancashire Culture and Sport Fund enables community groups to be more resilient both in terms of funding and organisational structure, by providing one-to-one support on project management and crowdfunding.

The team has also worked with the Procurement Service to further encourage additional pledges from the council's corporate partners. For example, the council's new Social Value Policy (implemented in Autumn 2023) uses Crowdfund Lancashire as a recommendation for how suppliers can support community projects. The team hope to see projects in future rounds be supported through this policy.

Appendices

Appendices A to C are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	List of projects supported by the Lancashire Culture and Sport Fund to April 2024, including the monitoring and evaluation information
Appendix 'B'	Eligibility criteria for the Lancashire Culture and Sport Fund
Appendix 'C'	Case studies for the projects supported through the Lancashire Culture and Sport Fund

Consultations

Implications:

This item has the following implications, as indicated:

Legal

The services of Spacehive were procured in October 2022 on a 2 + 1 + 1 basis which means the first two years were agreed to 2024 and after this the council can agree to continue on a year-by-year basis for the next two years.

Finance

The current round of applications closed on 14 February 2024, after which the panel agreed the level of support for projects on 4 March 2024. All projects in that round have now started their fundraising. The support from Lancashire Culture and Sport Fund is added after the project campaign reaches 20 donations from the public. If the project fails to reach its target, all the funds are reimbursed including to the Lancashire Culture and Sport Fund.

Risk management

All project campaigns are first verified by Spacehive which includes checking that any permissions are in place.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Round 1 Projects – 2022-23

Project Creator	Project Title	Total Raised	LCSF Pledge	Link
Birley Studios	New Art in Preston	£28,189.00	£14,095.00	https://www.spacehive.com/the-birley---bringing-new-art-to-preston
Blackpool Symphony Orchestra	Blackpool Symphony Orchestra goes to Lytham	£2,764.00	£1,382.00	https://www.spacehive.com/blackpoolsymphonyorchestralytham
Blaze Arts	Stand Out: youth led LGBT+ heritage	£35,355.00	£17,678.00	https://www.spacehive.com/standout
The Blue Flamingo Cafe	Help grow the Blue Flamingo Cafe	£14,637.00	£7,319.00	https://www.spacehive.com/help-grow-the-blue-flamingo-cafe
Braille IT	Visually Impaired and Blind Touch Tours	£10,418.00	£5,209.00	https://www.spacehive.com/visually-impaired-and-blind-touch-tours
Burnley Youth Theatre	Celebrating 50 Years of BYT	£20,386.00	£10,193.00	https://www.spacehive.com/byt50
Chorley Heritage Centre Group	Chorley's Windrush Generation	£934.00	£467.00	https://www.spacehive.com/chorley-s-windrush-generation
Church and Oswaldtwistle CC	Church CC - Space to Grow	£13,276.00	£6,638.00	https://www.spacehive.com/churchcc-space-to-grow
Churchtown Children's Festival	Celebrate 100 years Memorial Hall	£3,477.00	£1,739.00	https://www.spacehive.com/celebrating-memorial-hall-100-years
Clitheroe Contemporary	A new Art Festival for Ribble Valley	£25,913.00	£12,957.00	https://www.spacehive.com/clitheroe-contemporary
Coppull Parish Council	Coppull's Picnic in the Park	£1,846.00	£923.00	https://www.spacehive.com/coppull-s-picnic-in-the-park-2023
Croston Netball Club	Croston Netball Junior Division	£4,710.00	£1,500.00	https://www.spacehive.com/croston-netball-junior-division
East End Bowling Club	Disabled facility for East End Bowling Club	£21,391.00	£10,695.00	https://www.spacehive.com/east-end-bowling-club-disabled-facility
Edenfield Cricket Club	Transform Edenfield CC Clubhouse	£20,682.00	£10,341.00	https://www.spacehive.com/edenfieldcc
Emma Rucastle	A Community Production of Faust	£3,364.00	£1,500.00	https://www.spacehive.com/lancasterfaust

Appendix A

Garry Cook	Art on the streets of Preston	£2,824.00	£1,417.00	https://www.spacehive.com/art-preston
High Five	Wellbeing Wednesdays	£4,294.00	£2,147.00	https://www.spacehive.com/hi5wellbeing-wednesdays
Hyndburn Arts Ltd	A walk to the Faerie Caves	£5,738.00	£2,335.00	https://www.spacehive.com/a-walk-to-the-faerie-caves
Lancaster Association of Boys and Girls Clubs	Summer Holiday Activity Youth Programme	£9,588.00	£4,794.00	https://www.spacehive.com/lancashire-youth-activity-programme
Lancaster BID	Lancaster Dino Day 2023	£34,355.00	£17,154.00	https://www.spacehive.com/lancasterdinofest
Lancaster Music Festival CIC	Be part of Lancaster Music Festival	£11,659.00	£5,830.00	https://www.spacehive.com/be-part-of-lancaster-music-festival-2023
Lara Momesso	Voices of Lancashire	£2,577.00	£1,289.00	https://www.spacehive.com/voices-of-lancashire
Leyland Barracudas Swimming Club	Swimming for all in Leyland	£3,437.00	£1,720.00	https://www.spacehive.com/leylandbarracudas
LPM Dance	Keep Wyre Grooving	£16,620.00	£8,310.00	https://www.spacehive.com/keepwyregrooving
Longton VM	More community bowling for Longton VM	£19,245.00	£9,623.00	https://www.spacehive.com/more-community-bowling-at-longton-vm
Lostock Hall Carnival Committee	Putting Lostock Hall back on the map	£5,114.00	£2,557.00	https://www.spacehive.com/putting-lostock-hall-back-on-the-map
Lowther Pavilion	Lowther Pavilion Outdoor Education/Culture Space	£26,635.00	£13,318.00	https://www.spacehive.com/lowther_learn_perform
Luneside and Rosebank Bowling and Recreation Club	Luneside Lancaster - Heating the Future	£3,970.00	£1,985.00	https://www.spacehive.com/lunesidebowlingclublancaster
Martyn Rawlinson	Best of Preston	£2,180.00	£1,090.00	https://www.spacehive.com/best-of-preston
MD Fitness	Active Hodder Play Library	£1,200.00	£600.00	https://www.spacehive.com/active-hodder-play-library
Mid Pennine Arts	Help Pendle Radicals survive and thrive	£24,173.00	£12,087.00	https://www.spacehive.com/pendleradicals
More Music	Catch the Wind Kite Festival in Morecambe	£28,083.00	£14,042.00	https://www.spacehive.com/catch-the-wind-kite-festival-morecambe

New Longton Sports and Social Club	Changing Room refurbishment and upgrade	£53,229.00	£20,000.00	https://www.spacehive.com/nlssc-changing-rooms
North Lancs Down Syndrome Family and Carer Group	Inclusive Dance for all Lancaster	£4,919.00	£2,100.00	https://www.spacehive.com/everybody-dance
Over Kellett Jubilee bells project	Over Kellet Jubilee bells project	£43,758.00	£20,000.00	https://www.spacehive.com/over-kellet-jubilee-bells-project
Pendle Ski Club	Pendle Ski Club needs new slope matting	£37,751.00	£18,882.00	https://www.spacehive.com/pendleskiclub
Positive Placemakers CIC	The Romans are back in Kirkham	£88,610.00	£20,000.00	https://www.spacehive.com/the-romans-are-back-in-kirkham
Preston Caribbean Carnival Ltd	Recreate iconic carnival costumes	£11,210.00	£5,605.00	https://www.spacehive.com/recreate-iconic-carnival-costumes
Preston Playhouse	Refurbish Preston Playhouse	£19,528.00	£9,764.00	https://www.spacehive.com/preston-playhouse
Ribble Valley Climate Action Network	Citizens Summit for Climate and Nature	£4,071.00	£2,036.00	https://www.spacehive.com/ribblevalleyclimatesummit
Rivington Heritage Trust	Help fund Rivington's Festival of Light	£45,598.00	£7,000.00	https://www.spacehive.com/rivington
Rossendale Badminton League	Promoting Junior Badminton in Rossendale	£1,944.00	£609.00	https://www.spacehive.com/promoting-junior-badminton-in-rossendale
Scott Robertson	Flamenco workshops in Lancashire	£1,894.00	£948.00	https://www.spacehive.com/lancashireflamencoinfive
Sewing Together with Sew Gemsy	To Grow a Sewing Group in Barnoldswick	£715.00	£357.00	https://www.spacehive.com/sewing-together
Soundskills	Soundskills repairs fund for Brookfield	£33,148.00	£16,574.00	https://www.spacehive.com/soundskills
Stacksteads Countryside Park Group	Stacksteads Lantern Parade	£6,947.00	£3,474.00	https://www.spacehive.com/stacksteads-lantern-parade
Tarleton Cricket Club	Improved Community Cricket Tarleton	£14,155.00	£7,078.00	https://www.spacehive.com/improved-community-cricket-for-all
The Wellbeing Experience	Family Wellbeing Festival Rivington	£45,825.00	£12,000.00	https://www.spacehive.com/it-s-mental---wellbeing-festival

Wildwood days CIC	Woodland Festival in Brinscall	£2,746.00	£1,373.00	https://www.spacehive.com/woodland-festival-in-brinscall

Round 2 Projects – 2023-24

Project Creator	Project Title	Total raised	LCSF pledge	Link
Rosemary & Time	Growing Rosemary & Time Dementia Support	£8,755.00	£3,484.00	https://www.spacehive.com/growing-rosemary-and-time-dementia-support
Active Lancashire	East Lancs 600 Cycle-Recycle-Challenge	£39,421.00	£12,818.00	https://www.spacehive.com/active-cycles
The Bay International Film Festival	The Bay International Festival	£20,844.00	£3,217.00	https://www.spacehive.com/thebayfilmfestival
Building Bridges Burnley	Men's Minds Matter	£18,829.00	£6,761.00	https://www.spacehive.com/mens-minds-matter
Burnley Boys and Girls Club	Mental Health support sessions - Burnley	£12,560	£6,378.00	https://www.spacehive.com/3cunityhopehousechtc
Carousel Music & Movement	Run a Dementia Choir in Ormskirk	£8,914.00	£3,250.00	https://www.spacehive.com/memoriesrmade
Catherine Eaglestone	Mindful Drama Lancaster	£3,186.00	£1,500.00	https://www.spacehive.com/mindful-drama-lancaster
Certain Curtain Theatre Company	Help us combat domestic abuse	£19,996.00	£10,033.00	https://www.spacehive.com/ladyinred
Encounter Festival	Encounter Festival Torchlight Procession	£24,419.00	£6,687.00	https://www.spacehive.com/encounter-festival-torchlight-procession
Fleetwood Town Wren Rangers FC	Provide Playing & Training Facilities	£7,732.00	£3,931.00	https://www.spacehive.com/provide-training-and-playing-facilities
Friends of Lowther Pavilion	Lowther Studio Theatre -User Experience	£27,550.00	£11,274.00	https://www.spacehive.com/lowther-sound-lighting
FoFS Collective	Community Sports Day - Preston	£508.00	£190.00	https://www.spacehive.com/-school--sports-day
Garry Cook	Fill the Frame Preston	£2,895.00	£1,475.00	https://www.spacehive.com/frame-preston
Goofus Theatre	Puppetry & Lancashire History	£31,500.00	4,500.00	https://www.spacehive.com/puppetry-and-lancashire-history

Horse + Bamboo	Waterfoot Wakes 2024	£21,516.00	£8,708.00	https://www.spacehive.com/waterfoot-wakes-2024
Jars of Joy CIC	Step into Joy Fest 2024	£11,451.00	£5,563.00	https://www.spacehive.com/step-into-joy-fest--24--fleetwood
LABGC	Lancashire Sea Changers	£5,169.00	£2,622.00	https://www.spacehive.com/lancashire-seachangers
Leyland Pirates FC	Leyland Pirates FC Project Worden	£15,845.00	£3,873.00	https://www.spacehive.com/leyland-pirates-fc-project-worden
Madni Dawah Academy	Developing our active outdoor space	£43,020.00	£20,000.00	https://www.spacehive.com/developing-our-active-outdoor-space
Mid Pennine Arts	Burnley Canal Festival 2023	£27,766.00	£9,823.00	https://www.spacehive.com/burnley-canal-festival
Mirador Arts	Light Up Lancaster's Heritage	£39,410.00	£11,955.00	https://www.spacehive.com/light-up-lancaster-heritage
Morecambe Sparkle CIC	Baylight 24 Community Parade Night	£22,564.00	£7,047.00	https://www.spacehive.com/baylight-community-parade
Ormskirk Cricket Club	Ormskirk Cricket Club Netfix Appeal	£ 34,034.00	£17,269.00	https://www.spacehive.com/ormskirk-cricket-club-netfix-appeal
Ormskirk & District Family History Society	Sharing People's History of West Lancs	£3,125.00	£1,542.00	https://www.spacehive.com/sharing-west-lancs-historical-archives
Popber Lancaster CIC	Lancaster Chinese New Year Festival 2024	£11,935.00	£4,256.00	https://www.spacehive.com/lancaster-chinese-new-year-festival-2024
Preston Opera	Preston Opera Production Fund	£2,198.00	£546.00	https://www.spacehive.com/prestonoperafund
SVP Chorley Buddies	Chorley Buddies Activity Buddies	£25,828.00	£7,804.00	https://www.spacehive.com/chorley-buddies-activity-buddies
Thornton Cleveleys Gala	Thornton Cleveleys Gala 126 Celebration	£6,821.00	£2,445.00	https://www.spacehive.com/thornton-cleveleys-gala-126-celebration
Totally Local Lancaster	Festa Italia and LIFF	£19,690.00	£6,365.00	https://www.spacehive.com/festa-italia-liff
Well Arty	Songs of Life Preston	£6,911.00	£2,179.00	https://www.spacehive.com/songs-of-life-preston
Warton Cricket Club	Developing and improving Warton CC	£5,035.00	£2,533.00	https://www.spacehive.com/developing-and-improving-warton-cc
West End Players	Morecambe Poetry Festival 2023	£41,020.00	£10,000.00	https://www.spacehive.com/morecambe-poetry-festival-2023

Round 3 Projects – 2023-24 (current round)

Project Creator	Project Title	LCSF pledge	Link
Afreen Hussain	Sisters Youth Club	£1,021.00	https://www.spacehive.com/sisters-youth-club
Anthony Padgett	Morecambe People's Biennial	£1,232.00	https://www.spacehive.com/morecambe-biennial2024
Bil Bas	Woodcarving in Lancaster	£198.00	https://www.spacehive.com/wood-carving-in-lancaster
Blog Preston CIC	Grow arts coverage in Preston	£2,602.00	https://www.spacehive.com/grow-arts-coverage-in-preston
The Butterfly Effected CIC	Transforming Fleetwood with mural art	£10,525.00	https://www.spacehive.com/thebigheartproject
Cathedral Studios & Rehearsal Room Blackburn	Oakfest 2024 Music Rehearsal Workshops	£1,500.00	https://www.spacehive.com/oakfest-2024-music-rehearsal-workshops
Chorley Sheds Group	A Roof Over Our Chorley Sheds	£2,306.00	https://www.spacehive.com/a-roof-over-our-sheds
Church & Oswaldtwistle CC	Safe, Sustainable and Seen - Church CC	£3,896.00	https://www.spacehive.com/safesustainableseen
Clayton-le-Woods Parish Council	Summer Clayton Cup	£627.00	https://www.spacehive.com/summer-clayton-cup
Clitheroe Contemporary	Connecting the Ribble Valley - CC24	£10,835.00	https://www.spacehive.com/clitheroestory
Clitheroe Tennis Club	Clitheroe Tennis Club Court Resurfacing	£17,026.00	https://www.spacehive.com/clitheroe-tennis-club-court-resurfacing
Community Mind Connect CIC	Local Film Event, Lancaster	£7,992.00	https://www.spacehive.com/showtime
Connect Community Groups CIC	Singing by the Sea from 5 to 103	£5,038.00	https://www.spacehive.com/singing-by-the-sea-5-to-103
Cotton Shed Theatre Company	Cotton Shed: Inclusive Theatre	£11,948.00	https://www.spacehive.com/cottonshed
Eccleston Cricket Club	New Junior Teams Development	£8,341.00	https://www.spacehive.com/juniordevelopment

Friends of Lancaster Library	Renovate Lancaster Children's Library	£792.00	https://www.spacehive.com/renovatelancasterchildrenslibrary
Friends of Leyland Library	Leyland Library 50th Birthday Party	£546.00	https://www.spacehive.com/leyland-library-50th-birthday-party
Friends of the Roods	Football in the Park for Warton	£2,210.00	https://www.spacehive.com/football-in-the-park-for-warton
Fylde Coast Mates	Better Outcomes for Fylde Autistic Youth	£436.00	https://www.spacehive.com/help-support-autistic-fylde-residents
Fylde Hockey Club	Shoot for Glory with Fylde Hockey Club	£2,123.00	https://www.spacehive.com/shoot-for-glory-with-fylde-hc
Gary Quinn	Preston Live Outdoors	£1,500.00	https://www.spacehive.com/preston-live-outdoors#/idea
The Greater Good CIC	Music and Movement in Care Homes	£4,054.00	https://www.spacehive.com/musicmovement-for-care-homes
Green Close	Kirkham Thrives	£10,000.00	https://www.spacehive.com/kirkham-thrives-enabling-wellbeing
Hope St	Continuity of Hope Street Community Cafe	£11,451.00	https://www.spacehive.com/hope-street-community-cafe-and-hub
Just Like Me CIC	Digital Art and Animation SEND Sessions	£613.00	https://www.spacehive.com/digital-art-send-sessions
King Street Arts CIC	Wellbeing Paint with Acrylics Workshops	£3,429.00	https://www.spacehive.com/wellbeing-paint-with-acrylics-workshops
The Ladies That...	Ladies That Splash!	£1,500.00	https://www.spacehive.com/ladies-that-splash
Lancaster Music Festival CIC	Lancaster Family Music Festival 2024	£ 6,893.00	https://www.spacehive.com/lancaster-family-music-festival-2024
Leyland Cricket Club	Leyland Cricket Club Practice Facilities	£17,398.00	https://www.spacehive.com/leyland-cricket-club-practice-facilities
Leyland Warriors Rugby Club	Lighting the way for inclusive rugby	£4,210.00	https://www.spacehive.com/lighting-the-way-for-all-inclusive-rugby
Lostock Hall & St Gerard's FC	New Changing Room Development	£18,542.00	https://www.spacehive.com/lsgfc

Lucy Reynolds	Rimski and the Rush	£1,253.00	https://www.spacehive.com/rimski-and-the-rush
Marjan Wouda	A Clitheroe sculpture tells its story	£8,435.00	https://www.spacehive.com/clitheroestory
Martyn Rawlinson	Best of Lancashire	£825.00	https://www.spacehive.com/best-of-lancashire
Morecambe BID CIC	Family Activities at Vintage by the Sea	£10,687.00	https://www.spacehive.com/vintage-by-the-sea
Northern Silents	Silents by the Sea festival in Morecambe	£4,682.00	https://www.spacehive.com/silents-by-the-sea
Phil Cain	Community Fitness and Wellbeing Classes	£1,500.00	https://www.spacehive.com/communityfitnessclasses
Preston City Mela	Preston City Mela Talent Development	£18,190.00	https://www.spacehive.com/preston-city-mela-talent-development
Preston Symphony Orchestra	Preston Symphony Orchestra	£2,096.00	https://www.spacehive.com/preston-symphony-orchestra
Queer By Gum CIC	Queer By Gum FC | Pitch Hire & Training	£918.00	https://www.spacehive.com/queerbygumfc
Scott Robertson	Lancashire Learns Flamenco in Five	£813.00	https://www.spacehive.com/lancashirelearnsflamencoinfive
Simon Sharp	The Camera Work	£1,461.00	https://www.spacehive.com/the-camera-work
Solo Parents United Northwest Football Club	SP United Support Kids Football in Wyre	£535.00	https://www.spacehive.com/spunited-share-skills-in-football-catch-confidence
Spring into Action CIC	Relationships through art & creativity	£7,019.00	https://www.spacehive.com/relationships-art-creativity#/idea
St Anne's FC	She Shoots! She Scores! with St Anne's FC	£4,288.00	https://www.spacehive.com/she-shoots-she-scores-with-st-annes-fc
Stimulus Ltd	Lancs Women Dance Together	£2,905.00	https://www.spacehive.com/lancswomendancetogether
STRIVE Fleetwood	FlakeFest 2024 - Fleetwood Music Festival	£7,974.00	https://www.spacehive.com/flakefest2024_fleetwood_musical_festival
St Stephen's Preston	Hartington Hut Community Art	£1,092.00	https://www.spacehive.com/hartington-hut-community-art

St Thomas's Church	Community Climate Change Day Pendleside	£765.00	https://www.spacehive.com/climate-change-pendleside
Warehouse Unit 7 CIC	Leyland Skatepark Improving Facilities	£14,620.00	https://www.spacehive.com/warehouseskatepark
Weavers Uprising Bicentennial Committee	Rise Up! Remember the Weavers Uprising	£4,384.00	https://www.spacehive.com/lancashireweaversuprising

Monitoring and Evaluation from Completed Projects

			Impact Reports Received				Impact Reports Due*	
Funding Round	**Total number of grants awarded**	**Total amount awarded**	**Total no. impact reports received**	**Total amount**	**Total no. impact reports not completed due to project still ongoing**	**Total amount**	**Total no. Impact reports due**	**Total amount**
Round 1	50	£350,734.00	33	£225,220.00	8	£85,115.00	8	£38,660.00
Round 2	31	£193,650.00	4	£25,362.00	20	£120,619.00	7	£47,669.00
Total	**81**	**£544,384.00**	**37**	**£250,582.00**	**28**	**£205,734.00**	**15**	**£86,329.00**

* Each project creator has 12 months from the date of reaching their crowdfunding campaign to complete their project and submit an impact report. The column which shows Impact Reports Due relates to projects which have been completed but the Impact Report has not yet been received. 12 of these are still within the 12-month period so are still within the deadline for submission.

Lancashire Culture and Sport Fund Criteria (Winter 2023-24)

The Lancashire Culture and Sport Fund has been developed to support culture and sport projects in the community with the aim of improving people's health, wellbeing and cultural experience.

This is a funding programme focused on encouraging community involvement and activity within Lancashire. Projects go live on the designated crowdfund platform (Spacehive) and raise money through pledges of financial support. The Lancashire Culture and Sport Fund can consider support to top up the pledges to help projects reach their target. To get a pledge from the Lancashire Culture and Sport Fund, projects need to show and demonstrate broad community support by attracting individual pledges onto their campaign.

The scope of the fund is to support:

- Cultural activity including art, music, literature, poetry, heritage, dance, theatre, craft, photography, film, design, museums, archives, and community arts festivals

- Sporting activity including community-based sports clubs, outdoor pursuits, competitions and events, walking and gentle exercise, health and wellbeing.

- Projects must deliver public benefit and not be for the purpose of profit-making activity.

Organisations, parish/town councils, and individuals will be able to apply and, providing certain criteria is met, Lancashire County Council will top-up the pledges raised, with a maximum pledge of 50% of a project's target.

There are three strands to the Lancashire Culture and Sport Fund these are:

- Not-for-profit organisations: for constituted groups and organisations supporting up to 50% of a project target with a maximum contribution of £20,000.

- Parishes: for parish/town councils supporting up to 50% of a project target with a maximum contribution of £5,000.

- Individuals/businesses: for individuals or businesses running projects which are to provide a cultural / sport activity to a community on a not-for-profit basis supporting up to 50% of a project target with a maximum contribution of £1,500.

Lancashire County Council want to see projects coming forward from all parts of the county and from all communities, particularly from areas with high levels of deprivation.

We are particularly interested in hearing from disadvantaged communities or those on low incomes including those from Black, Asian and Minority Ethnic communities and the LGBTQ+ community.

Each year Lancashire Culture and Sport Fund will have two rounds for raising money. A round is the period when campaigns are ‘live’ and actively seeking pledges. Each round will be up to three months. Applicants may have no more than one live project per round. Each round will have approximately £250,000 available to support projects.

Please note, in the first two rounds, many projects pitched to the Lancashire Culture and Sport Fund with some projects receiving less than the maximum pledge and in some cases no pledge at all. Pledges are awarded based on those projects that most strongly meet the priorities of the fund. Not all projects fundraising on Crowdfund Lancashire have received a Lancashire Culture and Sport Fund pledge.

Projects who have been successful in previous rounds may not be prioritised to receive the maximum pledge amount in future rounds.

All projects supported through Lancashire Culture and Sport Fund will be required to submit monitoring and evaluation information to Lancashire County Council which will be used for promotional purposes and producing annual reports ensuring full accountability and transparency. Project creators with completed projects that do not return monitoring, documentation and evaluation will not be considered for support in future rounds.

The criteria of the fund is below:

- Projects must be based in the Lancashire County Council administrative area (explained below) and benefit residents.

- To be eligible for this fund your project must support cultural or sporting activity of benefit to the wider community.

- Please note, organisations with an annual turnover of more than £500,000 are ineligible to apply in this round.

- Organisations: your group must be constituted in some way, have a group bank account (requiring two signatures) and be a not-for-profit organisation designed to deliver benefit to the community (and not designed to create a profit/dividends for shareholders). CICs (Community Interest Companies) and CIO (Community Interest Organisations) are deemed eligible as their activities generate revenue which in turn fund activities that deliver community benefit. The top-up funding eligible for groups and organisations from a Lancashire Culture and Sport Fund round is a maximum of £20,000 (Reducing to £15,000 from the next round)

- Parishes: This is for constituted parish/town councils running a project for community benefit. The top-up funding eligible for parishes/town councils from a Lancashire Culture and Sport Fund round is a maximum of £5,000.

- Individuals/Businesses: This is for individuals or businesses running a project for community benefit. The top-up funding eligible for individuals/businesses from a Lancashire Culture and Sport Fund round is a maximum of £1,500.

- District councils cannot directly apply for funding but can officially partner with a local community group or parish/town council who would apply for the funding. The district council can offer support and can be involved in the delivery of the project, but the organisation, parish/town council or individual/business must lead on the project and be the accountable body.

- Projects involving activities or events must be free or low-cost to all. Events and/or activities that are free of charge may be prioritised. Lancashire County Council reserves the right to review all project costs and make decisions on a case-by-case basis.

- Projects must start within 12 months from the end of the funding round period. One-off events or festivals must take place within six months of the end of the funding round crowdfunding period.

- Projects should contribute to at least one of the following county council's corporate priorities: Delivering better services, Protecting our environment, Supporting economic growth, or Caring for the vulnerable. For more information, see [Corporate priorities - Lancashire County Council]

Priorities for the Lancashire Culture and Sport Fund

- Priority will be given to projects that improve access to culture and sport, contribute to the county council's Corporate Priorities and to projects that enable free or low-cost activity for public benefit.

- Priority will be given to Lancashire led organisations/individuals.

- Events and/or activities that are free of charge may be prioritised.

- Free access events with a direct benefit to participants are likely to receive a higher percentage pledge from Lancashire County Council than paid for events or festivals where there may not be any direct participation benefit.

- A higher percentage pledge may be considered if a project is delivering in an area with identified need for cultural or sporting activity.

- Capital projects which will help widen participation and allow more people to access cultural activity are a higher priority than restoration projects or improvements to facilities such as heating which do not have a direct benefit for access.

- Where there are several similar projects from the same locality, it is likely that one or two projects may be prioritised, in accordance with the eligibility criteria.

- If you have received a pledge of over £10,000 in one round you will be a lower priority in the next round.

Lancashire County Council reserves the right to review all project costs and make decisions on a case-by-case basis.

What can we fund:

- Projects must be based in and benefit residents in Lancashire (Lancashire County Council area).
- Projects must contribute to community based cultural or sporting activity.
- Projects must benefit the wider community and be open to all.
- Projects must contribute to improving places, spaces, or residents' quality of life.
- Projects should involve the public as audience or participants.
- The funding must have a specific purpose and not towards overall organisational costs.
- If the funding is for a capital purchase, it must be for the benefit of the public and have significant impact on culture and/or health and wellbeing.
- Projects should be well planned and managed adhering to all legal obligations, health and safety, risk assessment, public liability, safeguarding requirements and obtaining any relevant permissions.

What can't we fund:

- Activities which have already taken place or are underway.
- Projects put forward for schools (unless administered by the Parent Teachers Association which is classed as a Not-for-profit organisation) – see above under 'Organisations').
- Any projects that take place outside the administrative borders of Lancashire County Council.
- Projects supporting private interests or profit-making.
- Projects taking place to specifically raise funds for charity campaigns, or which will raise money for future non-profit activity/projects.
- Projects that exclude any particular groups in society or those with protected characteristics.
- Religious groups may apply for projects providing public benefit. However, projects that are part of a campaign to promote particular religions, faiths, or political ideologies are ineligible.
- We are not able to fund or backfill statutory provision, local authority teams or district council projects.

- We cannot fund or contribute to the purchasing of property and buildings. We can, however, make contributions to adaptations and improvements to properties once purchased or built, where there is a tangible community benefit from the proposed improvements.

- Capital purchases must clearly demonstrate how they improve access to culture or sport. Capital purchases must do more than improve the quality of experience. They must offer direct cultural impact and/or impact to physical activity to the project's audience and/or participants. Replacement heating and lighting is ineligible.

- Festivals will need to demonstrate that their event will have a lasting impact on the community and offer tangible benefit to visitors.

- Refurbishments of historical venues are not considered as having strong cultural benefit and are not eligible for funding, unless the project also includes a programme of activity that improves access to culture and/or sport.

- Organisations with an annual turnover of more than £500,000 are ineligible to apply.

- We cannot fund projects that are for the improvement of an individual or group’s cultural or sporting practice. Projects must offer benefit to the wider community.

- We cannot fund tours or attendance at events outside of Lancashire.

If a funding round is over-subscribed, Lancashire County Council reserves the right to reduce the maximum amount allocated for funding.

Lancashire County Council's administrative area

To be eligible for a pledge from the Lancashire Culture and Sport Fund, at least 60% of the activity must take place in one or more of the following districts: Burnley, Chorley, Fylde, Hyndburn, Lancaster, Pendle, Preston, Ribble Valley, Rossendale, South Ribble, West Lancashire, Wyre.

Appendix C

Case Studies from Projects Supported by the Lancashire Culture and Sport Fund

Sewing Group in Barnoldswick

Gemma Allen was the first person to successfully fund a project through Crowdfund Lancashire, raising £744 for her 'To Grow a Sewing Group in Barnoldswick' campaign. As an individual and applying for the individual funding strand, Gemma saw a need in her local area for increasing confidence in using a sewing machine. The project raised £744, including support from the Lancashire Culture and Sport Fund in a pledge of £357. Since then, the group has continued to thrive and has now formed a constitution, changing its name to 'The Pendle Stitches'. The group has 16 members and they have taught more than 50 people from their community how to sew and be confident on a machine.

Art on the Streets of Preston

Another individual and established Preston-based creative, Garry Cook, wanted to create a community art exhibition in Preston City Centre: art by Preston residents, for Preston residents. The project created 10 artworks displayed on the high street during the summer of 2023, making culture accessible to everyone in the area. The project raised £2,964, including a pledge from the Lancashire Culture and Sport Fund of £1,417. The success of Art on the Streets of Preston encouraged Garry to submit another project in the next funding round. His second project, Fill the Frame Preston, was also successful.

Developing Warton Cricket Club

With increasing usage, many of Warton Cricket Club's facilities required a much-needed refurbishment. This enabled the newly formed women's cricket team to grow. This investment improved the boundary lines, sight screens and existing covers. Improving these facilities has allowed all teams that use Warton Cricket Club to continue to use the facilities, as well as future-proofing the club from the increased usage of the space. This project raised £5,035 with a pledge of £2,533 from the Lancashire Culture and Sport Fund.

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix E

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Appendix C

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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