

Lancashire County Council

Audit, Risk and Governance Committee

Monday 16th October 2023 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 24 July 2023 (Pages 1 - 10)

To be confirmed and signed by the Chair.

4. Approval of the Council's Statement of Accounts for 2022/23 (Pages 11 - 270)

5. Response to the Information Request of the External Auditor (Pages 271 - 284)

6. 2023/24 External Audit Fee Scale (Pages 285 - 302)

7. External Audit: Progress Report and Sector Update (Pages 303 - 316)

8. Internal Audit Progress Report (Pages 317 - 350)

9. Local Member Grants Scheme - Update Report (Pages 351 - 354)

10. Corporate Risk and Opportunity Register - Quarter 3 Update (Pages 355 - 382)



11. 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.

12. Date of Next Meeting

The next meeting of the committee will be held on Monday 29 January 2024 at 2.00 pm at County Hall, Preston.

13. 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)

14. Appendix 'B' to Item 10

(Pages 383 - 394)

(Not for Publication – Exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972.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).

15. RIPA Policy - Annual Review

(Pages 395 - 452)

(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).



16. Oracle Fusion Data Breach - Update

(Pages 453 - 456)

(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).

County Hall
Preston

H MacAndrew
Director of Law and Governance



Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday 24th July 2023 at 2.00 pm in
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

J Berry

J Shedwick

M Clifford

J R Singleton JP

C Edwards

County Councillor N Aziz attended the meeting virtually via Microsoft Teams.

1. Apologies

The Chair welcomed everyone to the meeting.

Apologies were received from County Councillor J Couperthwaite following the close of the meeting.

2. Constitution, Membership and Terms of Reference

The committee considered a report detailing the membership, Chairmanship and Terms of Reference for the 2023/24 municipal year.

Regarding the possible appointment of opposition members as Chair or Deputy Chair of the committee, it was highlighted that both positions were agreed by the Full Council at its Annual Meeting in May.

Resolved: That

- i) The appointment of County Councillor A Schofield as Chair and County Councillor J Singleton as Deputy Chair of the Audit, Risk and Governance Committee for the 2023/24 municipal year be noted;
- ii) The membership of the committee following the county council's Annual Meeting held 25 May 2023 be noted; and



iii) The Audit, Risk and Governance Committee Terms of Reference be noted.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

In relation to Item 13, it was noted that the Chair, County Councillor Alan Schofield and County Councillor Charles Edwards were members of the Local Pensions Partnership Limited Board.

4. Minutes of the Meeting held on 24 April 2023

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 24 April 2023 be confirmed as an accurate record, subject to the first bullet point under Item 3 (Minutes of the Meeting held on 30 January 2023) being amended as follows:

Regarding Minute Item 9, External Audit – Lancashire County Pension Fund Audit Findings Report 2021/22 and the reference to Local Pensions Partnership Investment Limited's review of individual fund manager's reports, for future audits Grant Thornton would ask to see evidence that management had conducted reviews of these reports.

5. Treasury Management Activity 2022/23

Mike Jensen, Director of Investment presented a review of the council's treasury management activities occurring in the financial year 2022/23 and the position at 31 March 2023.

It was highlighted that despite changes in the markets, the council's financial position had been well protected.

In response to a query about debt due to mature within the next 12 months, members were informed it was likely to be repaid rather than refinanced, thereby reducing the council's overall debt position. Any decisions to refinance would preferably be made once current interest rates had fallen.

Members thanked Mike and the treasury management team for their work over the last financial year. It was requested that future reports include a comparison with other local authorities, such as the one presented during the recent training session for committee members, to enable the committee to benchmark the council's performance.

Resolved: That the review of treasury management activity 2022/23, as presented, be noted.

6. Statement of Accounts 2022/23

Khadija Saeed, Head of Corporate Finance presented an update on the council's statement of accounts for the financial year 2022/23.



It was highlighted that publication of the statement of accounts had been delayed due to the implementation of a new accounting ledger in-year. Extra work relating to the ledger's implementation had been expected, however the transition to the new system had taken longer than planned.

In response to questions, members were informed that:

- The draft accounts were expected to be finalised and published by the end of July, and the committee would be asked to approve them at its meeting on 16 October 2023. There were still some reports to finalise relating to the reconciliation of sub-ledgers to the general ledger, but it was more likely than not that these reports and the accounts would be finalised within the month.
- The delay to publication would not have a direct impact on the council's credit worthiness, although publishing the accounts on time was important from a governance perspective. There was a clear explanation for this delay and the finance team were working hard to finalise the accounts as soon as possible.

Resolved: That the delay to the publication of the council's statement of accounts for the financial year 2022/23 be noted.

9. External Audit - Audit Progress Report and Sector Update

The Chair advised that Item 9 – External Audit – Audit Progress Report and Sector Update would be taken after Item 6 – Statement of Accounts 2022/23.

Stuart Basnett, Audit Manager at Grant Thornton UK presented the Audit Progress Report and Sector Update as of July 2023.

It was noted that the status of Interim Audit Findings on the table provided on agenda page 97 was incorrect and should have read 'not yet due'.

Resolved: That the Audit Progress Report and Sector Update for July 2023, as presented, be noted.

7. External Audit - Lancashire County Council Audit Plan 2022/23

Sarah Ironmonger, Partner at Grant Thornton UK presented the Lancashire County Council Audit Plan for 2022/23.

It was highlighted that the timing of the audit work was subject to ongoing dialogue with the council's finance team; it was important council officers were satisfied with the accounts before Grant Thornton started their work. The audit of the statement of accounts for 2022/23 had been delayed accordingly.

It was also noted that a number of additional fees had been included for the 2021/22 audit. The provisional 2022/23 fee was lower because the additional work in relation to the valuation of land and buildings was not expected to recur.

In response to questions, members were informed that:



- 'Clearly trivial' referred to errors identified during the audit which were not considered material to the auditor's overall opinion. The council's finance team would receive a full list of clearly trivial matters.
- When looking at governance arrangements over major projects, the auditors would focus on how the council manages the risks associated with those projects. It was recognised that sometimes local authorities could face difficulty relating to the management of major projects, and therefore this had been identified as a risk for the 2022/23 audit.

Members noted that the auditors needed flexibility to respond to changing issues and guidelines and that the 2022/23 audit fees were subject to increases depending on additional work required and with agreement from PSAA.

Resolved: That the Lancashire County Council Audit Plan 2022/23, as presented, be noted.

8. External Audit - Lancashire County Pension Fund Audit Plan 2022/23

Sarah Ironmonger, Partner at Grant Thornton UK presented the Lancashire County Pension Fund Audit Plan for 2022/23.

It was highlighted that work related to the Pension Fund's audit would start earlier than for the county council's audit so that Grant Thornton could provide district councils' auditors with the necessary assurances.

It was noted that the first paragraph line on agenda page 81 was incorrect and should have referred to Lancashire County Pension Fund.

In response to questions, members were informed that:

- In relation to the valuation of directly held property, the auditors would take into consideration the government's recent announcement and the impact on pension funds generally. Lancashire County Pension Fund's directly held property was also a relatively small proportion of the Fund's overall value.
- The Audit Findings Report for the Pension Fund would normally be presented alongside the report for the county council. It would be provided at a future committee meeting once finalised.

Resolved: That the Lancashire County Pension Fund Audit Plan 2022/23, as presented, be noted.

10. Internal Audit Progress Report

Andy Dalecki, Head of Internal Audit presented an update on the Internal Audit Service's work and outcomes for 2022/23, for the period to 27 June 2023.



In response to questions, members were informed that:

- During an audit, the issues and recommendations would be agreed with the relevant service to ensure they were helpful. Following that, management actions and an implementation date would be agreed; the agreed date would allow the service time to implement any changes and could vary depending on their complexity. A follow-up audit would take place after the implementation date to check the actions had been implemented as agreed. Progress in relation to this follow-up would be reported to the Audit, Risk and Governance Committee as part of the usual progress report (Section 5.3).
- As set out at Section 5.2 of the report, there was one outstanding high-risk audit from 2021/22. The work related to this audit would extend into 2023/24.

In response to concern about the audit of Older People Care Services – Financial Management and the issue of deposit monies being incorrectly held for up to 3 years, members were reassured that new actions had been agreed with the service and would be monitored as part of the follow-up audit. The Internal Audit Service welcomed the committee's support. It was requested that further information on this audit and the service's progress be provided at the next committee meeting on 16 October 2023.

Resolved: That the Internal Audit Progress Report, as presented, be noted.

11. Internal Audit Annual Report 2022/23

Andy Dalecki, Head of Internal Audit presented the Internal Audit Annual Report for 2022/23, which provided limited assurance overall regarding the adequacy of the effectiveness of the council's governance, risk management and control.

It was highlighted that:

- The overall assurance level had decreased since the previous year's annual report. Although the council generally adapted well to changes in its environment, the limited assurance level related to the significant impact of the Oracle Fusion programme, particularly in Quarter 4 and coinciding with end-of-year financial processes. The Oracle Fusion Project Board had been established promptly to address the implementation issues and there was no concern that progress to return the council's control environment to a strong position would not be achieved.
- The Internal Audit Service had completed more audits than in previous years, which reflected the team's hard work and the positive engagement from services across the council. Internal Audit had remained independent throughout the year and received support from the council's Executive Management Team.
- The Data Analytics Strategy was provided for members' information and to respond to a recommendation of the External Quality Assessment undertaken in February 2023.



In response to a query, members were informed that the service's work with outside organisations included Lancashire Constabulary, Lancashire Fire and Rescue Service, and Rossendale Borough Council. The service's resource was regularly evaluated to ensure the county council's internal audit work remained the priority.

Members commented that Local Pensions Partnership Investment Limited's internal audit function was provided by Deloitte. The suggestion for the audit titles and assurance levels provided by Deloitte being presented to the committee was under review.

The committee thanked the Internal Audit team for its work over the last year and commended the extent and coverage of the service's work.

Resolved: That the Internal Audit Annual Report for 2022/23, as presented, be noted.

12. Internal Audit Charter

Andy Dalecki, Head of Internal Audit presented the updated Internal Audit Charter, which had been amended to reflect the Internal Audit Service's approach to combatting and responding to financial crime.

Resolved: That the Internal Audit Charter, as presented, be approved.

13. Review of Arrangements for the Oversight of Council Controlled Companies

Paul Bond, Head of Legal, Governance and Registration presented an update on the work undertaken to strengthen the county council's strategic management of its wholly or partly owned companies.

It was queried whether the Company Member Cabinet Committee's remit should include Local Pensions Partnership and members were informed this matter was currently being discussed by the Monitoring Officer and the Pensions Service.

It was noted that any reports to the committee about issues identified by the Company Member Cabinet Committee would include action plans to address those risks. The risks would also be reported as part of the Audit, Risk and Governance Committee's regular report to Full Council.

Resolved: That

- i) The information about the oversight of council controlled companies, in particular the role of the newly established Company Member Cabinet Committee, be noted; and
- ii) Any risks identified by the Company Member Cabinet Committee in relation to companies be reported to the Audit, Risk and Governance Committee as appropriate.



14. Corporate Risk and Opportunity Register – Quarter 1 Update

Paul Bond, Head of Legal, Governance and Registration presented the updated Corporate Risk and Opportunity Register for Quarter 1 of 2023/24.

It was highlighted that three risk entries relating to cyber security, the Oracle Fusion data breach, and Oracle Fusion post implementation issues contained exempt information and were included in Part II of the agenda.

Regarding Risk CORP2 – workforce recruitment and retention, it was noted that the table on agenda page 205 included a list of possible (rather than definite) causes and the wording would be amended in future reports accordingly. In response to concerns that drawing comparisons to BAE were unhelpful in this context, members were advised that in this case examples were provided to illustrate challenges faced by the council in recruiting to technical roles.

Resolved: That the updated Corporate Risk and Opportunity Register, as presented, be noted.

15. Chairman's Annual Report

County Councillor Alan Schofield, Chair of the Audit, Risk and Governance Committee presented the Chairman's Annual Report for 2022/23.

In addition to the information provided, it was highlighted that an External Quality Assessment of the Internal Audit Service had also been conducted in February 2023 and the positive review outcome had been reported to the committee in April 2023.

Resolved: That the Chairman's Annual Report for 2022/23 be noted.

16. Draft Work Plan 2023/24

The committee reviewed the draft work plan for the Audit, Risk and Governance Committee for 2023/24.

In response to questions from members, it was clarified that:

- The outcome of Internal Audit's Risk and Resilience Framework Review would be reported to the committee on 16 October 2023. This was a significant piece of work aimed at understanding the organisation's culture and linked to a wider review of the council's Constitution.
- The next report on the overpayment of salaries on 16 October 2023 would include the 2022/23 year-end position plus an update for Quarter 1 of 2023/24.
- The External Audit – Auditor's Annual Report would be scheduled for the committee meeting on 29 January 2024, to match Grant Thornton's target dates.



Resolved: That the Audit, Risk and Governance Committee work plan for 2023/24, as presented and reviewed, be noted.

17. Urgent Business

None.

18. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 16 October 2023 at 2.00 pm, at County Hall, Preston.

19. 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.

20. Appendix 'B' to Item 14

(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 interest in disclosing the information.)

The committee considered the private and confidential Appendix B to Item 14 – Corporate Risk and Opportunity Register – Quarter 1 Update.

Resolved: That

- i) Appendix B to Item 14 – Corporate Risk and Opportunity Register – Quarter 1 Update, be noted; and
- ii) A specific report on Risk CORP6 – cyber security be provided at a future committee meeting, following discussion with the service.

21. Counter Fraud, Special Investigations and Whistleblowing Annual 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 interest in disclosing the information.)

Peter Walker, Investigations Manager and Money Laundering Reporting Officer presented a private and confidential report outlining the current fraud risk landscape,



a summary of fraud investigations completed and whistleblowing complaints received in 2022/23, and details of the Internal Audit Service's ongoing and planned anti-fraud work.

It was requested that future reports include information about the time spent investigating whistleblowing complaints and, where possible, the actions taken following complaints not upheld.

Resolved: That the Counter Fraud, Special Investigations and Whistleblowing Annual Report be noted.

H MacAndrew
Director of Law and Governance

County Hall
Preston



Audit, Risk and Governance Committee
Meeting to be held on Monday, 16 October 2023

Electoral Division affected:
(All Divisions);

Approval of the Council's Statement of Accounts for 2022/23
(Appendix 'A' refers)

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

Brief Summary

The Statement of Accounts for Lancashire County Council including those for the Lancashire County Pension Fund are presented at Appendix 'A'.

Recommendation

The Audit, Risk and Governance Committee is asked to **approve** the 2022/23 Statement of Accounts, as presented at Appendix 'A', for Lancashire County Council and Lancashire County Pension Fund.

Detail

The Accounts and Audit Regulations 2015 require the council to consider its Statement of Accounts, either by way of a committee or by the members meeting as a whole and approve them by a resolution of that committee or meeting. This role is undertaken by the Audit, Risk and Governance Committee on behalf of the county council.

The 2022/23 Statement of Accounts was authorised by the Chief Finance Officer and published on the council's website for public inspection beyond the statutory deadline. This was due to the implementation of a new accounting ledger during the financial year. The implementation of the new financial system has meant the following additional verification had to take place before the accounts could be produced:

1. Review balances had been appropriately transferred from the old to the new ledgers;
2. Review that in-year subledger accounting reconciled to the general ledger; and

3. Review accounting for transactions occurring during the data migration period were complete.

These tasks were considered essential in ensuring accounts could be produced that present a true and fair view of the council's financial position and performance.

New reports also needed to be developed and tested to allow the verification of balances and to collate working papers supporting the maintenance of appropriate financial reporting standards.

Therefore, delayed publication was considered appropriate to reduce the amount of time required for any reworking.

The Audit, Risk and Governance Committee is asked to approve the 2022/23 Statement of Accounts, as presented at Appendix 'A', for Lancashire County Council and Lancashire County Pension Fund.

A detailed briefing on these accounts was held for members on 28 September 2023 regarding the council's accounts and on 4 September 2023 for the Pension Fund's accounts.

Appendices

Appendix	Title
Appendix A	Statement of Accounts 2022/23

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 will end on 9 October 2023.

Implications:

This item has the following implications, as indicated:

Risk management

Legal

Regulation 15 of the Accounts and Audit Regulations 2015 requires that the commencement of the period for the exercise of public rights takes place on such a day that ensures that the period includes the first 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates.

Under Regulation 15 (1A) of the Accounts and Audit Regulations 2015, the council published a notice stating that it was not able to commence the period for the exercise of public rights over the period required.



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

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



Statement of accounts 2022/23 *(Subject to audit)*



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Written statements to the accounts



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.

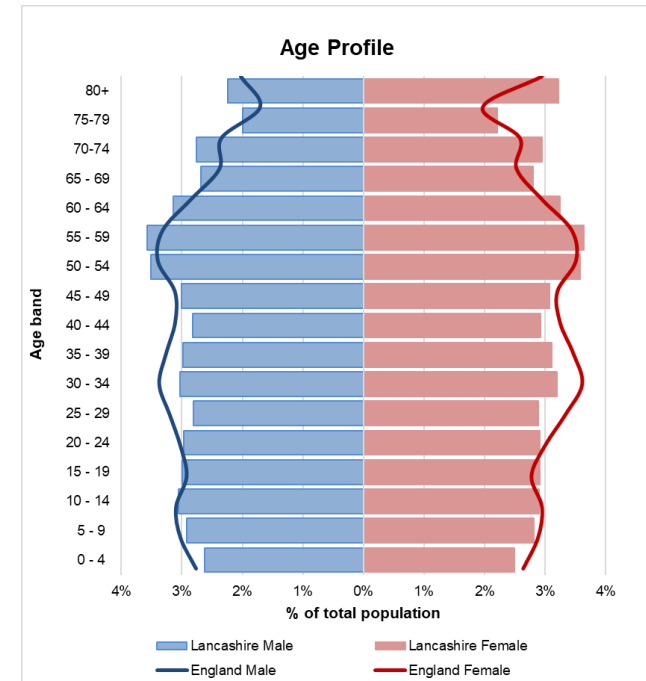
Lancashire contrasts a network of densely populated urban centres set within countryside of outstanding natural beauty. At £27 billion, it is one of the largest economies in the north of England, with around 44,000 businesses.

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.

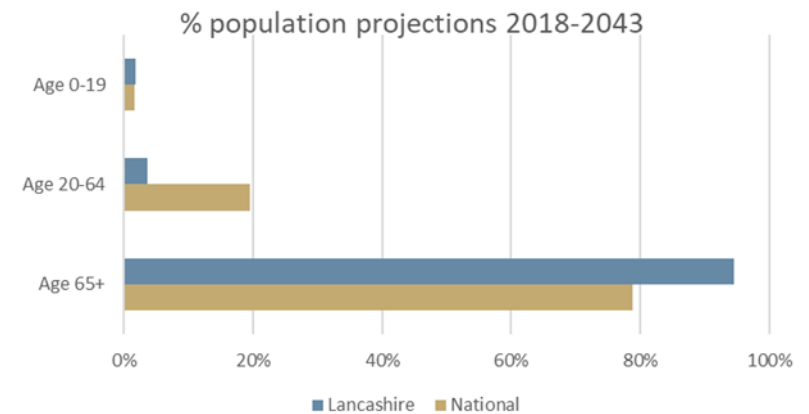
Demographic profile of Lancashire

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 2,894km². 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

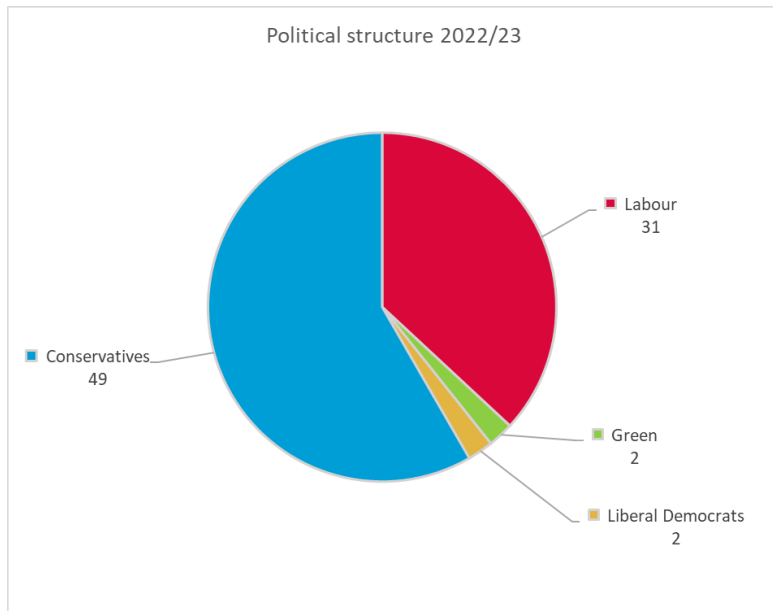
- Develop and build effective infrastructure and transport networks, to help people and businesses connect and grow.
- Secure inward investment, to boost and level up the county.
- Invest in skills and innovation, to secure economic growth and maximise Lancashire's potential.

Our governance structure

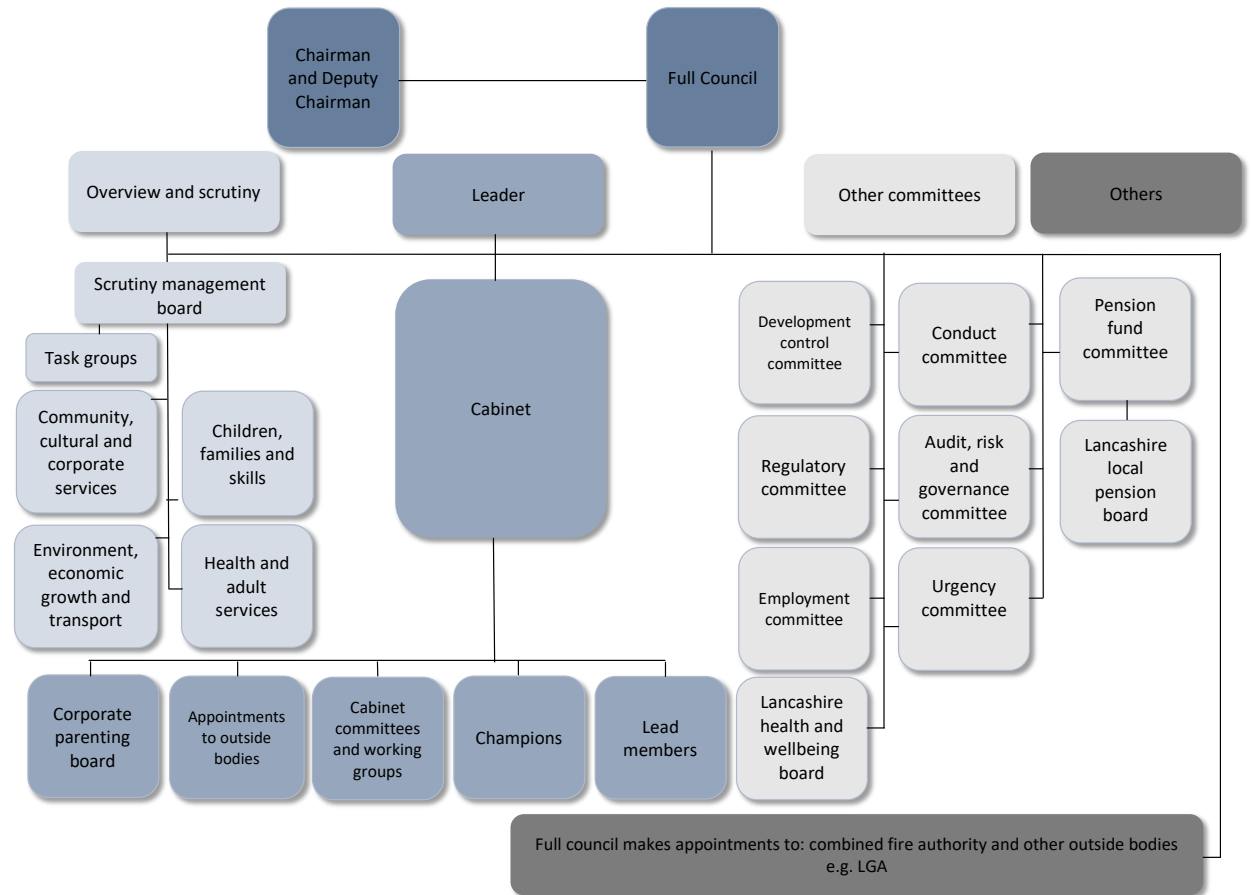
There are 84 county councillors elected to cover all the electoral divisions in the 12 Lancashire district areas. County councillors represent their communities in the council's decision-making processes.

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.

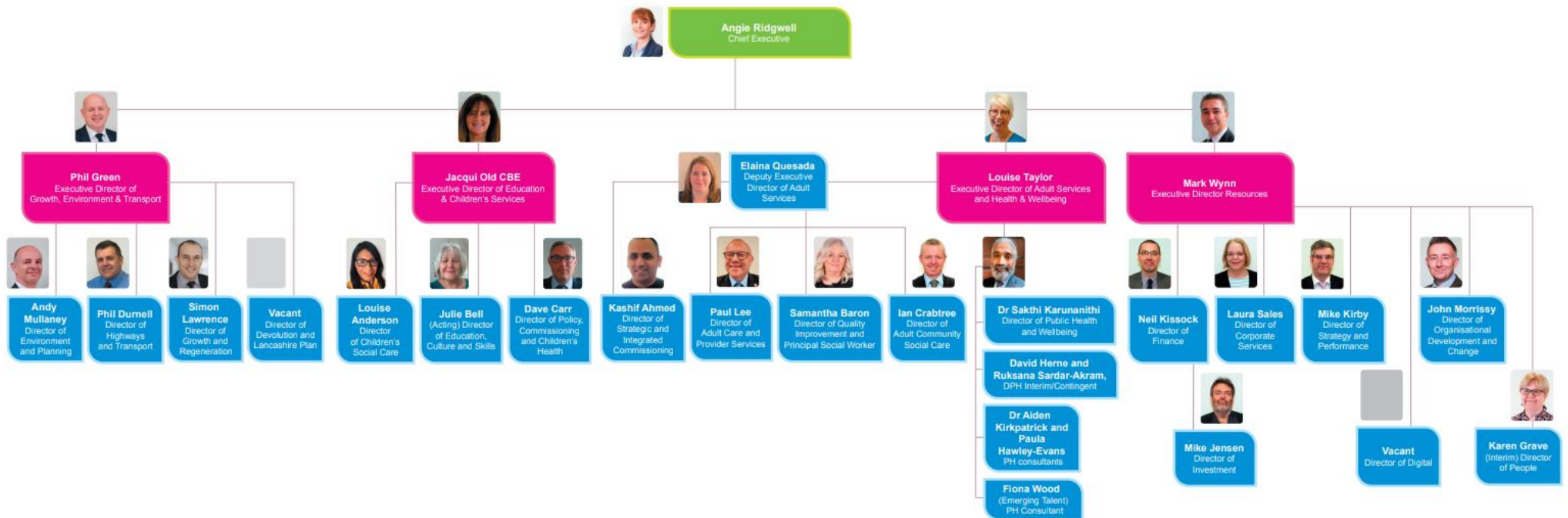


Further details of the council's governance arrangements are provided in the Annual Governance Statement.

Our staff

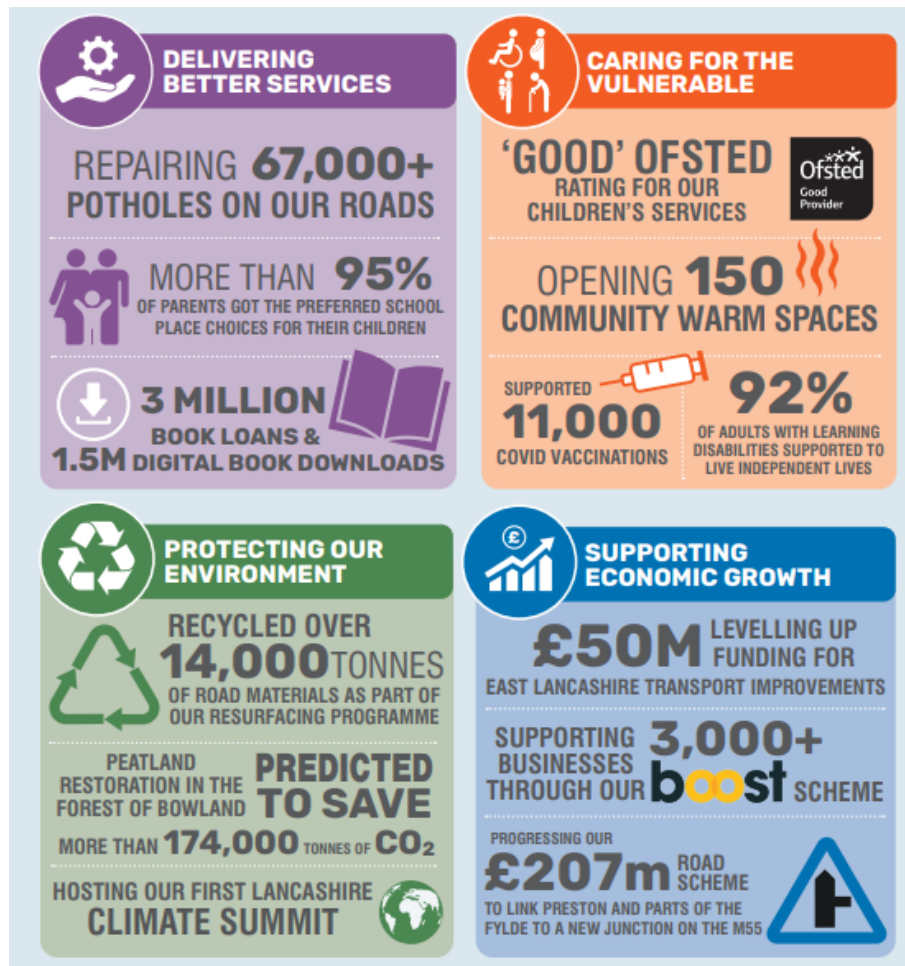
The council is managed by the Chief Executive together with four executive directors. They are accountable to the county councillors who determine policy and agree spending priorities. The council is supported by administrative, professional, technical and operational employees whose role is to advise 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.



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.





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 (REPIR 2019) Report meetings with CoMAH Competent Authority (HSE/EA) and for REPIR (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 satisfaction 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	!

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 Appropriate	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	✓



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	✓



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	✗

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.	<p>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.</p> <p>Talent attraction team to be in place as part of People Services operating model.</p> <p>Leadership capability framework drafted pending approval and adoption, to further develop leadership capability.</p> <p>Succession planning work commenced.</p>
Increased service demand impact on community and services	<p>Potential adverse impact on quality of service provision.</p> <p>Additional pressure on services which are already under strain.</p> <p>Could result in safeguarding alerts.</p>	<p>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.</p> <p>Undertaking an evaluation in terms of demand and capacity to ensure we have the right capacity within our workforce to respond to the demand.</p> <p>Working closely with providers to review capacity in the domiciliary care sector and how to improve.</p> <p>Winter resilience planning in progress in collaboration with the NHS.</p>

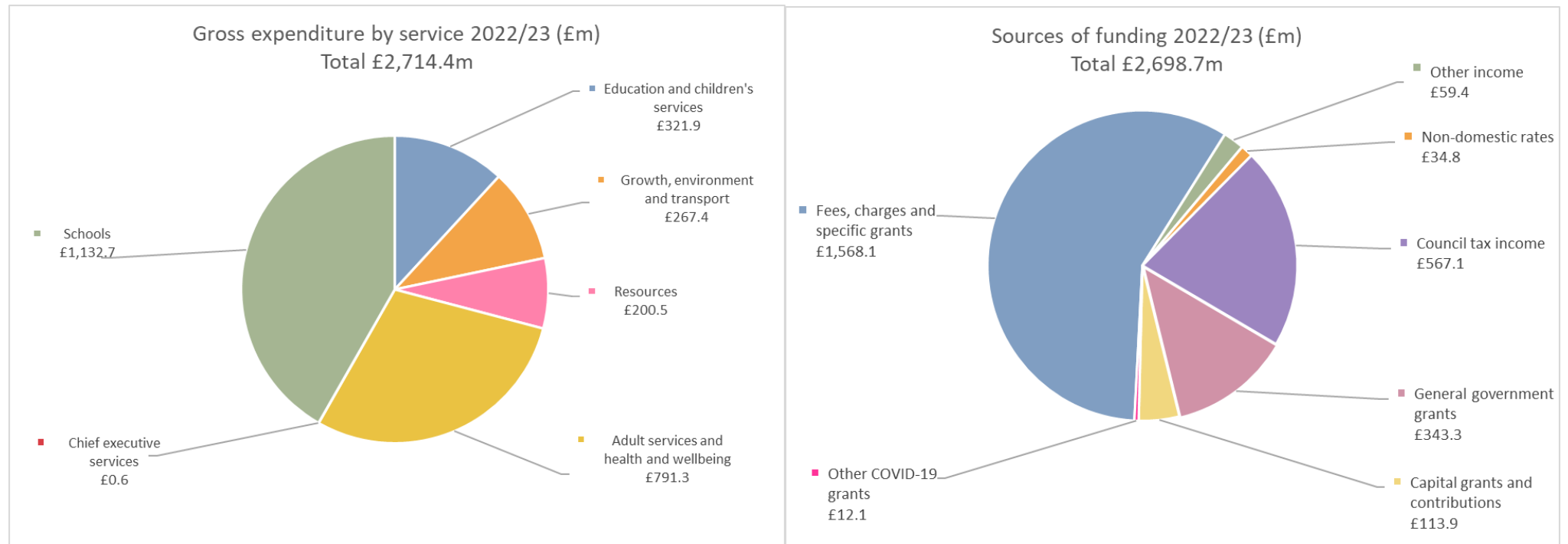
Our financial performance

Revenue summary

The council receives funding from three main sources:

- Government grants
- Council tax
- Business rates

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



Revenue outturn

In February 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.

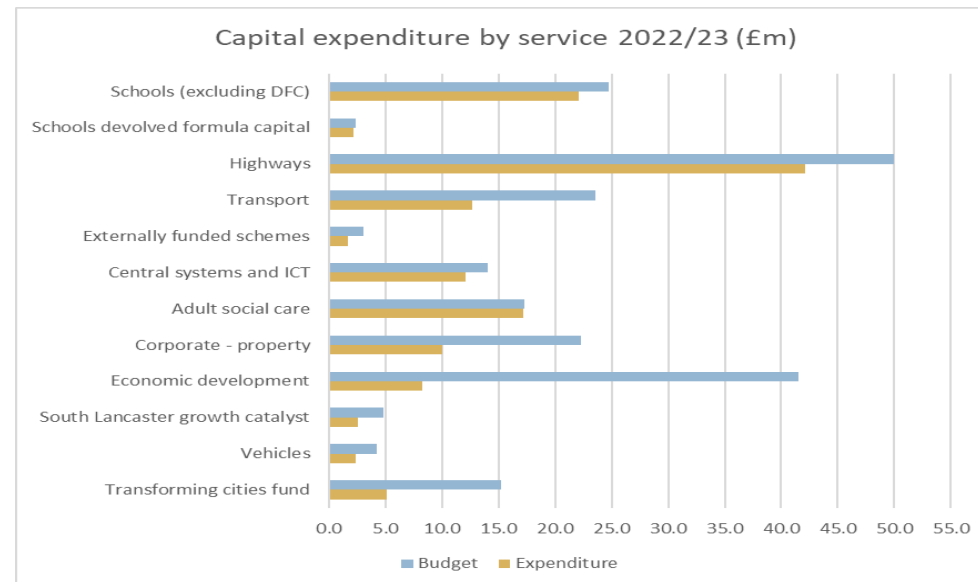
The outturn position is reconciled to the figures shown in the comprehensive income and expenditure statement in Note 5 - expenditure and funding analysis.

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.

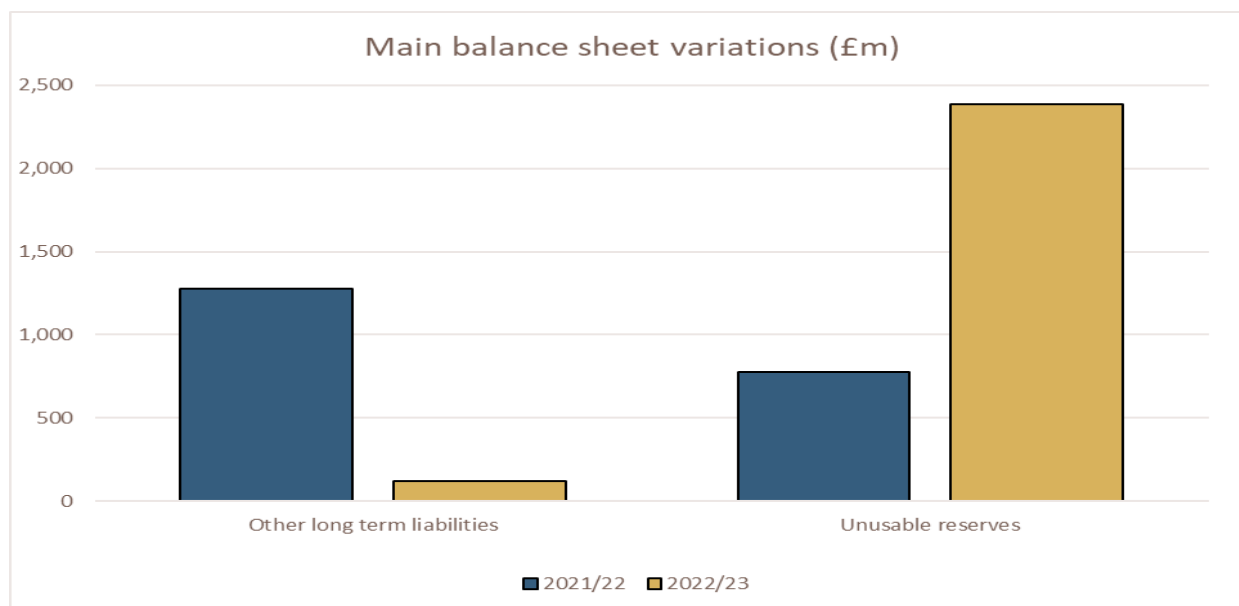


	Revised budget £m	Expenditure £m	Variation £m
Schools (excluding DFC)	24.768	22.099	(2.669)
Schools devolved formula capital	2.338	2.098	(0.240)
Highways	49.962	42.130	(7.832)
Transport	23.591	12.659	(10.932)
Externally funded schemes	3.072	1.675	(1.397)
Central systems and ICT	13.989	12.100	(1.889)
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 £1,601.9 million from £1,487.9 million at 31 March 2022 to £3,089.8 million at 31 March 2023, with the main balance sheet variations shown in the following chart:

Summary financial position	31 March 2022	31 March 2023	Movement
	£m	£m	£m
What we own (assets)	4,469.6	4,890.8	421.2
What we owe (liabilities)	(2,981.7)	(1,801.0)	1,180.7
Net financial position (assets less liabilities)	1,487.9	3,089.8	1,601.9
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)	(774.1)	(2,385.2)	(1,611.1)
Total reserves	(1,487.9)	(3,089.8)	(1,601.9)



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 £534.0 million (£1,148.2 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 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	31 March 2023	Movement
	£m	£m	£m
What we own (assets)	4,554.3	4,971.0	416.7
What we owe (liabilities)	(2,986.5)	(1,811.1)	1,175.4
Net financial position (assets less liabilities)	1,567.8	3,159.9	1,592.1
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)	(774.1)	(2,385.2)	(1,611.1)
Subsidiary reserves	(79.9)	(70.1)	9.8
Total reserves	(1,567.8)	(3,159.9)	(1,592.1)

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 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

These financial statements give a true and fair view of the financial position of the council at the reporting date and its income and expenditure for the year ended 31 March 2023. They were authorised for issue by the Section 151 Officer on 31 August 2023 and do not reflect any events occurring after this date.

A Ridgwell

Angie Ridgwell
Chief Executive
31 August 2023

Financial statements



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
176.9	(50.5)	126.4	Resources ¹	200.5	(52.7)	147.8
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
2,546.7	(1,535.1)	1,011.6	Cost of services	2,714.4	(1,580.2)	1,134.2
23.8	(6.0)	17.8	Other operating income and expenditure (Note 6)	95.2	(16.8)	78.4
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)
2,627.8	(2,585.6)	42.2	(Surplus)/deficit on provision of services	2,887.4	(2,698.7)	188.7
		(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)
		(544.3)	Total comprehensive (income) and expenditure			(1,601.9)

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.

Movement in reserves statement

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)	(774.1)	(1,487.9)
<u>Movement in reserves during 2022/23</u>						
Total comprehensive income and expenditure (Note 5)	188.7	0	0	188.7	(1,790.6)	(1,601.9)
Adjustment between accounting basis and funding basis under regulations (Note 14)	(143.7)	(10.8)	(25.0)	(179.5)	179.5	0
(Increase)/decrease in year	45.0	(10.8)	(25.0)	9.2	(1,611.1)	(1,601.9)
Balance at 31 March 2023	(518.2)	(21.1)	(165.3)	(704.6)	(2,385.2)	(3,089.8)

2021/22

	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)
<u>Movement in reserves during 2021/22</u>						
Total comprehensive income and expenditure (Note 5)	42.2	0	0	42.2	(586.5)	(544.3)
Adjustment between accounting basis and funding basis under regulations (Note 14)	(112.5)	(1.9)	1.8	(112.6)	112.6	0
(Increase)/decrease in year	(70.3)	(1.9)	1.8	(70.4)	(473.9)	(544.3)
Balance at 31 March 2022	(563.2)	(10.3)	(140.3)	(713.8)	(774.1)	(1,487.9)

31 March 2022		Note	31 March 2023
£m			£m
3,231.1	Property, plant and equipment	18	3,297.2
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	28	534.0
3,922.1	Long term assets		4,335.5
132.4	Short term investments	26	125.8
4.0	Inventories		4.0
228.4	Short term debtors	22	263.5
18.5	Payments in advance		41.2
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)
(1,274.5)	Other long term liabilities	28	(118.6)
(2,192.4)	Long term liabilities		(1,031.9)
1,487.9	Net assets		3,089.8
(713.8)	Usable reserves	31	(704.6)
(774.1)	Unusable reserves	31	(2,385.2)
(1,487.9)	Total reserves		(3,089.8)

Cash flow statement

2021/22		Note	2022/23
£m			£m
(42.2)	Net surplus/(deficit) on the provision of services		(188.7)
288.7	Adjustments to net surplus/deficit on the provision of services for non-cash movements	32	331.1
(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	0.3
(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

Explanatory notes to the financial statements



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

General notes to the financial statements

companies have been excluded from the group accounts on the basis that they are not considered material.

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

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

General notes to the financial statements

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

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

The items in the council's balance sheet at 31 March 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	<p>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.</p> <p>The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.</p>	<p>Valuations are compiled by an expert using recognised measurement techniques and based on professional guidance. The underlying data is considered to be reliable and the scope to use judgement and change assumptions limited.</p> <p>The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the council's assets are not materially misstated at the balance sheet date.</p> <p>A variation of 10% in the value of the council's land and buildings would be approximately £205.6 million.</p> <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and / or a loss charged to the comprehensive income and expenditure statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and / or increases to the revaluation reserve and / or gains charged to the comprehensive income and expenditure statement.</p>

General notes to the financial statements

<p>Fair value measurement</p>	<p>When the fair values of surplus assets and financial instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ul style="list-style-type: none"> • For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; • For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the council's assets and liabilities.</p>	<p>The fair values of financial instruments are measured using Level 2 inputs, namely using quoted prices for similar assets or liabilities in active markets at the balance sheet date. Additional information is provided in the financial instruments disclosure notes section.</p> <p>The group investment properties are valued using level 3 inputs. Further information is provided in the group accounts section.</p> <p>All valuations are undertaken by expert valuers in accordance with the methodologies and bases for estimation set out in the professional standards.</p>
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Item	Uncertainties	Consequence if actual results differ from assumptions
<p>Pensions liability</p>	<p>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.</p> <p>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.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> • A 0.5% increase in the discount rate assumption would reduce the value of the net pension liability by approximately £295.7 million; • A 0.25% increase in assumed earnings inflation would increase the value of the net pension liability by approximately £19.9 million; • An increase of one year in assumed life expectancy would increase the net pension liability 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.

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

General notes to the financial statements

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

General notes to the financial statements

	Gross income audited 2021/22	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)

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

- Note 5 - Expenditure and funding analysis
- Group comprehensive income and expenditure statement

Notes supporting the comprehensive income and expenditure statement

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	44.8	147.8
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	186.9	1,134.2
Other income and expenditure	(948.1)	45.8	(902.3)	(43.2)	(945.5)
(Surplus)/deficit	18.8	26.2	45.0	143.7	188.7
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.

Notes supporting the comprehensive income and expenditure statement

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	135.4	(46.0)	89.4	37.0	126.4
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	835.5	(39.0)	796.5	215.1	1,011.60
Other income and expenditure	(881.4)	14.6	(866.8)	(102.6)	(969.4)
(Surplus)/deficit	(45.9)	(24.4)	(70.3)	112.5	42.2
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. The adjustments are shown in detail in Note 4 – Prior period adjustments.

Notes supporting the comprehensive income and expenditure statement

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

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

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 supporting the comprehensive income and expenditure statement

Notes to the expenditure and funding analysis

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

Adjustments for capital purposes

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

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

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

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

Net change for the pensions adjustments

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

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

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

Other statutory adjustments

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

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

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

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

Notes supporting the comprehensive income and expenditure statement

Adjustments between the funding and accounting basis - 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	20.2	(0.4)	44.8
Schools	20.4	31.6	(1.9)	50.1
Net cost of services	82.4	108.5	(4.0)	186.9
Other income and expenditure from the expenditure and funding analysis	(68.6)	29.2	(3.8)	(43.2)
Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services	13.8	137.7	(7.8)	143.7

Notes supporting the comprehensive income and expenditure statement

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	19.5	17.5	0	37.0
Schools	45.5	39.6	(0.7)	84.4
Net cost of services	115.8	100.0	(0.7)	215.1
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	7.2	130.3	(25.0)	112.5

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 supporting the comprehensive income and expenditure statement

Expenditure and income analysed by nature

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

2021/22		2022/23
£m		£m
922.9	Employee expenses (excluding voluntary aided schools)	982.0
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	94.1
2,627.8	Total expenditure	2,887.4
(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)
42.2	(Surplus)/deficit on the provision of services	188.7

Notes supporting the comprehensive income and expenditure statement

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	2.4
18.4	Loss on transfer of schools to academy status	74.9
17.8	Total	78.4

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

Notes supporting the comprehensive income and expenditure statement

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)

Notes supporting the comprehensive income and expenditure statement

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)

Notes supporting the comprehensive income and expenditure statement

Covid-19 grants

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

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

Notes supporting the comprehensive income and expenditure statement

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

Notes supporting the comprehensive income and expenditure statement

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		1.8	1.8
Final budget distribution for 2022/23	(151.0)	(758.3)	(909.3)
Actual central expenditure relating to DSG	151.5		151.5
Actual ISB deployed to schools		758.3	758.3
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.

Notes supporting the comprehensive income and expenditure statement

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	7,979	18,255	138,190
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.

Notes supporting the comprehensive income and expenditure statement

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.

Notes supporting the comprehensive income and expenditure statement

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

Remuneration Banding £	2022/23				2021/22			
	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.

Notes supporting the comprehensive income and expenditure statement

Exit packages

Banding (£)	No. compulsory redundancies		No. other agreed departures		Total number		Total cost £000 *	
	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.

Notes supporting the comprehensive income and expenditure statement

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

Notes supporting the movement in reserves statement

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)	(137.7)	0	0	(137.7)	137.7
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)	(120.6)	0	37.0	(83.6)	83.6
Total adjustments to revenue resources	(250.5)	0	37.0	(213.5)	213.5
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	(143.7)	(10.8)	(25.0)	(179.5)	179.5

Notes supporting the movement in reserves statement

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

	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)	(130.3)	0	0	(130.3)	130.3
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	(187.1)	0	46.1	(141.0)	141.0
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	(112.5)	(1.9)	1.8	(112.6)	112.6

Notes supporting the movement in reserves statement

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)

Notes supporting the movement in reserves statement

Reserves held to deliver corporate priorities

Strategic investment reserve

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

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	1,067.9	0	0	0	19.6	1,087.5
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	2,177.4	71.1	1,391.0	13.1	22.7	3,675.3

Notes supporting the balance sheet

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	(88.4)	0	0	(8.5)	(96.9)	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	2,177.4	71.1	13.1	22.7	2,284.3	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	2.8	0	0	0	2.8	0
Reclassification	0.1	0	0	(0.1)	0	0
At 31 March 2023	(77.9)	(45.5)	0	(0.4)	(123.8)	(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	2,099.5	25.6	13.1	22.3	2,160.5	205.0

Notes supporting the balance sheet

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	2,159.9
3,231.1	Total property, plant and equipment assets	3,296.6

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	213.4
(8.2)	Less impairment allowance	(9.5)
228.4	Total	263.5

Note 23 - Cash and cash equivalents

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

31 March 2022		31 March 2023
£m		£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		31 March 2023
£m		£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		31 March 2023
£m		£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	(2.10)
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.

Notes supporting the balance sheet

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

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

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

31 March 2022			Category	31 March 2023		
Long term	Short term	Total		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	185.8	211.5
632.3	451.2	1,083.5	Total financial assets	439.2	432.4	871.6
<i># The debtors figure stated is lower than the debtors shown on the balance sheet because it excludes the following amounts which do not meet the definition of a financial asset – payments in advance and non-exchange transactions</i>						
12.6	73.8	86.4	<i>Debtors which do not meet the definition of a financial instrument</i>	12.0	77.7	89.7
39.5	228.4	267.9	<i>Balance sheet total</i>	37.7	263.5	301.2

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)
<i># The creditors figure stated is lower than the creditors shown on the balance sheet because it excludes the following amounts which do not meet the definition of a financial liability – receipts in advance and non-exchange transactions</i>						
0	(64.6)	(64.6)	<i>Creditors which do not meet the definition of a financial instrument</i>	0	(61.3)	(61.3)
(1.3)	(311.2)	(312.5)	<i>Balance sheet total</i>	(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		31 March 2023
£m		£m
(1,148.2)	Pension liability	0
(126.2)	PFI liability	(118.6)
(0.1)	Other long term liabilities	0
(1,274.5)	Total	(118.6)

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.

Notes supporting the balance sheet

Fleetwood High School

	Payment for services	Repayment of liability	Interest charges	Total payments due
	£m	£m	£m	£m
Payment in 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

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

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

Building schools for the future (BSF)

	Payment for services	Repayment of liability	Interest charges	Total payments due
	£m	£m	£m	£m
Payment in 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)

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		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	(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		31 March 2023
£m		£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	(1,091.6)
1,190.0	Pensions reserve	(534.0)
(0.6)	Collection fund adjustment account	(1.4)
28.4	Accumulated absences adjustment account	24.4
(774.1)	Total	(2,385.2)

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	94.1
(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	(971.6)
	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	(1,091.6)

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		2022/23
£m		£m
1,598.1	Balance at 1 April	1,190.0
(538.4)	Re-measurement of the net defined benefit liability/(asset)	(1,861.7)
213.6	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	224.9
(83.3)	Employer's pension contributions and direct payments to pensioners payable in the year	(87.2)
1,190.0	Balance at 31 March	(534.0)

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		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
170.5	Movement in pension liability	179.5
22.7	Carrying amount of non-current assets sold	94.1
4.1	Other non-cash items charged to the surplus or deficit on the provision of services	(14.3)
288.7	Total	331.1

Notes supporting the cash flow statement

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

2021/22		2022/23
£m		£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		2022/23
£m		£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

Notes supporting the cash flow statement

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.

Other notes to the financial statements

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)

Other notes to the financial statements

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

Other notes to the financial statements

Interests in companies and other entities

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

Company	Interest	Relationship
Lancashire County Developments Limited	100%	Subsidiary
Lancashire Renewables Limited	87.5%	Subsidiary
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.

Other notes to the financial statements

Lancashire Renewables Limited

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

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

Other notes to the financial statements

Lancashire Environmental Fund Limited

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

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

Other notes to the financial statements

Lancashire County Developments Limited

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

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.

Other notes to the financial statements

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 Wulstans and St Edmunds 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 Bernards Catholic Primary School, Preston	2.0
St Augustine'S Catholic Primary School, Preston	2.1
St Clares Catholic Primary School, Preston	2.2
Our Lady and St Edwards 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;

Other notes to the financial statements

- 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

Other notes to the financial statements

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.

Other notes to the financial statements

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.

Other notes to the financial statements

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.

Other notes to the financial statements

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

Other notes to the financial statements

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



Financial instruments disclosure notes

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	
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

Financial instruments disclosure notes

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	
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.

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

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

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

Financial instruments disclosure notes

Fair value of financial assets

31 March 2022				31 March 2023		
Balance sheet value Restated	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 #		361.4	
1,083.5			Total financial assets		871.6	
26.9			Long term debtors		25.7	
605.4			Long term investments		413.5	
154.6			Short term debtors		185.8	
132.4			Short term investments		125.8	
164.2			Cash and cash equivalents		120.8	
1,083.5			Total financial assets		871.6	

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

The fair value of financial assets held at amortised cost is 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.

Financial instruments disclosure notes

Fair value of financial liabilities

31 March 2022				31 March 2023		
Balance sheet value restated	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 ½ 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.

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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)

Financial instruments disclosure notes

Liquidity risk

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

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

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

Discounted values – 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)

Financial instruments disclosure notes

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)

Financial instruments disclosure notes

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.

Financial instruments disclosure notes

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

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

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

	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)

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

	Borrowing at	Contractual rates	Average rate paid	Years to maturity at 31
	31 March 2023	2022/23	2022/23	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

Post-employment benefit disclosure notes

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 institutions unless they meet the fund's credit criteria. The fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

Liquidity risk

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

Other risks

Actions taken by the government, or changes to 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.

Post-employment benefit disclosure notes

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

Post-employment benefit disclosure notes

Note 47 - Assets and liabilities in relation to retirement benefits

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

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	(3,738.2)	(75.0)
(1,006.2)	(101.9)	Net liability arising from defined benefit obligation	691.0	(75.0)

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

Post-employment benefit disclosure notes

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	(147.5)	(2.6)
(27.2)	0	Contributions from scheme participants	(29.9)	0
125.6	10.0	Benefits/transfers paid	125.8	10.0
(0.4)	0	Curtailement 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	(3,738.2)	(75.0)

Post-employment benefit disclosure notes

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

Post-employment benefit disclosure notes

Basis for estimating assets and liabilities

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

Post-employment benefit disclosure notes

Sensitivity analysis

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

	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



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
176.9	(50.5)	126.4	Resources ¹	200.5	(52.7)	147.8
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
2,541.5	(1,531.2)	1,010.3	Cost of services	2,716.8	(1,582.9)	1,133.9
23.8	(8.7)	15.1	Other operating income and expenditure (Note 2)	95.2	(14.4)	80.8
57.3	(47.5)	9.8	Financing and investment income and expenditure (Note 3)	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)
2,622.6	(2,596.8)	25.8	(Surplus)/deficit on provision of services	2,889.6	(2,691.1)	198.5
5.4	0	5.4	Taxation on profit on ordinary activities (Note 5)	*	*	*
2,628.0	(2,596.8)	31.2	Group (surplus)/deficit	2,889.6	(2,691.1)	198.5
		(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)
		(555.3)	Total comprehensive income and expenditure			(1,592.1)

* Taxation figures for 2022/23 are not yet available

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.

Group movement in reserves statement

2022/23

	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)	(774.1)	(1,487.9)	(79.9)	(1,567.8)
<u>Movement in reserves during 2022/23</u>								
Total comprehensive income and expenditure	188.7	0	0	188.7	(1,790.6)	(1,601.9)	9.8	(1,592.1)
Adjustment between accounting basis and funding basis under regulations	(143.7)	(10.8)	(25.0)	(179.5)	179.5	0	0	0
(Increase)/decrease in year	45.0	(10.8)	(25.0)	9.2	(1,611.1)	(1,601.9)	9.8	(1,592.1)
Balance at 31 March 2023	(518.2)	(21.1)	(165.3)	(704.6)	(2,385.2)	(3,089.8)	(70.1)	(3,159.9)

2021/22

	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)
<u>Movement in reserves during 2021/22</u>								
Total comprehensive income and expenditure	49.2	0	0	49.2	(586.5)	(537.3)	(18.0)	(555.3)
Adjustment between accounting basis and funding basis under regulations	(112.5)	(1.9)	1.8	(112.6)	112.6	0	0	0
Adjustments between the group accounts and the council accounts	(7.0)	0	0	(7.0)	0	(7.0)	0	(7.0)
(Increase)/decrease in year	(70.3)	(1.9)	1.8	(70.4)	(473.9)	(544.3)	(18.0)	(562.3)
Balance at 31 March 2022	(563.2)	(10.3)	(140.3)	(713.8)	(774.1)	(1,487.9)	(79.9)	(1,567.8)

31 March 2022		Note	31 March 2023
£m			£m
3,231.1	Property, plant and equipment		3,297.3
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		534.0
4,003.2	Long term assets		4,414.9
133.5	Short term investments		127.0
4.0	Inventories		3.9
229.5	Short term debtors		262.7
19.9	Payments in advance		41.6
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	(11.8)
(881.0)	Long term borrowing		(870.8)
(1.3)	Other long term creditors		(1.3)
(1,274.5)	Other long term liabilities		(118.6)
(2,204.2)	Long term liabilities		(1,043.7)
1,567.8	Net assets		3,159.9
(713.8)	Usable reserves	10	(704.6)
(774.1)	Unusable reserves	10	(2,385.2)
(79.9)	Subsidiary reserves	10	(70.1)
(1,567.8)	Total reserves		(3,159.9)

Group cash flow statement

2021/22		Note	2022/23
£m			£m
(31.2)	Net surplus/(deficit) on the provision of services		(198.5)
273.8	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	11	346.6
(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

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	*
5.0	Capital gains	*
5.4	Total deferred tax	*
5.4	Taxation on profit on ordinary activities	*

* Taxation figures for 2022/23 are not yet available

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

Notes supporting the group accounts

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

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

Site	Fair value at 31 March 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	*
(11.8)	Balance as at 31 March	(11.8)

* Taxation figures for 2022/23 are not yet available

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

Note 10 - Group reserves

The total usable reserves are shown in the table below:

31 March 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	(37.0)
(793.7)	Total usable reserves of the group	(741.6)

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		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
170.5	Movement in pension liability	179.5
22.7	Carrying amount of non-current assets sold	94.1
(10.8)	Other non-cash items charged to the surplus or deficit on the provision of services	(2.6)
273.8	Total	346.6

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

2021/22		2022/23
£m		£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		2022/23
£m		£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

Pension fund accounts and explanatory notes

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

Pension fund accounts and explanatory notes

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

Pension fund accounts and explanatory notes

The investments of the Fund are managed by the Local Pensions Partnership Investments Ltd (LPPI) and the administration functions by Local Pensions Partnership Administration Ltd, 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

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 members²	
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 pensioners²	
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.

Pension fund accounts and explanatory notes

Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS (Amendment) Regulations 2018 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 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 2019 for the three years commencing 1 April 2020.

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 $1/80^{\text{th}}$ x final pensionable salary.	Each year worked is worth $1/60^{\text{th}}$ x final pensionable salary.	Each year worked is worth $1/49^{\text{th}}$ x the pensionable pay for that year (or $1/98^{\text{th}}$ of pensionable pay if member opts for the 50/50 section of the scheme).
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

The Fund hasn't identified any events after the reporting period or contingent liabilities to disclose in the Statement of Accounts for the year ending 31 March 2023.

Note 3 - Accounting policies

Fund account - revenue recognition

Contribution income

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

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

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

Pension fund accounts and explanatory notes

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.

Pension fund accounts and explanatory notes

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments	Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	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

Pension fund accounts and explanatory notes

	<p>current high levels of inflation. Further information can be found in note 24 to these accounts.</p>	<p>relative to assumed inflation (essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.</p>
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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

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

²Oversight 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			

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

²Fund 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

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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				
<u>Directly held properties</u>				
172.1	1.6%	Knight Frank	152.8	1.4%
<u>Pooled property funds</u>				
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%

¹Bridgepoint 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.

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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		£m
	UK funds:	
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

¹The LPPI Global Equities Fund includes UK equities.

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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.

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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

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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 bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Level 3

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

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

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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	20.0	-	65.9
Non-financial assets at fair value through profit and loss (property holdings) ¹	-	-	152.8	152.8
Net investment assets	5,259.6	176.3	5,396.9	10,832.8

¹Included 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	50.0	-	105.4
Non-financial assets at fair value through profit and loss (property holdings) ¹	-	-	172.1	172.1
Net investment assets	5,295.7	448.6	4,955.1	10,699.4

¹Included 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.

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Basis of valuation

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

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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.

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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 benefits²	10,767	5.9%	11,402	10,132

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

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

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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.

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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:

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

Asset type	31 March 2022	Impact of	
		1% increase	1% decrease
	£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:

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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

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

Pension fund accounts and explanatory notes

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

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

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.

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.

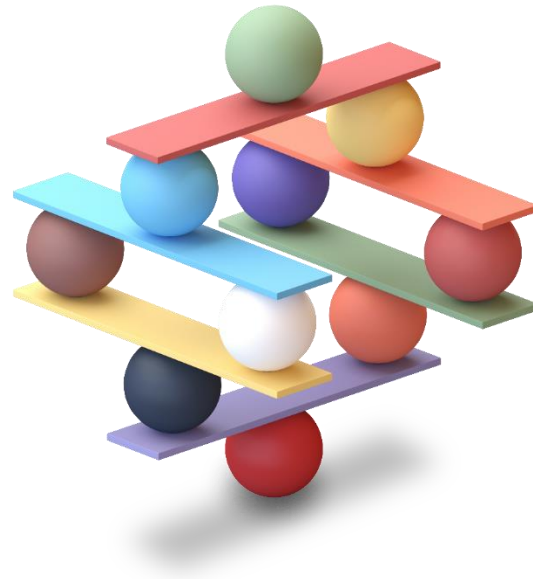
2021/22

	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

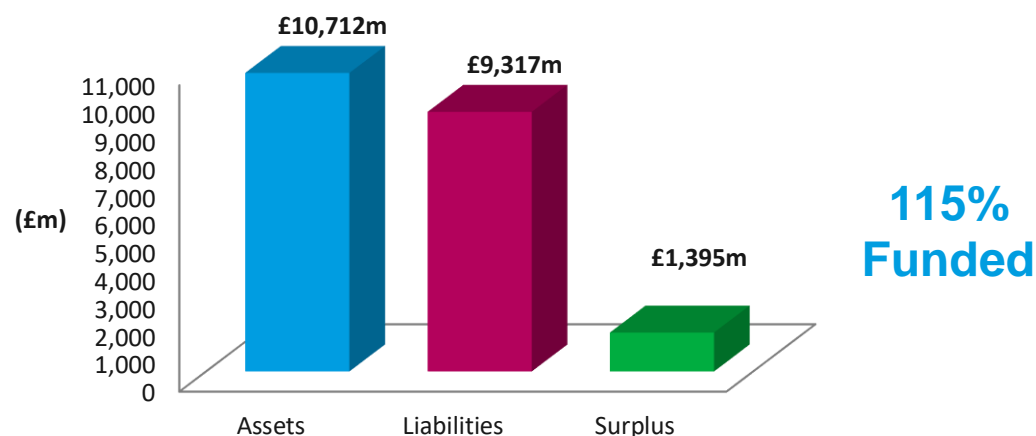
[Accounts for the year ended 31 March 2023 - Statement by the Consulting Actuary](#)



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.



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.

Pension fund accounts and explanatory notes

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

**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

Pension fund accounts and explanatory notes

	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



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
<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Meetings are webcast Decisions are recorded on the Council's website Scheme of delegation 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Scrutiny Committees review council policy, decisions, and budget proposals Work to deliver local public sector accountability 	<ul style="list-style-type: none"> 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.

Annual governance statement

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
<p>Financial Sustainability</p> <p>Deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities</p> <p>Prerequisites:</p> <p>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)</p>	<ul style="list-style-type: none"> • 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.

	<ul style="list-style-type: none"> • 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.
<p>Recruitment & Retention</p> <p>Attract and recruit candidates, and retain staff leading to an inability to deliver services</p> <p>Issues :</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • ASC Workforce Strategy refresh • Education and Children's Workforce Strategy established
<p>Demand for Services</p> <p>Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services</p> <p>Causes:</p> <ul style="list-style-type: none"> • Provider failure 	<p>Adult Social Care</p> <ul style="list-style-type: none"> • 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

<ul style="list-style-type: none"> • 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 <p>Lack of qualified staff</p>	<ul style="list-style-type: none"> • 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 <p>Children's Social Care</p> <ul style="list-style-type: none"> • 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 <p>SEND</p> <ul style="list-style-type: none"> • Delivery of priorities within the Special Education Needs & Disability sufficiency strategy • Consulted on Strategy • Ongoing consideration of Covid impact
<p>Our Improvement Journey</p> <ul style="list-style-type: none"> • 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 <p>Issues:</p> <ul style="list-style-type: none"> • Inability to secure sufficient resource (capacity) across the organisation to deliver on some areas of the Improvement Journey due to competing priorities 	<p>Capacity</p> <ul style="list-style-type: none"> • 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.

<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 	<p>Change Programme</p> <ul style="list-style-type: none"> • 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. <p>Our Ways of Working</p> <ul style="list-style-type: none"> • 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
<p>Social Care Reform</p> <p>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)</p>	<ul style="list-style-type: none"> • 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 <p>The funding for Fair Cost of Care is currently being assessed by Finance colleagues in light of the Autumn Statement</p>
<p>School Places</p> <p>Insufficient school places in some parts of the county meaning children and young people are missing out on education</p>	<ul style="list-style-type: none"> • 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

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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	<ul style="list-style-type: none">• 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 places. 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. Whilst 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.

Independent auditor's report

This version of the statement of accounts is presented in advance of Audit. The published version will include the Audit Certification on these pages.

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Lancashire County Pension Fund - independent auditor's report

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Glossary of terms and contact information

A

Accounting policies

The rules and practices applied by the council that determine how the transactions and other events are reflected in the financial statements.

Accruals

Income and expenditure are included in the accounts as they are earned or incurred, not when money is received or paid.

Actuarial gains and losses

These arise due to the differences between the previous actuarial assumptions and what has actually occurred or because the actuarial assumptions have been changed.

Associate

An associate is an entity over which an investor has significant influence.

C

Capital expenditure

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads and computer equipment.

Capital grants unapplied account

A reserve holding capital grants and contributions which either had no conditions attached that could require their return to the grantor, or whose conditions have now been satisfied. Amounts held in this account have already been recognised in the comprehensive income and expenditure statement and transferred into capital grants unapplied via the movement in reserves statement.

Capital receipts

Income received from the sale of land, buildings or equipment.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

CIPFA Code of Practice on Local Authority Accounting (The Code)

The Code incorporates guidance in line with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). It sets out the proper accounting practice to be adopted for the statement of accounts to ensure they give a 'true and fair' view of the financial position, financial performance and cash flows of the council.

Contingent asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events, not wholly within the council's control.

Contingent liabilities

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the council; or
- A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

Creditors

Amounts owed by the council for goods and services received but not paid for as at 31 March.

D

Debtors

Amounts owed to the council for goods and services provided but where the income had not been received by 31 March.

Depreciation

Depreciation is the charge made to the comprehensive income and expenditure statement to reflect the council's use of its assets. The justification being, that in using an asset to provide services, its value is diminished.

E

Earmarked reserves

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

F

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Floating rate note

A bond with a variable interest rate. These bonds typically have coupons renewable every three months and pay according to a set calculation derived from the interest set for each quarter.

I

Impairment

A reduction in the value of a non-current asset below its carrying amount in the balance sheet due to obsolescence, damage or an adverse change in the statutory environment.

Infrastructure assets

A class of assets whose life is of indefinite length, and which are not usually capable of being sold, such as highways or footpaths.

Intangible assets

Assets which do not have a physical substance for example computer software licences.

International financial reporting standards (IFRS)

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Investment property

Property held solely to earn rentals or for capital appreciation, not as part of service delivery.

J

Joint venture

A joint venture is an arrangement under which two or more parties have contractually agreed to share control and have rights to the net assets of the arrangement.

M

Market value

The monetary value of an asset as determined by current market conditions at the balance sheet date.

Minimum revenue provision

The minimum amount that the council must charge to the accounts to provide for the repayment of borrowing associated with capital expenditure.

N

Net book value

The amount at which non-current assets are included in the balance sheet, i.e. their historic cost or current value less the cumulative amounts provided for depreciation.

Net realisable value

The open market value of the asset in its existing use, less the costs incurred in selling the asset.

O

Operating lease

This is a type of lease, usually vehicles or equipment where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the council.

Operational assets

Assets used by the council in the delivery of services for which it has responsibility.

P

Prior period adjustments

A material adjustment applicable to prior years arising from changes in accounting policies or from the correction of errors.

Private finance initiative (PFI)

A partnership between the private and public sectors that uses private sector financing to provide public sector assets.

Provisions

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date it will arise is uncertain.

Public Works Loan Board (PWLB)

A government agency which is the major provider of loans to finance long term funding requirements for local authorities.

R

Related party

Related parties are bodies or individuals that have the potential to control or influence the council or be controlled or influenced by the council. They

include Central Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, Members, and senior officers and their close family members.

Reserves

An amount set aside for a particular purpose. Reserves can be either usable or unusable.

Revenue expenditure funded from capital under statute (REFCUS)

Legislation allows some expenditure to be classified as capital when it does not result in the creation of an asset or add to the value of an item of property, plant or equipment belonging to the council. Examples include works on property owned by other parties and capital grants to other organisations.

S

Subsidiary

A subsidiary is a company that is controlled by a holding or parent company.

I would like to thank you for showing an interest in the council's finances and hope you find this information useful. We feel it is important that residents and businesses in the county understand all of the services that we provide and how council tax and business rates are spent during the year. If you have any suggestions as to how we can improve things in the future or would like to receive further information about these accounts then please do not hesitate to get in touch with us at the following address:

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

Audit, Risk and Governance Committee
Meeting to be held on Monday, 16 October 2023

Electoral Division affected:
(All Divisions);

Response to the Information Request of the External Auditor
(Appendix 'A' refers)

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

Brief Summary

The Audit, Risk and Governance Committee is asked to consider whether the responses included at Appendix 'A' are consistent with its understanding of management procedures for the financial year 2022/23.

Recommendation

The Audit, Risk and Governance Committee is asked to agree the management response to the external auditor's information request, as set out at Appendix 'A'.

Detail

To comply with International Auditing Standards, each year Grant Thornton as the external auditor is required to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. They are also required to make enquiries as to management's knowledge of any actual, suspected or alleged fraud and to document management's view on some key areas affecting the financial statements.

A response to the questions posed by Grant Thornton has been prepared for consideration by the committee and is attached at Appendix 'A'.

Appendices

Appendix	Title
Appendix A	Grant Thornton Inquiries of Management

Consultations

N/A



Implications:

This item has the following implications, as indicated:

Risk management

The response to Grant Thornton will provide information to the external auditor to support their role in determining an opinion on the council's statement of accounts and value for money arrangements for the financial year 2022/23.

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

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

Inquires of Management

This work program is used to document the results of certain inquiries of management

Inquiry	Management response
General Inquiries of Management	
What do you regard as the key events or issues that will have a significant impact on the financial statements for the period end?	The council has seen a significant and positive change in the valuation of its pensions payable, which is reflected as an asset in the accounts, previously a liability.
<p>Have you considered the appropriateness of the accounting policies adopted by Lancashire County Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The accounting policies have been reviewed, and the policies to be adopted for the 2022/23 accounts were approved by the Audit, Risk and Governance committee in January 2023.</p> <p>There have been no events or transactions that have caused a change to the accounting policies.</p>
Is there any use of financial instruments, including derivatives? If so, please explain	<p>Yes, the financial instruments recognised in the Comprehensive Income and Expenditure Statement are detailed in a note to the statement of accounts. These include:</p> <ul style="list-style-type: none"> - Financial assets and liabilities at amortised cost - Other financial assets measured at fair value
Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No.
Are you aware of any guarantee contracts? If so, please provide further details	The council provides a pension indemnity to its wholly owned companies: Active Lancashire and Marketing Lancashire.

Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	The council sets aside a provision for self-insured unasserted claims, and these claims are subject to an actuarial valuation every three years.
Other than in house solicitors, can you provide details of those solicitors utilised by Lancashire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The county council utilises external solicitors and counsel on a range of issues. The litigation team within the council's legal services deals with on-going claims and litigation on issues such as highways, child protection and employment matters. The council maintains extensive records relating to both historic and current cases.
Have any of Lancashire County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No material issues reported.
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	As a large and complex organisation, the council uses a wide range of internal and external advisors to support the proper discharge of its responsibilities.
Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, trade receivable is identified as requiring a credit loss provision, as required under IFRS 9. The council provides for those outstanding debtor balances that are not expected to be collected.
Fraud	
Has Lancashire County Council assessed the risk of material misstatement in the financial statements due to fraud?	<p>The impact of risks on the council's financial sustainability is reviewed through the council's corporate risk register.</p> <p>The council has a robust system of governance through its frameworks of governance, risk management and control that seek to mitigate risk of fraud in the first instance.</p> <p>The council's senior management and political leadership regularly receive reports on the council's current and longer-term financial position.</p>
How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	The council employs an investigator who reports to the Head of Internal Audit. That individual undertakes proactive counter fraud work, in particular directing the council's participation in the National Fraud Initiative, monitors and responds to the financial whistleblowing help-line, and undertakes investigations in accordance with the council's Fraud Response Plan.
How do the Council's risk management processes link to financial reporting?	Financial reports are produced routinely on a monthly basis with an annualised forecast produced by budget holders with support from the finance team for more complex service areas such as adult social care.

	<p>Budgets are composed on a hierarchical basis, such that the level of reporting from detail to corporate summary can be obtained dependant on need.</p> <p>The financial position is reported to Cabinet on a quarterly basis, which provides a commentary on the main risks and opportunities to date. Particularly focussing on the high value and demand led services such as waste, children and adult's social care.</p> <p>Corporate accountability for budgets is held at Director and Heads of Service levels, allowing for corrective actions to be employed effectively at an appropriate scale.</p> <p>The council continues to look to improve the integration of reporting across finance, performance and human resources such as to further support risk management outcomes.</p>
<p>Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Lancashire County Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>At this point there have been no significant instances of fraud, error, or other irregularity identified during the period either singly or collectively.</p>
<p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Internal Audit service provides a progress report to each meeting of the Audit, Risk and Governance Committee that highlights any unmitigated risks arising from the audit work undertaken. The committee has a record of interest in such matters and periodically invites directors to explain their responses to the risk issues raised and provide assurance regarding the action being taken.</p> <p>In a normal year all services update their risk and opportunity registers quarterly, these are assessed by the Deputy Monitoring Officer, and a corporate risk and opportunity register prepared and presented to the Corporate Management Team. This corporate risk and opportunity register is then reported to both the Cabinet Committee for Performance Improvement and Audit, Risk and Governance Committee on a quarterly basis.</p>
<p>The Council's communication, if any, to employees regarding their views on business practices and ethical behaviour</p>	<p>There are several mechanisms that include:</p> <ul style="list-style-type: none"> - Induction - Intranet pages - Staff notices - Cascade briefings - Performance Development Reviews - Bite sized briefings

	<ul style="list-style-type: none"> - Specific training - Staff conferences - Blogs - Videos - Whistle-blowing helplines addressing both financial and non-financial matters
Whether any fraud has been raised by employees or other parties	No material items reported
<p>Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Lancashire County Council where fraud is more likely to occur?</p>	No material and unaddressed risks identified
<p>How do you assess the overall control environment for Lancashire County Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The frameworks of governance, risk management and control are subject to assurance through the three lines of defence operated by the council's service managers, assurance functions and internal audit, which functions independently and regularly reports to those charged with governance. Further, a range of external regulators assess whether the control environment is working effectively, from the Care Quality Commission and Ofsted to the Driver and Vehicle Standards Agency.</p> <p>The Head of Internal Audit has provided favourable assurance over the council's control environment in recent years. The work to support this has included audits of the council's financial controls including those designed to manage the risk of fraud.</p>
Are there any areas where there is potential for misreporting? If so, please provide details	The council's committee decision-making reports are subject to an internal clearance process, requiring legal and financial clearance as a minimum, thus reducing the risk of misreporting through professional oversight.
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	The decision-making abilities of the most senior positions in the organisation would mean that these posts have the greatest ability to pose a fraud and corruption risk, however the council's scheme of delegation and professional oversight of committee decision-making allows these risks to be mitigated.

<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There is a range of relationships between the council and other organisations within the county and therefore the potential for these relationships to be used inappropriately. However, the only scope for significant fraud lies with post-holders who have procurement, contract management or commissioning responsibility as well as post holders at the level of a Head of Service or Director and it is expected that these individuals will operate within the seven principles of public life. Further, the council maintains a register of interests and any related parties should be clearly identified by post-holders to their line managers.</p> <p>No relationships are known to the council that could give rise to instances of fraud.</p>
<p>What arrangements are in place to report fraud issues and risks to the Audit, Risk and Governance Committee?</p> <p>How does the Audit, Risk and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Improvements to the monitoring and recording of Whistleblowing allegations have been made during 2022/23, with all Whistleblowing allegations being reported to Internal Audit who keeps one central record of the allegations and investigation outcomes. These are then reported to the Audit, Risk and Governance committee in an annual report on counter fraud, investigations and whistleblowing activity.</p> <p>There have been very few investigations or whistleblowing activities during 2022/23.</p>
<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There have been 34 whistleblowing complaints during the year. 32 have been closed and the underlying allegations not upheld/unsubstantiated. Two allegations have been upheld and appropriate HR action has been taken. Neither allegation related to fraud or other criminal acts.</p>
<p>Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>
<p>Related Parties</p>	
<p>Have there been any changes in the related parties including those disclosed in the previous years' financial statements?</p> <p>If so please summarise:</p> <p>the nature of the relationship between these related parties and Lancashire County Council</p> <p>whether Lancashire County Council has entered into or plans to enter into any transactions with these related parties</p> <p>the type and purpose of these transactions</p>	<p>There have been no changes to the related parties to date.</p>

What controls does Lancashire County Council have in place to identify, account for and disclose related party transactions and relationships?	<p>The group boundary assessment is updated annually by officers in legal and democratic services.</p> <p>All members and senior officers are required to complete a related parties disclosure each year.</p> <p>Enquiries are made across finance teams to identify any new related party entities.</p>
What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The council's related parties in the main are its owned companies, that operate under the direction of their own Board of Directors transacting with the council through the council's normal decision-making processes.
Whether the entity entered into any transactions with these related parties during the period	Related party transactions are reported in the relevant section of the statement of accounts.
Going concern	
What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Lancashire County Council will no longer continue?	<p>The council's services are subjected to relevant inspections and external reviews, benchmarked to other organisations where relevant.</p> <p>The council monitors its performance regularly through its performance management framework.</p> <p>The council monitors its overall financial position monthly and reports the position to Cabinet quarterly.</p>
Are management aware of any factors which may mean for Lancashire County Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No.
With regard to the statutory services currently provided by Lancashire County Council, does Lancashire County Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Lancashire County Council to cease to exist?	Lancashire County Council expects to continue to deliver statutory services for the foreseeable future.
Are management satisfied that the financial reporting framework permits Lancashire County Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, annually the council provides an assessment of the assumption of going concern to the external auditor.
Litigation and Claims	

Has management identified possible litigation and claims which may give rise to a risk of material misstatement?	The council sets aside a provision for self-insured unasserted claims, and these claims are subject to an actuarial valuation every three years.
What arrangements does management have in place to identify, evaluate and account for litigation or claims?	<p>The county council identifies litigation and claims from several sources that include service managers, external bodies serving notice and individuals submitting claims through established claims procedures. The litigation team within the council's legal services deals with on-going claims and litigation on issues such as highways, child protection and employment matters. The council maintains extensive records relating to both historic and current cases.</p> <p>The council generally self-insures for claims up to £1m, above which insurance is procured. A provision is held on the council's balance sheet to cover the accruing liabilities based on an external actuarial valuation.</p>
Laws and Regulations	
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Lancashire County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the [type of body]'s regulatory environment that may have a significant impact on the [type of body]'s financial statements?</p>	<p>There are a number of policies and procedures that are available to all employees via the intranet. These include:</p> <ul style="list-style-type: none"> - The constitution - Scheme of delegation - Political decision making arrangements - Assurance statements <p>This is supplemented by internal audit reviews.</p> <p>There were no changes to the council's regulatory environment in 2022/23 that may have a significant impact on the council's financial statements.</p>
How is the Audit, Risk and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	All committee reports are required to undergo an internal clearance process whereby relevant input is obtained from finance, legal, procurement, HR and other support services, before decisions are taken.
Is management aware of any non-compliance with any laws and regulations?	No material issues identified.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No material issues reported.
Accounting Estimates	
What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Fair value estimations relating to property and pensions.

How does the Council's risk management process identify and address risks relating to accounting estimates?	The accounting policies are reviewed annually by the Audit, Risk and Governance committee which considers the approach to accounting estimates in light of current issues and regulatory requirements.
How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The corporate finance team employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise their professional judgement in determining the most appropriate accounting estimates.
How do management review the outcomes of previous accounting estimates?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No.
How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: Management's process for making significant accounting estimates The methods and models used The resultant accounting estimates included in the financial statements.	See Appendix A
Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None to date

Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	The approaches are compliant with the CIPFA code of practice.
How is the Audit, Risk and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	<p>The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise their professional judgement in determining the most appropriate accounting estimates.</p> <p>The accounting policies are reviewed annually by the Audit, Risk and Governance committee which considers the approach to accounting estimates in light of current issues and regulatory requirements.</p>

Appendix A

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	<p>The council's internal valuers provide valuations as at 1 April based on a three-year rolling programme of valuations. In addition, high value assets are valued annually.</p> <p>Assets valued using the depreciated replacement cost method are revalued based on cost prices at 31 March.</p>	Internal professional review.	<p>The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.</p> <p>External valuations have been obtained for the waste facilities.</p>	<p>The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the council's assets are not materially misstated at the balance sheet date.</p> <p>A variation of 10% in the value of the council's land and buildings is stated in the accounts.</p>	No.
Group Investment property valuations	The council's company LCDL re-values is property assets annually through external valuers	Internal professional review.	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 assets will be driven by the demand for the assets of this nature.	No.
Depreciation	Depreciation is calculated based on the useful lives of the assets as set out in the accounting policies.	Internal professional review.	The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.	An assessment is made of the impact of a change of one year in the useful lives of the assets.	No.

PFI Liabilities	PFI model	Internal professional review.	No.	The PFI models are updated each year in line with RPI.	No.
Valuation of defined benefit net pension fund liabilities	The net liability to pay pensions is calculated every three years with annual updates in the intervening years.	Internal professional review.	Yes. A firm of consulting actuaries (Mercer) is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes to 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.	No.
Fair Value Investment estimates	Dependant on the specific investment.	Specialist review through the council's external advisors, Arlingclose.	Dependant on the specific investment.	Dependant on the specific investment.	No.
Fair value liability estimates	Dependant on the specific liability.	Specialist review through the council's external advisors, Arlingclose.	Dependant on the specific liability.	Dependant on the specific liability.	No.
Provisions	Actuarial valuation of the insurance provision is carried out every three years.	Claims handling and record keeping carried out through the council's internal legal team who use the information to identify any relevant trends and/or regulatory changes.	An actuarial valuation is carried out by AJ Gallaghers.	The council's claims history and records form the basis of the actuarial valuation and is used as a basis of evaluating the need for alternative estimates.	No.
Accruals	Management accounting models and business information.	Internal professional review.	The finance team is able to commission experts where considered necessary due to complexity and/or risk.	Dependant on the nature of the accrual.	No.
Credit loss and impairment allowances	Historic debt collection records are used to model collection rates per client categories.	Internal professional review.	The finance team is able to commission experts where considered necessary due to complexity and/or risk.	The council's debt collection history and records form the basis of the estimates and is used as a basis of evaluating the need for alternative estimates.	No.

Audit, Risk and Governance Committee
Meeting to be held on Monday, 16 October 2023

Electoral Division affected:
(All Divisions);

2023/24 External Audit Fee Scale
(Appendix 'A' refers)

Contact for further information:
Neil Kissock, Director of Finance, Tel: 01772 535611,
Neil.kissock@lancashire.gov.uk

Brief Summary

In December 2021 the Full Council recommissioned Public Sector Audit Appointments (PSAA) to appoint an external auditor for the county council.

In 2022 Public Sector Audit Appointments informed the council that it had appointed Grant Thornton as the auditor for the five years commencing 2023/24. Public Sector Audit Appointments are required under local audit regulations to consult on and set the 2023/24 fee scale before 1 December 2023.

This report sets out the proposed external audit fees payable by the council. There are separate audit fees payable by the council's pension fund, that may be considered by the Pension Fund Committee.

Recommendation

The Audit, Risk and Governance Committee is asked to consider and comment on Public Sector Audit Appointments' fee proposal and the county council's response to the consultation.

Detail

Public Sector Audit Appointments (PSAA) having appointed Grant Thornton as the council's external auditors for the five years from 2023/24 and is required under local audit regulations to consult on the fees payable by the council.

The 2023/24 audits will be the first in the new five-year appointing period. Public Sector Audit Appointments awarded new contracts for this appointing period in 2022 to six audit firms, following, in their view "*a challenging and protracted procurement demonstrating the limited audit capacity available to meet the demands of the local audit market.*"

Public Sector Audit Appointments is required under the local audit regulations to consult on and set the 2023/24 fee scale by 1 December 2023. Public Sector Audit Appointments propose setting the 2023/24 scale fee based on the elements set out in Table 1 with Table 2 providing further details (below). These fees are based on the existing audit regime but will be reviewed if changes to this are enacted.

The proposed fee for 2023/24 shows an increase of £228,424 compared to the standard fee payable in 2022/23. It should be noted however that the council paid £52,125 more than this standard scale fee for 2022/23 as per Grant Thornton's claim of additional work in that year.

There are separate audit fees payable by the council's Pension Fund, that may be considered by the Pension Fund Committee.

Table 1: Summary of your proposed 2023/24 scale fee

Fee scale elements	
1) 2022/23 scale fee	£103,069
2) Add: approved fee variations or estimates for recurring work not already included (see Table 2 for details)	£6,000
3) Add: changes in audit requirements (VFM arrangements, ISA 540)	£23,000
4) Add: adjustment for special circumstances (where applicable)	£0
Subtotal 2022/23 scale fees plus recurring fees	£132,069
5) Audit fee adjustment to reflect the procurement outcome (uplift by 151%)	£199,424
Scale fee for 2023/24	£331,493

Table 2: Summary of recurring figures for consolidation into 2023/24 scale fees

Fee variation area of work	Proposed aggregate recurring value for consolidation into 2023/24 scale fees	Already consolidated into 2022/23 scale fees	Recurring value for consolidation into 2023/24 scale fees
	A	B	A-B=C
Group accounts – note 1	£2,500	£0	£2,500
Pension valuation	£4,375	£4,375	£0
PIE	£0	£0	£0
PPE valuation	£5,438	£5,438	£0
Increased FRC Challenge	£8,250	£6,250	£2,000
PFI – note 2	£0	£0	£0
Other – note 3	£0	£0	£0
VFM commentary	£20,000	£0	£20,000
ISA540	£3,000	£0	£3,000
IAS19 – note 4	£0	£0	£0
Major local audits	£1,500	£0	£1,500
Investment valuations – note 5	£0	£0	£0
Total	£45,063	£16,063	£29,000

The consultation inviting views on the proposed fees is provided at Appendix 'A' and shows how Public Sector Audit Appointments have derived the new fee structure which now includes the following:

2023/24 fee scale: proposed elements
<p>A - The scale fees for 2022/23</p> <p>Plus:</p> <p>B - Fee variations for recurrent additional audit work in prior years not yet included in scale fees</p> <p>C - Changes in local audit requirements</p> <p>D - Adjustments at specific bodies for local circumstances</p> <p>E - Adjustment for the procurement outcome</p>

The consultation closed on 10 October 2023.

Response to the consultation

The county council has responded to the consultation on the basis that it does not agree with the proposed elements of the fee scale. In particular, the proposed fee scale includes additional cost for previous and new work relating to changes in local audit requirements. We do not agree that local audit requirements have changed to the extent that additional fees should be payable.

Also, such a significant increase in the audit fee could have been avoided had the sector responded more quickly to the issues that were emerging. Whilst we understand that work is progressing in the sector around the issues raised in the consultation (Appendix 'A'), and that there are many stakeholders to satisfy, we urge a speedy resolution to enable improved value for money for our local taxpayers.

99% of eligible bodies have opted-in to Public Sector Audit Appointments' appointment scheme, and the council continues to think it is the best option to secure an external auditor.

Appendices

Appendix	Title
Appendix A	Consultation on the 2023/24 Audit Fee Scale

Consultations

N/A

Implications:

This item has the following implications, as indicated:



Risk management

Legal

Public Sector Audit Appointments Limited has been specified as an appointing person under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. The duty to specify scales of fees is one of Public Sector Audit Appointments' statutory functions as the appointing person for opted-in bodies.

Financial

Following the Redmond Review in 2020, the council is to receive £45,000 annually to fund additional audit fees. However, this is not sufficient to cover the additional audit fees being proposed.

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

Consultation on the 2023/24 audit fee scale

**Opted-in local government, fire, police and
other bodies**

September 2023

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

The Secretary of State has specified PSAA as an appointing person for eligible local government bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, and managing the contracts with audit firms to provide the audit services required.

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Summary

- 1 This consultation invites audited bodies and other stakeholders to submit views on PSAA's proposals for setting the fee scale for the 2023/24 audits. At this stage, it is expected that audit work under this fee scale will largely be undertaken from autumn 2024 onwards. However, there is currently a local audit system-wide discussion taking place about the possible timetable for the audit work for 2023/24 and earlier years for which audit opinions are currently outstanding.
- 2 The 2023/24 audits are the first in the second five-year appointing period. PSAA awarded new contracts for this appointing period in 2022 to six audit firms, following a challenging and protracted procurement. The procurement demonstrated clearly the limited audit capacity available to meet the demands of the local audit market.
- 3 This consultation on the 2023/24 fee scale is taking place at a time of change in the local audit system. Consultees will be aware that the audit profession has been subject to high levels of scrutiny in recent years following several widely reported financial failures in the private sector. Over this period there have been growing delays in completing local audits. In July 2023 the Department for Levelling Up, Housing and Communities (DLUHC) announced [proposals to address the backlog](#), and is working with all stakeholders to tackle the complex issues involved. The proposals include the possibility of a time-limited revision to the Code of Audit Practice, which may reduce the amount of audit work needed while the backlogs are resolved. System leadership arrangements are also evolving, with the expected transfer of shadow system leadership from DLUHC to the Financial Reporting Council (FRC) in the near future.
- 4 PSAA is required under the local audit regulations to consult on and set the 2023/24 fee scale by 1 December 2023. Proposals to address the audit backlog are still under consideration and any changes affecting fees are still to be confirmed, so we cannot reflect them in the proposed fee scale yet. We are therefore consulting on the basis of existing audit requirements. We will need to assess the impact on audit fees once changes are confirmed, and at that point we will write to opted-in bodies to set out how we will update fees. Where an auditor has collected audit fees in part or in full and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount. This ensures that bodies pay only for work that has been done.
- 5 Our fee scale proposals for 2023/24 audits are set out in more detail in the body of this consultation. In summary, they involve ensuring that scale fees are fully and consistently updated for the start of the new appointing period. This means that the scale fee for each opted-in body better reflects the audit work required under the current Code of Audit Practice published by the National Audit Office and the regulatory expectations of the FRC. Updating the fee scale in this way will have the benefit of making expected fees clearer for opted-in bodies much earlier in the audit cycle and reducing the volume of ongoing fee variations.
- 6 The consultation explains how PSAA proposes to calculate the audit fees which will make up the 2023/24 fee scale. The proposals involve managing the impact of a range of elements, including the additional fees now required for recurrent additional work; changes in local audit requirements (for example updated technical standards); and

Consultation on 2023/24 audit fee scale

adjustments at individual bodies where local circumstances now require more audit work than previously. The 2023/24 scale fee calculation involves:

- a) the scale fee for the previous year (2022/23), as the starting point;
 - b) adding in fees for any changes in the audit work now needed, replacing the need for fee variations wherever possible; and
 - c) taking the total of the previous scale fee plus the additional work needed (a plus b) and applying the procurement adjustment for the new contract rates for audit firms.
- 7 When we announced the outcome of the procurement in October 2022, we advised opted-in bodies to anticipate a major re-set of total fees for 2023/24 involving an increase estimated in the order of 150% on total fees (that is, scale fees plus additional fees) for 2022/23. We are now able to confirm the increase required is 151%.
- 8 We recognise the significant financial pressures on all types of local government bodies and understand that any further cost pressure is unwelcome. However, the level at which we are proposing to set the 2023/24 fee scale is determined by the audit work needed to deliver audits compliant with the requirements of the Code of Audit Practice, and market rates.
- 9 The PSAA Board will consider consultation responses carefully in determining the final fee scale for 2023/24. We will publish the final fee scale on our website by 30 November 2023.

Responding to the consultation

We welcome comments on the proposals contained in this document. Please provide your feedback at:

<https://www.surveymonkey.co.uk/r/ZS8YK3K>

The consultation will close at **noon** on **Tuesday 10 October 2023**.

The 2023/24 fee scale

Introduction

- 10 PSAA is required under the Local Audit (Appointing Person) Regulations 2015 to consult on and prescribe a scale or scales of fees for bodies that have opted into its national auditor appointment scheme.
- 11 A scale of fees must relate to a particular financial year and must be set by 1 December of the relevant year. A published fee scale cannot be amended after the statutory publication date.
- 12 The 2023/24 fee scale consultation is taking place in the context of considerable turbulence and uncertainty in the local audit system. Following a number of widely reported financial failures in the private sector the government commissioned a series of reviews of audit and has subsequently consulted on proposals for change. The 2020 [Redmond review](#) focused specifically on the local audit system and the transparency of local authority financial reporting. It highlighted a lack of coherence and leadership in the current local audit framework, contributing to wider issues including audit delays and market instability.
- 13 Audit delays have become more prevalent in the local audit system under the pressure of additional audit requirements, increasing expectations from professional regulators, shortages of experienced auditors and greater complexity of transactions and structures at opted-in bodies. In July 2023 DLUHC announced [proposals to address the backlog](#), and is working in tandem with the FRC and all other stakeholders to find a sustainable solution.
- 14 System leadership arrangements are also evolving, with the expected transfer of shadow system leadership from DLUHC to the FRC ahead of the creation of a new regulator, the Audit, Reporting and Governance Authority, which will become the system leader for local audit.
- 15 The 2023/24 fee scale is the first in the second five-year appointing period specified by PSAA, covering 2023/24 to 2027/28 audits. Auditors will undertake their work under new contracts. The bid prices we received in the procurement involve a significant increase compared to our previous procurement in 2017, reflecting the major challenges in the wider audit market and in the local audit system.

The 2023/24 fee scale

- 16 In setting the 2023/24 fee scale, PSAA is proposing to update individual scale fees to ensure they reflect current audit requirements for all opted-in bodies. This updating is particularly important for the 2023/24 fee scale, to ensure fees are set on a consistent and equitable basis at the start of the new contract period.
- 17 We propose that the 2023/24 fee scale should include the following elements:
 - a) the scale fees set for 2022/23;

PLUS:

Consultation on 2023/24 audit fee scale

- b) approved fee variations for recurrent additional work in prior years that have not yet been included in the fee scale, or estimates where fee variations are yet to be determined (for example where audit completions have been delayed);
- c) fees where changes in audit requirement for prior years have required additional work and these fees have not yet been consolidated into the fee scale (for example the requirement for the VFM arrangements commentary);
- d) fees for new changes in audit requirements, where there is appropriate evidence to support consolidation at this point;
- e) adjustments at specific bodies where there are special circumstances; and
- f) the adjustment required for the procurement outcome.

18 Further information on each element is provided in the following paragraphs.

The scale fees set for 2022/23

- 19** In setting the fee scale each year, we use the scale fees for the previous year as the starting point before taking into account any necessary adjustments, for example in respect of any recurring approved fee variations. This should provide the most up-to-date information available about the work required to deliver an audit compliant with the Code of Audit Practice and regulatory requirements at each opted-in body.
- 20** However, the impact of delayed audit completions meant that when we consulted on and set the last fee scale in autumn 2022, we did not have complete data on the total fees needed for all audits. We were therefore not able to update the scale fees for ongoing additional work at all opted-in bodies when we set the 2022/23 fee scale.

Fee variations for recurrent requirements not yet included in the fee scale

- 21** Auditors may find it necessary to carry out additional audit work to give their audit opinion. This may be because requirements have changed, or it may be due to local circumstances. The local audit regulations allow for additional fees to be payable where substantial additional work is required. Additional fees are evaluated under our fee variations process and are subject to PSAA approval.
- 22** Where the additional audit work is of an ongoing nature we consolidate the additional fee into the fee scale fee at the earliest opportunity, to reflect the need for that work in future years and reduce the need for fee variations. In contrast, non-recurrent additional work continues to be dealt with through one-off fee variations each year.
- 23** For the 2023/24 fee scale we are proposing to update the scale fees for individual opted-in bodies where additional recurrent audit work is needed. We will use information on approved fee variations for prior years or estimated figures where audits have been delayed. This updating process will put the scale fees for all 2023/24 audits onto an equal basis.
- 24** The categories of additional work where we have reviewed approved fee variations or proposed estimates for consolidation cover: group accounts, pension valuation, PPE valuation, enhanced audit requirements in relation to public interest entities and major local audits, increased FRC challenge, PFI, and investment valuation (pension funds).

Consultation on 2023/24 audit fee scale

- 25 We have considered the applicability of each category to each opted-in body to ensure we are consolidating the proposed additional fees consistently and equitably. In some cases, for example bodies with long-standing group accounts requirements, if we have not previously consolidated a fee variation into the scale fee but are aware that group accounts are required, we have updated the proposed 2023/24 scale fee to include this.
- 26 While most PFI schemes will be long-standing schemes, an incoming audit firm will not be familiar with the details of each scheme and will need to undertake additional work to understand the scheme and model. This additional work will require a fee variation.
- 27 It is important to stress that consolidating additional fees for recurrent requirements identified in prior years does not change the total fee to be charged. It introduces greater certainty on fees and will help to address the current imbalance where fee variations have become a significant proportion of the total audit fee required.

Changes in local audit requirements

- 28 Audit requirements have increased in recent years as a result of increased regulatory challenge, changes to the audit work required under the Code of Audit Practice and updated auditing and financial reporting standards.
- 29 Where local audit requirements change or are updated PSAA must consider the potential impact of each development on the fee scale. We need to consider whether additional fees are appropriate, whether we can estimate the additional fees based on reliable evidence, and at what point it is appropriate to incorporate the fees into the proposed fee scale. When consolidating fees into the fee scale it is particularly important to avoid the risk of over-estimating the additional audit work needed in the longer term.
- 30 Over the last three years we have commissioned external independent technical research to provide information, analysis and recommendations to support our work on updating the fee scale. This work has also provided input to our fee variations reviews. The results of this work support the [information paper](#) we publish each year in relation to audit fees.
- 31 Based on the research this year we are now able to determine the level at which it is reasonable to consolidate additional work into the 2023/24 fee scale for:
 - the VFM arrangements commentary that replaced the previous binary conclusion in the 2020 Code of Audit Practice, effective from 2020/21 audits; and
 - additional requirements in ISA (UK) 540 (revised) Auditing Accounting Estimates, effective from 2020/21 audits.
- 32 We have previously [published indicative minimum](#) additional fee ranges for work in these areas from 2020/21 onwards, and will publish an [update for 2022/23 audits](#) in September 2023. The level at which we propose to consolidate additional fees for the work into the 2023/24 fee scale assumes there is nothing unusual about the circumstances of an individual body and that good arrangements and internal controls are in place.

VFM arrangements commentary – fees for consolidation

Body type	Minimum core range published for 2020/21 and 2021/22 audits	Benchmark level for inclusion in 2023/24 fee scale
District councils	£6,000-£11,000	£8,500
County councils	£10,000-£19,000	£14,500
Unitary authorities London borough councils Metropolitan district councils	£10,000-£19,000	£14,500
Police and crime commissioners and chief constables	£6,000-£11,000 Split between PCC and CC not specified	£8,500 in total, split as: £5,700 PCC £2,800 Chief constable
Fire authorities	£5,000-£9,000	£5,250
Other local government bodies (such as combined authorities, national park authorities)	Not specified, as the number of bodies by body type is too small and arrangements are variable	Based on average of approved fee variations by body type

ISA 540 revised – fees for consolidation

Body type	Minimum core fee published for 2020/21 and 2021/22 audits	Benchmark level for inclusion in 2023/24 fee scale
District councils	£2,500	£2,000
County councils	£3,800	£3,000
Unitary authorities London borough councils Metropolitan district councils	£4,400	£3,500
Police and crime commissioners and chief constables	£2,500 Covers both	£2,000 in total, split as: £1,300 PCC £700 Chief constable
Fire authorities	£1,900	£1,500
Pension fund audits	£1,600	£2,000
Other local government bodies (such as combined authorities, national park authorities)	Not specified, as the number of bodies by body type is too small and arrangements are variable	Based on average of approved fee variations by body type

33 For work on the VFM arrangements commentary it is important to note that:

- the NAO guidance requires the auditor to make a judgement on the work required at each body based on a risk assessment. Where previously approved fee variations for the core work are higher than the proposed benchmark, we expect to consolidate the higher figure recognising that additional work is required;
- where we have not yet received fee variations for individual bodies, or where the audit is moving to a new appointed audit firm from 2023/24, we expect to use the benchmark figure for fee scale consolidation; and
- any work required in addition to the core work on the commentary, for example on specific risks, would continue to be subject to one-off fee variations because the

Consultation on 2023/24 audit fee scale

work will vary from year to year and the additional fees should not therefore be consolidated into the fee scale.

Other changes in local audit requirements

- 34** Our fees research has also considered whether it would be appropriate to determine suggested fee ranges or consolidate additional fees into the fee scale for other new requirements, including:
- ISA 315 revised (risks of material misstatement), applicable from 2022/23;
 - ISA 240 revised (auditor's responsibilities relating to fraud), applicable from 2021/22; and
 - IFRS 16 (leasing), applicable from 2024/25.
- 35** The research has concluded that it is premature at this stage to consolidate additional fees into the fee scale for these requirements because:
- the research could not identify a consistent basis for estimating the additional fees needed at this stage in the application of the new requirements;
 - there is expected to be a significant first year effect which it would not be appropriate to consolidate into the fee scale; and
 - the level at which consolidation will be appropriate is likely to be variable depending on the circumstances of individual bodies.
- 36** We therefore propose using the fee variations process to establish a realistic fee level for consolidation into a future fee scale.
- 37** We have also considered the expectation in [NAO auditor guidance](#) that auditors of pension funds should provide IAS 19 assurances under the scope of the Code of Audit Practice to auditors of admitted bodies that are relevant local audit bodies. We propose including an additional fee for this work into the 2023/24 scale fee for each pension fund audit, calculated based on the number of assurances expected for local audit bodies.

Adjustments for specific opted-in bodies

- 38** As part of our work to update the fee scale we have considered whether there are opted-in bodies which have experienced significant changes in size or complexity or other factors, and assessed whether it is appropriate to make adjustments to the 2023/24 scale fee.
- 39** We propose making a temporary scale fee adjustment in less than 20 cases, but subject to detailed review after the first audit year in order to compare to the actual outcome. We will then determine if the adjustment is correct or requires further refinement for subsequent years.
- 40** Our aim in amending the 2023/24 scale fee in this way is to provide a more realistic scale fee for opted-in bodies.

Adjustment for the procurement outcome

- 41** PSAA announced the outcome of the procurement for the appointing period 2023/24-2027/28 in October 2022. We advised opted-in bodies to anticipate a major re-set of

Consultation on 2023/24 audit fee scale

total fees for 2023/24, involving an increase of the order of 150% on the total expected fees for 2022/23, based on the information available at the time, some of which had to be estimated.

- 42 The finalised adjustment required is 151%, reflecting latest information on approved fee variations and confirmed auditor appointments for each firm.
- 43 Calculation of the procurement uplift of 151% also applies to the hourly rates used to calculate fees for additional work, as set out below.

Additional fee hourly rates

Grade	Hourly rates for audit year 2022/23	Audit fee adjustment to reflect the procurement outcome (uplift by 151%)	Hourly rates for audit year 2023/24 (rounded)
Partner or Director	£165	£249	£414
Senior Manager or Manager	£91	£137	£228
Senior Auditor	£59	£89	£148
Other	£45	£68	£113

For example, an additional fee of £10,000 for audit year 2022/23 would generate a fee of £25,100 for comparable work in audit year 2023/24.

- 44 PSAA sets the fee scale each year based on the income it needs from audit fees to meet the costs of the audit contracts, and its own costs (1.4% of the total). Periodically we return any surplus to opted-in bodies by means of a distribution, once it is clear the surplus is no longer needed to discharge our responsibilities.

Summary of Proposal

45 In summary, we propose that the fee scale for 2023/24 will be built up as follows:

2023/24 fee scale: proposed elements	
A	The scale fees for 2022/23
Plus:	
B	Fee variations for recurrent additional audit work in prior years not yet included in scale fees
C	Changes in local audit requirements
D	Adjustments at specific bodies for local circumstances
E	Adjustment for the procurement outcome

46 We will write to each individual opted-in body during the consultation period to set out their expected scale fee based on these elements. We have set out below an example of how the scale fee will be made up:

Example		
1)	2022/23 scale fee	£52,140
2)	Add: approved fee variations or estimates for recurring work* not already included	£10,500
3)	Add: changes in audit requirements (VFM arrangements, ISA 540)	£10,000
4)	Add: adjustment for special circumstances (where applicable)	0
5)	2022/23 scale fees plus recurring fees	£72,640
6)	Audit fee adjustment to reflect the procurement outcome (uplift by 151%)	£109,686
Total scale fee for 2023/24		£182,326

* The categories of work we have included in our review of approved fee variations are: group accounts, pension valuation, PPE valuation, enhanced audit requirements in relation to public interest entities and major local audits, increased FRC challenge, PFI, and investment valuation (pension funds).

Additional information

Statement of responsibilities

- 47 The [statement of responsibilities of auditors and audited bodies](#) sets out the expectations on which scale fees are based. The statement effectively represents the terms of engagement between appointed auditors and audited bodies and summarises their respective responsibilities.
- 48 Scale fees are based on the expectation that audited bodies can provide the auditor with complete and materially accurate financial statements and supporting working papers within agreed timeframes. Local fee variations may be required where a body is unable to fulfil these requirements.
- 49 The statement of responsibilities also applies to auditors. Additional audit costs that arise due to auditors not meeting expectations in relation to their responsibilities are ineligible for a fee variation.

Value added tax

- 50 Individual audit fees under the 2023/24 fee scale do not include value added tax (VAT), which will be charged at the prevailing rate, currently 20 per cent, on all work done.

New contract management arrangements

- 51 We have strengthened contract management provisions in the 2022 audit services contracts to reflect the changed local audit market and to address feedback from opted-in bodies about audit delivery. It remains the case that, once appointed, auditors exercise their responsibilities independently under local audit legislation and the professional framework.
- 52 Our audit firms are contractually obliged to deliver the audits in accordance with the method statements outlined in their tender responses. Where this does not occur, we have mechanisms we can use to support performance improvement. These measures include:
- firms will be paid when they deliver on four predefined audit milestones (each attracting 25% of the scale fee), rather than on the basis of four quarterly payments as previously;
 - we have introduced KPIs linked to the audit delivery lifecycle and a quarterly contract monitoring review process;
 - there is a review procedure through which we can require a supplier at their own cost to amend its method statement, if it becomes clear that the current one does not satisfy its obligations under the contract; and
 - there is a rectification plan process which we may invoke if the supplier fails to comply with its obligations under the contract.
- 53 We will revisit the actual milestones and KPIs if the expected backlog solution changes the framework. We also recognise that while we have strengthened the contract provisions to reflect changes in local audit, the ultimate sanction of being able to remove

Consultation on 2023/24 audit fee scale

auditors from appointments remains largely moot as there is no surplus capacity in the local audit market. PSAA is committed to working with all stakeholders to support the changes needed in the local audit system.

Next steps

- 54 We welcome comments from opted-in bodies and other stakeholders on the proposals outlined in this document. The closing date for comments is noon on Tuesday 10 October 2023.
- 55 Please respond to the consultation using the survey provided:
<https://www.surveymonkey.co.uk/r/ZS8YK3K>
- 56 Information about this consultation and the 2023/24 fee scale is [available on our website](#).
- 57 If you have any questions about the consultation please send them to:
workandfeesconsultation@psaa.co.uk.
- 58 We will consider carefully the responses to this consultation in setting the 2023/24 fee scale, which we will publish by 30 November 2023.
- 59 If you have comments about the way the consultation has been conducted, these should be sent by email to generalenquiries@psaa.co.uk.

Audit, Risk and Governance Committee
Meeting to be held on Monday, 16 October 2023

Part I

Electoral Division affected:
None

External Audit: Progress Report and Sector Update
(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 Audit: Progress Report and Sector Update for October 2023 is set out at Appendix A for the committee's consideration.

Recommendation

The committee is asked to consider and comment on the External Audit: Progress Report and Sector Update, as set out at Appendix A

Detail

This report provides an update including the auditor's proposed timescales for the audit of the 2022/23 statement of accounts and the Value for Money (VfM) conclusion. The outcome of the work will be reported to the Audit, Risk and Governance Committee.

The report also provides additional information on sector developments to members of the committee as those charged with governance for the county council.

Consultations

The reports have been discussed with finance officers of 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		



Lancashire County Council and Lancashire County Pension Fund Audit Progress Report & Sector Update

October 2023



Contents

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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.

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Introduction

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

This paper provides the Audit, Risk and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit, Risk and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

<https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at October 2023

Financial Statements Audit 2022/23

We undertook our initial planning for the 2022/23 audit in April 2023, and we have completed some of our interim audit tasks during July and August. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Council makes material estimates for the financial statements
- Early work on emerging accounting issues

Timescales for starting the audit of the financial statements have been delayed at the request of the Council due to the implementation of the new ledger. The Council published their draft statement of accounts on their website on 6 September 2023.

We have a team in place to conduct the audit, with sufficient resources to complete the work by January 2024, however we are also conscious of the pressures on the council's finance team and will work with management to devise a suitable delivery timeframe.

Financial Statements Audit 2021/22

We signed the audit opinion for the Council and the Pension Fund's 2021-22 financial statements on 29 September 2023. We thank the Council for their assistance throughout the audit.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

In our July 2023 Audit Plan, we identified two risks of significant weakness for the Council – Financial Sustainability and Governance procedures over key projects. We will report our findings on these matters in our Auditor's Annual Report.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We anticipate issuing our Auditor's Annual Report within 3 months of signing the Audit Opinion.

Progress at October 2023 (cont.)

Pension Fund Financial Statements Audit 2022/23

We were provided with the Pension Fund's draft accounts in July 2023. We have been completing our audit procedures throughout July – September and are nearing the conclusion of the audit.

At the time of writing, we are still awaiting sample evidence for our samples of benefits paid and member data. We have been liaising with management and LPPA to finalise this work. We are also still awaiting external confirmation of investment balances, audited accounts and service auditor controls reports for a small number of fund managers in our level 3 investments sample.

To date there have been no significant misstatements identified. We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts, alongside the Council's audit opinion.

Other areas

Meetings

We met with Finance Officers in September as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We also met with your Chief Executive in September to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers will be invited to attend our Accounts Workshop in January and February 2024, where we will highlight financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited and have communicated fully with the Audit, Risk and Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2022/23 Deliverables

	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit, Risk and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2022/23 financial statements and to issue a commentary on the Council's value for money arrangements in the Auditor's Annual Report</p>	July 2023	Completed
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit within our Progress Report.</p>	October 2023	Completed
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the January Audit, Risk and Governance Committee. We have resources in place to complete our work between October to December. However, significant work is required on the new ledger implementation and as outlined on page 4, we are conscious of the pressures placed on the council's finance team as a result of the new ledger implementation and balancing that with audit requests. We are going to work with management to devise an appropriate delivery plan.</p>	TBC	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	TBC	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	TBC	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

an agreed approach to dealing with the backlog of local government audits

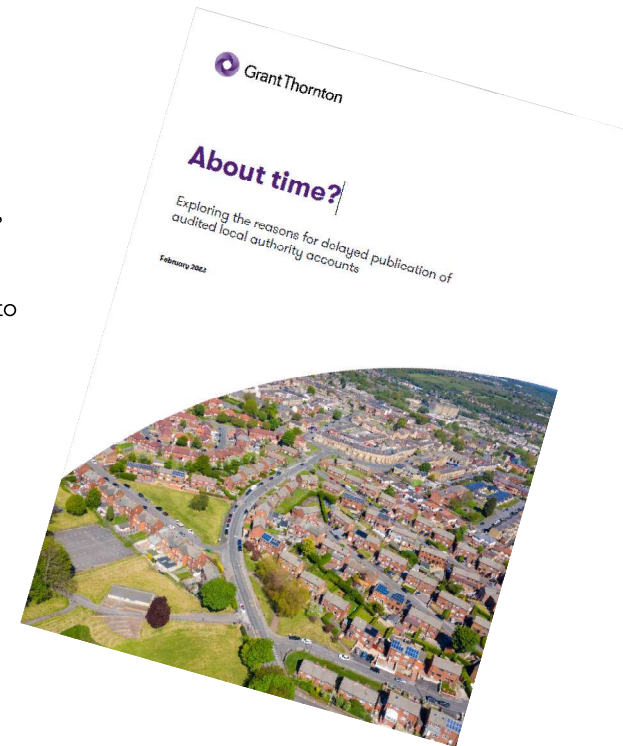
Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Current local audit deadline ‘unachievable’- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In [evidence](#) to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years’ accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

“This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”

Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

“Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

“Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that [only 12% of local government audits](#) for 2021-22 were completed by the 30 November deadline.

PSAA said that an alarming 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from the 45% in 2019-20.

Read full report here

committees.parliament.uk/writtenevidence/118580/pdf/

DLUHC to implement its new proposals to clear audit backlog by year-end

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

[The proposals](#) have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

Legislative change may also be needed to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read full proposal here

committees.parliament.uk/publications/40932/documents/199432/default/



Sustainability reporting in the public sector - CIPFA

Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development.

Public sector sustainability reporting: time to step it up' provides answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read full report from CIPFA here

[Sustainability Reporting \[cipfa.org\]](https://www.cipfa.org/sustainability-reporting)





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Audit, Risk and Governance Committee
 Meeting to be held on Monday, 16 October 2023

Electoral Division affected:
 (All Divisions);

Internal Audit Progress Report
 (Appendices 'A' to 'D')

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 the period up to 24 September 2023.

Recommendation

The Audit, Risk and Governance Committee is asked to consider the report.

Detail

This report sets out for the committee the internal audit work performed under the audit plan for 2023/24 plan approved in April 2023.

Appendices

Appendices 'A' to 'D' 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 by each individual internal audit assignment completed since last reported to this committee on 24 July 2023.
Appendix C	Provides an executive summary by each individual grant audit completed since last reported to this committee on 24

	July 2023.
Appendix D	Provides an executive summary for each follow up audit completed since last reported to this committee on 24 July 2023.

Consultations

The Executive Director of Resources (S151) and 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 has been consulted.

Implications:

This item has the following implications, as indicated:

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		



Matters arising from internal audit work completed during the period to 25 September 2023

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 25 September 2023.

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 24 July 2023.
- 2.2 As at the 25 September 2023, 32% of the audit plan is either progressing or has been completed. Since the last committee thirteen audit assignments have been completed. These include 11 systems audits, 2 grant audits and 2 follow up audits.

Stage of audit process	23/24 plan Number	%
Complete and reported to committee	13	13%
Draft report stage	5	5%
Progressing	14	14%
Not yet started	68	68%
Total number of audits	100	100%

- 2.3 Currently there are currently five audits that are at the draft reporting stage, which are currently being discussed and agreed with managers.

Control area
DWP Searchlight System
Effectiveness of the Safeguarding Board
Compliance with procurement rules – Digital Services
Safeguarding's Service redesign and implementation
Governance Risk and Resilience Framework

- 2.4 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.

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
Declarations of Interest	● Moderate
Pension Payroll Processing	● Moderate
ICT External Assurances Report	● Moderate
Older Peoples Finances – Cravenside Home	● Limited
Older Peoples Finances – Broadfield House	● Limited
Direct Payments	● Limited
Accounts Payable Central Controls	● Moderate
Accounts Receivable	● Moderate
Becon - Building Maintenance Repairs	● Moderate

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 these completed reviews, with an executive summary for each of the reviews being provided at appendix C.

Control area
Bus Service Operators Grant 2022/23
Core Growth Hub Grant Funding to Local Enterprise Partnerships

5 Follow up audit

- 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 tables below detail the status of the agreed management actions, including the financial years that the Management Actions were agreed, along with any actions that are incomplete.

Action status	As at 25 Sept 23					
	Total		Risk rating			
			Critical	High	Medium	Low
Complete	149	38%	0	3	73	73
Incomplete	22	6%	0	2	13	7
Superseded	45	11%	0	11	17	17
Follow up Scheduled	179	45%	0	31	115	33
Total	395	100%	0	47	218	130
Arising in:						
2019/20	161	41%	0	12	87	62
2020/21	12	3%	0	2	9	1
2021/22	111	28%	0	4	54	53

2022/23	92	23%	0	28	51	13
2023/24	19	5%	0	1	17	1
Total	395	100%	0	47	218	130
Incomplete by year:						
2019/20	5	23%	0	0	2	3
2020/21	0	0%	0	0	0	0
2021/22	10	45%	0	1	7	2
2022/23	5	23%	0	0	3	2
2023/24	2	9%	0	1	1	0

- 5.2 Two follow up audits have been completed. As part of these follow up audits three 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	0	1	2	3
Implemented	0	0	1	1	2
Superseded	0	0	0	0	0
Progressing	0	0	0	1	1
Not implemented	0	0	0	0	3

6 Amendments to the audit plan for 2022/23

- 6.1 There have been no amendments to the audit plan since we last reported to the committee on 24 July 2023.


Internal Audit

Committee Summaries



Appendix B

Declarations of Interest

Declarations of Interest				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	6	0

There are employees and members Codes of Conduct (the Code) in place for both officers and members. The Code is supported by guidance that includes the requirement to complete a declaration of interests, whether financial or personal, which might conflict or be seen to conflict with the council's interests. The employee Code is supported by the Statement of Ethical Standards (the Statement), which explains the requirements in more detail, though responses to our questionnaire to officers indicated a lack of awareness of how to declare interests. A reminder to consider the need to declare interests was published in Staff News in May 2023.

The Disciplinary Procedure provides for action to be taken in the event of breaches of the employee Code. Responsibility for policy on the Members Code of Conduct and declarations of interests sit with Legal and Democratic Services. Human Resources Services has responsibility for the Employees Code of Conduct and Statement of Ethical Standards and associated monitoring and oversight although this is yet to be formally confirmed and agreed.

Officers: Officers are personally responsible for declaring personal or financial interests. There is currently no requirement to submit Nil declarations, which may weaken the council's position should an officer not declare interests which conflict with their council role and increases the difficulty of monitoring compliance. We identified three cases where a potential conflict of interest had not been declared, although the two [directorships] and governorship were all required by their council roles. An annual discussion between officers and line managers as part of the performance engagement would allow managers to remind officers of the rules. New declarations or amendments are completed on Oracle Fusion and should be automatically notified to line managers, however this functionality was not working at the time of the audit, although this may be due to difficulties with Oracle Fusion implementation which are currently being addressed.

A register of interests report was created and run from Oracle Fusion in May and June 2023 but only for use within HR and this does not however support compliance monitoring. There is currently no compliance reporting of submitted declarations of interest to senior management.

Members: Members complete an online form on C-First within 28 days of appointment to declare interests including Nil returns. A record of members interests was available on the council website and committee meetings included an agenda item requesting members to declare interests. Guidance states that members will be emailed annually to review the register of interests, however there has been a delay in issuing the reminder due to a technical issue and this is expected to be issued imminently.

Declarations of Interest

Context

The openness, integrity and accountability of officers within a local authority is an important element of effective corporate governance. The reputation of the council depends on the standards of behaviour of everyone involved in the organisation including members, officers and contractors. The council's Code of Conduct requires that officers complete a declaration of interests which includes circumstances where there is a financial interest in a contract or other matter within the council to avoid any suspicion or impropriety. There were 62 declared interests by 42 officers on the corporate register of interests held on Oracle Fusion. This increased from 45 to 62 following a reminder on Staff News.


The Localism Act 2011 requires the council to "promote and maintain high standards of conduct" by its Members and establish registers for publishing on the council website. Members must disclose interests within 28 days of appointment and after becoming aware of any changes. If the disclosable interest has not been recorded on the register it must be disclosed at the meeting at which they are present.

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:

- Code of Conduct, guidance and training;
- Declarations of interest and process efficiency;
- Completeness and monitoring of the register of interests; and
- Compliance with legislative requirements.

Pension Payroll Processing

Pension Payroll Processing				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	1	0

Access to the Universal Pension Management (UPM) system is appropriately restricted with permissions appropriate to officer role and responsibilities. The system is configured to limit self-approval, such that two officers will always be involved with processing and approving a change that could result in a payment, and we confirmed separation of duties were maintained for all areas of our testing. The system includes an e-document facility where an audit trail of correspondence, supporting evidence and completed forms are retained. Most amendments to member records and transfer in/out of the scheme were processed promptly and accurately. Delays identified were generally due to failure or late responses from members/other schemes.

The monthly payroll is accurate, complete and approved by senior council officers prior to payment. We were unable to confirm ledger postings of the amounts at the time of review for the LCC scheme due to on-going technical difficulties with Oracle Fusion Finance & Procurement. This issue is due to be resolved shortly. Single payment runs were all supported by retained evidence and mostly processed promptly. Payments made outside of the UPM system were sufficiently documented and paid promptly, however, we noted one duplicate payment had been issued. Although this was immediately recalled the existing process could result in further duplicate payments if additional controls are not implemented.

Context

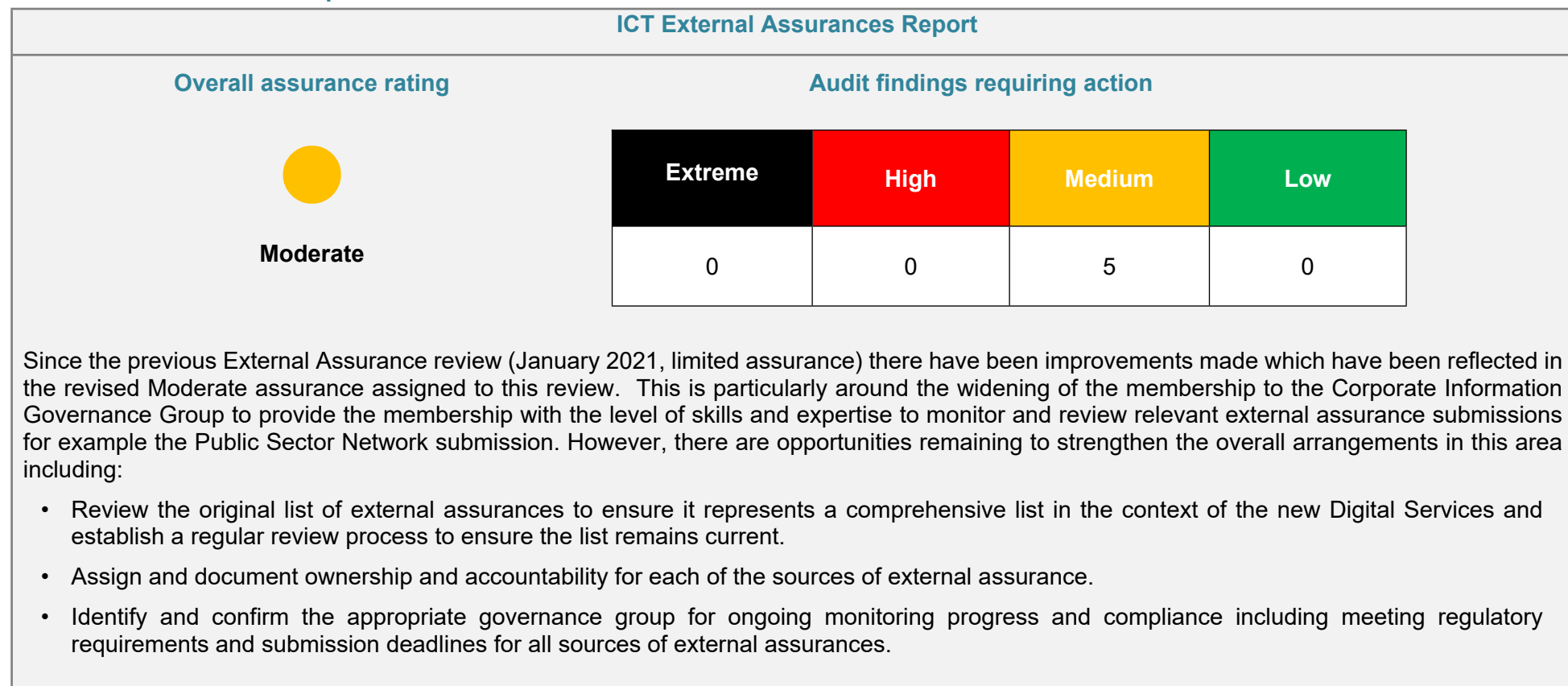
Local Pensions Partnership Administration (LPPA) administer member data and process pension payments and refunds on behalf of the fund. The following report refers to the UPM system, which was launched by LPPA in December 2022. This coincided with the launch of Oracle Fusion Finance and Procurement in January 2023, which has led to some exceptions to usual processes as teething issues are addressed. Our review sample from the Lancashire County Council (LCC), Lancashire Fire & Rescue service (LFRS) and Lancashire Police authority (LPA) pension schemes.

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:

- Data quality is poor and/or request for amendments are not processed promptly or accurately leading to delayed, missed or incorrectly calculated payments;
- Inadequate separation between key tasks potentially resulting in inappropriate use of the system and misappropriation of pension funds;
- Ineffective or no oversight over payment processing could lead to inaccurate, duplicate or fraudulent payments being made.

ICT External Assurances Report



Context

The review will aim to identify and map sources of external assurance that the council relies upon, to demonstrate it is meeting its regulatory requirements and is operating a secure ICT environment. In addition, the review will evaluate the mechanisms the council has in place for the oversight, scrutiny and reporting of such assurances.

This review was undertaken and reported in 2020/21 and assigned limited assurance with two high and three medium risk issues identified. Management action to address the issues was agreed with an implementation date of 31 July 2021. However, at the time of the review, ICT services were delivered under a contractual arrangement until 31 March 2021, with British Telecom Lancashire Services (BTLS). With effect from April 2021, BTLS staff became LCC employees and consequently ICT services have undergone a significant reconfiguration and have been renamed Digital Services. In the light of this, senior management commissioned this second external assurance review with a similar scope, to take account of the organisational change and as part of their ongoing assurance activity.

The council is a large and complex organisation that relies heavily on interconnectivity provided by its IT infrastructure, systems, applications, and devices. To ensure there is a secure and controlled environment the council relies on key external assurances, where it can, to inform the status of the operating environment. Some external assurances can be taken from mandatory compliance for example, but not limited to, Public Service Network (PSN) Security Standards, Data Security and Protection Toolkit (DSPT) and Payment Card Industry Data Security Standards (PCI DSS). Whereas

ICT External Assurances Report


others maybe self-imposed for example Cyber Essentials and ISO 27001 Information Security Standards, Local Governance Association (LGA) 360 Framework. Therefore, it is essential that these external assurances are identified, categorised and clearly mapped, thus exposing any gaps where further assurance mechanisms need to be adopted.

Scope of Audit

The overall objective of the review is to identify and map all the sources of external assurance that the council relies upon in the context of the in-house ICT service delivery under the responsibility of Digital Services and provide assurance around the internal mechanisms in place for checking the ongoing validity and currency of those assurances. This will take account of the reconfiguration of ICT service delivery since 1 April 2021.

The focus of the review was to:

- Identification of all sources of external assurance
- Check validity and currency.
- Ownership and accountability
- Oversight and scrutiny
- Reporting

Older Peoples Finances – Cravenside Home				
Overall assurance rating	Audit findings requiring action			
 Limited	Extreme	High	Medium	Low
	0	0	6	0
<p>There are inadequate and ineffective controls in place for the financial arrangements at Cravenside Care Home. Key council financial procedures have not been implemented or have been bypassed. It is concerning that cash and accounts cannot be appropriately accounted for, as supporting evidence and audit trails were incomplete, and there was a lack of management oversight, control, and challenge.</p> <p>Residents agreed financial arrangements were not clearly documented. Temporary savings were appropriately documented on official forms, however, receipts were not retained to justify expenditure. Petty cash imprest and banking did not operate in compliance with financial procedures, audit trails, petty cash bank statements and transaction receipts were incomplete, inconsistently retained or missing, and there were no reconciliations and management checks.</p> <p>An amenities fund ledger was completed, however there were no receipts to confirm and justify transactions, and the account could not be reconciled. Personal possessions and effects were documented in the official register, although there were occasions when items receipted were not consistently signed and witnessed by residents and staff.</p> <p>The service did not complete and escalate performance and financial information to inform senior managers.</p>				

Context

Cravenside Care Home is one of 16 care homes managed by the council. The home can accommodate up to 46 older people, including those who live with dementia as well as residential and short-term respite stays.

The Care Quality Commission who are responsible for the registration and inspection of social care services in England rated the home as good overall, in its latest inspection report published in October 2020.

The Adult Services – Older People Care Services Financial Procedures, dated September 2021, notify designated officers of their responsibilities for the effective and appropriate implementation of the care home's financial administration.

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 and guidance
- Service delivery

Older Peoples Finances – Cravenside Home

- Management Overview
- Performance management

Older Peoples Finances – Broadfield House

Older Peoples Finances – Broadfield House				
Overall assurance rating		Audit findings requiring action		
 Limited	Extreme	High	Medium	Low
	0	0	5	0

There are inadequate and ineffective controls in place for the financial arrangements at Broadfield Care Home. Key council financial procedures have not been implemented or have been bypassed. It is concerning that cash and accounts cannot be appropriately accounted for, as supporting evidence and audit trails were incomplete, and there was a lack of management oversight, control, and challenge.

The Register Care Manager has been in post since November 2022, and she has begun making changes to improve the care and administration processes and procedures. There was no senior management oversight or checks of key processes such as reconciliations of the petty cash, amenity fund, cash and bank, and resident's temporary savings.

Residents agreed financial arrangements were not documented. Temporary savings were appropriately documented on official forms, however, receipts were not retained to justify expenditure. Petty cash imprest and banking did not operate in compliance with the financial procedures, audit trails and transaction receipts were incomplete, inconsistently completed or missing, and there were no reconciliations and no regular management checks.

An amenities fund ledger was completed, however, there were no receipts or paying in books to confirm and justify income raised and banked, and the account could not be reconciled. Personal possessions and effects were documented in the official register, although there were occasions when the receipt, disposal and return of items to residents were not consistently signed and witnessed by residents and staff.

Context

Broadfield House is one of 16 care homes managed by the council. The home can provide care services for up to 45 residents, including those who live with dementia as well as residential and short-term respite stays.

The Care Quality Commission who are responsible for the registration and inspection of social care services in England rated the home as good overall.

The Adult Services – Older People Care Services Financial Procedures, dated September 2021, notify designated officers of their responsibilities for the effective and appropriate implementation of the care home's financial administration.


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:

Older Peoples Finances – Broadfield House

- Policy, procedure and guidance
- Service delivery
- Management Overview
- Performance management

Direct Payments

Direct Payments				
Overall assurance rating	Audit findings requiring action			
 Limited	Extreme	High	Medium	Low
	0	6	0	0

There are some fundamental weaknesses in the design and / or operation of the framework of control that could result in failure to achieve objectives or put achievement of objectives at risk.

It is concerning that since the last audits of direct payments in both Adults and Children's Services there has been no improvement in some of the areas highlighted in these audits. These include review and update of policy, procedures, guidance and training; consistent approach when recording information in service user case files; as well as obtaining consent and interactions with LILS; practices for dealing with exceptional circumstances and employing a household member. Also, administration of care package line items (CPLI's), and quality assurance / review of cases.

To enhance and improve aspects of the control framework, including where practices and processes could be strengthened to address issues identified, we have proposed actions which include:

- review, update and re-issue of policy, procedure and guidance documentation, re-establishing training, and introducing a consolidated corporate approach for direct payments to ensure consistent delivery and to support workers through all of the process. This includes highlighting that the temporary COVID guidance has ceased.
- determining the rationale, eligibility and restrictions for direct payments, including the key aspects of capacity and consent
- improving awareness and role of the Direct Payments Forum
- establishing procedures for employing a household member, employment of personal assistants, applicable rates, short break options and the responsibilities of recipients completing the financial agreement
- developing clear requirements for good practice when completing service user case files, particularly support plans
- improving the understanding of the need for review of direct payments packages, including risk assessments to ensure interaction with the service user and ability to identify any issues or concerns
- enhancements to the contract monitoring arrangements for the direct payments support service to better understand the support / advice offer provided by Lancashire Independent Living Service (LILS), and independently verify the number of clients supported against each service.

Direct Payments

Context

The objectives of the audit were to determine whether the processes underpinning decisions to support individuals with direct payments were operating effectively ensuring that direct payments were only offered to eligible service users and that packages of care were appropriate, safe, legal, met needs and achieved outcomes. Also, to consider the direct payments financial review process including the scope and extent of reviews undertaken to determine that the direct payment is being spent only on items identified in the support plan, and whether the frequency and timeliness of reviews is dependent upon the assessed risk attached to the payment.

Direct Payments are one of the ways individuals can choose to receive their personal social care budget and use it to meet their assessed eligible care needs. The legislative context is set out in the Care Act 2014 and the Children and Families Act 2014. Currently, there are approximately 3800 adults and 430 young people that receive a direct payments package.

If a person or someone they care for get help from social services, they can apply for direct payments. The direct payment lets them choose and buy the services they need, instead of this being provided by the council. The direct payment gives the person more choice. If a direct payment is appropriate for an individual, then a monetary payment is made to named individuals in order that they can purchase care to meet some or all of their eligible care as detailed in their support plan.

Service users, their representatives, or families, can choose to receive direct payments onto a prepaid card or to a separate bank account that they have set up. Some of the direct payment can be used to pay an independent company who can arrange for any employees to receive their wages and pay any invoices, and also prepare paperwork for auditing by the council. Some people use the money to recruit and employ a personal assistant and/or buy support from an agency or organisation of their choice.

The person receiving and / or managing a direct payment signs an agreement (FIN 107) that sets out the responsibilities between themselves and the council. The key responsibilities they have include keeping records to show how money has been spent and ensuring money is spent as detailed and agreed in the support plan. Also, understanding that if they employ a personal assistant, they will become an employer and ensuring and understanding contractual obligations when buying services from a care agency or another service.

Within the Corporate Finance Service are four teams of assessment staff who perform assessments and direct payment reviews in the geographic areas: North, South, East and Central. The Personal Budget Team specifically deal with the direct payment administration and review process including booking reviews; ordering cards; making payments; and dealing with queries.

All direct payments are assigned risk-based review levels which may be revised at any time, particularly where concerns are raised, or service user's financial circumstances change.

Approximately £5.5 million per month paid out for direct payments. As such the Direct Payment system is a key financial system for the Council. Approximately 63% of adult recipients receiving their direct payment onto a prepaid card, 20% have a managed bank account, and 17% use a separate bank account. Approximately 75% child recipients receive their direct payment onto a prepaid card, 5% have a managed bank account, and 20% use a separate bank account.

Approximated figures for the recovery of direct payment monies through clawback were £17.1 million for 2021/2022 and £16.3 million for 2022/2023, with the majority of this being surplus funds.

Direct Payments


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:

- Oversight, Governance and Training
- The Direct Payments process
- Review processes and frequency
- Quality Assurance and monitoring
- Direct Payments Support Service contract – provided by Lancashire Independent Living Service (LILS)
- Case management – sample testing

We have tested a small sample of cases to determine the adequacy of controls in place although the sample size was not large enough to assess overall effectiveness.

Accounts payable central controls

Accounts payable central controls				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	3	0

Purchase orders are raised following an approved requisition and are only processed if they meet pre-determined criteria for order value. Requisitions are raised and approved in line with HR hierarchy and approval limits which are programmed into Oracle. Payments are made once an item has been received, however in a number of cases orders were made retrospectively following the receipt of goods and services though in most cases this occurs in a timely manner.

User access rights are configured within Oracle and permissions can only be granted with approval from an individual manager. Segregation of duties is maintained through the appropriate use of Oracle user access responsibilities, the division of duties between teams and through policy and business processes. Bank account changes are supported by appropriate documentation verifying iSupplier record amendments, either retained on supplier records or via PAYEE registers maintained by the Procurement service.

Due to Finance staff resources being diverted from normal business operations to support the council's transition to Oracle Fusion, we were unable to audit some aspects of the process which we would normally test, specifically counter-fraud activity, duplicate payment monitoring, performance monitoring and reporting to senior management. Despite this, the testing we have carried out, together with findings from previous audits, is sufficient to support an overall assurance opinion. As operational activity in these areas will have been impacted by the move to Fusion in any case, we will focus on these areas in our 2023/24 audit.

Context

The council uses the Oracle Financials system to process invoices and payments. Users are required to raise and approve requisitions for expenditure wherever possible. Exchequer Services match invoices to approved requisitions and process them for payment. Non-purchase order invoices are manually batched and authorised before Exchequer Service process payments. Non-invoice payments are made using the PRO system.

During 2022 the council replaced the Oracle R12 system with the cloud-based Oracle Fusion system to support HR, Payroll, Finance and Procurement Processes. To prepare for the launch of Oracle Fusion, activities ceased in R12 on 25 November 2022 and Fusion launched for Finance and Procurement on 1st December. Our audit is focussed on transactions performed in Oracle R12.


Accounts payable central controls

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:

- System Access and Separation of duties
- Invoice Processing
- Supplier Maintenance

Accounts Receivable

Accounts Receivable				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	3	0

The compliance testing carried out for Accounts Receivable did not identify any areas of weakness in controls for the areas tested. However, due to Finance staff being diverted from normal business operations to support the council's transition to Oracle Fusion we were unable to audit all aspects of the process, specifically service investigations into unallocated receipts.

There is a current debt management policy dated October 2021 which details the debt recovery procedures and principles. Debtor Invoices raised on the Oracle R12 system are coded appropriately, and the invoice descriptions are consistent with services we would expect to be delivered by the council. We did not find any undue delays in receipts being uploaded and allocated to the debtor invoices. For the sample tested we were able to verify that reminders are issued, in accordance with the debt management policy and there is good adherence to segregation of duties.

As we restricted testing to April to October 2022 transactions in Oracle R12 we conducted more data analysis on the full population of transactions and less sample testing to inform our overall conclusions. We have been unable to provide a separate assurance opinion on the council's debt management processes, however we have included actions from the previous report which we will review in our 2023/24 audit.

Context

Prior to the implementation of Oracle Fusion from 1 December 2022, Oracle R12 Financials was the council's corporate accounting system, and our audit tested. Invoices raised to customers were processed through the Collections Agent module. Invoices were raised by the Accounts Receivables team for services following notification of goods or services provided to customers and include ongoing packages of care, which are billed four-weekly. Incoming monies are regularly monitored by the service who allocate funds to the appropriate debtor transaction.

Outstanding debts are chased in line with the county council's debt management policy, with first reminder and final notice letters automatically issued to customers via Oracle. Should debt remain outstanding, debt collectors within the service will introduce further manually intervened strategies.

During 2022 the council replaced the Oracle R12 system with the cloud-based Oracle Fusion system to support HR, Payroll, Finance and Procurement Processes. To prepare for the launch of Oracle Fusion, activities ceased in R12 on 25 November 2022 and Fusion launched for Finance on 1st December. Our audit is focussed on transactions performed in Oracle R12.


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:

Accounts Receivable

- System Access and Separation of duties
- Debt Management Policy
- Invoice Processing
- Income Allocation

Becon - Building Maintenance Repairs

Becon - Building Maintenance Repairs				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	1	0	1

The Intranet page clearly details how premises managers refer issues, and there is effective controls, processes and training in place within the Customer Access Service (CAS) in receiving and forwarding the instruction for repairs or maintenance to the Property Group Surveyors and Engineers Team. However, there is no Service Level Agreement or a Memorandum of Understanding in place between the CAS and the Property Group Surveyors and Engineers Team.

The Property Group Surveyors and Engineers Team has a quality assurance control document in place which describes the process and procedures when an instruction is received. This was last updated in March 2017 and is still the current process. The Team supports the Older Peoples Service in different ways this included a teams' channel to monitor high level issues on an ongoing basis as well as providing training on the management of PAMS as part of a service away day. It is hoped that there will be further development of these teams' channels with other services within the council such as the Looked After Children and Leaving Care Service

Once instructions have been forwarded from CAS to the Property Group Surveyors and Engineers Team there is a lack of monitoring to confirm if the issues are being resolved in a timely manner. This may result in premises being left non-compliant. For the period January to May 2023 only 20% of jobs were closed within the priority timeframe, whilst 69% of jobs were completed over the time frame or had incorrect dates and 11% of the jobs were still open. Within this time frame they responded to 6% of the instructions in the priority time frame. However, testing of some of these cases highlighted that incorrect dates had often been recorded in PAMS. Therefore, we cannot rely on the accuracy of the information. There is no effective performance monitoring carried out by the Team to highlight significant areas of concerns they need to address.

Context

The audit was to determine if there is adequate and effective management of building maintenance repairs through Becon. The audit has been conducted in conformance with the Public Sector Internal Audit Standards.

The council have a duty to ensure that buildings under their control comply with appropriate statutory, regulatory, and corporate health and safety standards. Failure to comply with these may result in action, either under health and safety legislation or otherwise.

The Becon service is responsible for arranging repairs and improvements to LCC owned buildings. CAS is the first point of contact for Becon and handles calls from the council's premises managers and external contractors.

Once the call has been completed by a CAS officer depending on the type of referral it is, the instruction will go out to the contractor or to the Property Group Surveyors and Engineers Team via PAMS.

Scope of Audit

Becon - Building Maintenance Repairs

The overall objective of our audit was to review and determine if there is adequate and effective management of building maintenance repairs through Becon, and in particular to assess;

- That there is an agreement in place between the CAS and the Property Group Surveyors and Engineers Team and regular performance meetings takes place.
- All related staff are appropriately trained, and processes or procedures are in place to correctly take instructions and accordingly forward them on to the responsible service. The responsible service then takes appropriate action to ensure that the instruction is addressed.
- Monitoring and reporting take place of the instructions received, that they are addressed within the priority timeframe, and instructions that have been delayed over this timeframe is monitored and there is a valid reason. The monitoring is then populated into a performance report and reported to management.

Internal Audit

Grant Audit Committee Summaries

2022/23



Appendix C

Bus Service Operators Grant 2022/23

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.

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 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.

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.

Core Growth Hub Grant Funding to Local Enterprise Partnerships

Grant certification and verification

We have examined the Growth Hub core grant funding claims from April 2021 to March 2022 submitted by Lancashire County Council on behalf of Lancashire LEP. We have examined records as necessary and obtained such explanations and carried out such tests as we consider necessary.

We found that the Accountable Body has expended monies to cover the eligible expenditure specified in Schedule 1 of the Grant Offer letter, which has been incurred and defrayed during the period 1st April 2021 to 31st March 2022 as per the grant conditions

Context

The review was conducted to provide assurance to BEIS that Lancashire County Council has expended the sums in respect of which Core Growth Hub Grant claims were made, and that all the activities were completed by 31st March 2022.

Lancashire County Council received grant funding from the Department of Business Energy & Industrial Strategy (BEIS) for the 2021-2022 Lancashire Economic Partnerships Growth Hub (Core Growth Hub Grant). The grant is to support the further development of Growth Hubs aligned to the Government's commitment to ensure that businesses in every region have access to high quality advice and guidance also to further simplify access to support for businesses.

The Core Growth Hub Grant is payable quarterly, in advance, for up to 100% of the net Eligible Expenditure incurred by the Lancashire Economic Partnership for the purpose of undertaking the project up to a maximum amount of £536,500, with any overpayments being refundable to 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.

Internal Audit


Follow up Audit Committee Summaries

2022/23



Appendix D

Follow up report: Blue Badges

Follow up report: Blue Badges					
<p>Original audit assurance rating</p>  <p>Substantial</p>	Extreme	High	Medium	Low	
	Number of actions			1	
	Implemented			1	
	Superseded				
	Progressing				
	Not implemented				
	<p>A follow-up audit has been conducted to determine the progress made by the Blue Badge Team to implement the action agreed in the internal audit report Blue Badges (Ref. 2022-33, February 2023). Our original audit provided substantial assurance over the adequacy and effectiveness of the council's blue badge scheme to operate within regulations, legislation and government guidance, ensuring only eligible applicants are issued badges and to reduce occurrences of badge abuse and fraud.</p> <p>One medium risk action was agreed with the Head of Customer Access Service to be implemented by February 2023 and based on the information and evidence provided to us, we are satisfied the agreed action has been implemented. The Head of Customer Access Service has introduced a mechanism to review badge applications in excess of the stated 28 days processing performance measure. The service has approached the software provider requesting a new report, however this is still a work in progress. The Head of Customer Access Service mentioned a new telephony system has been implemented, scheduled to go live in September 2023, providing smart reports to improve service information and delivery.</p>				

Follow up report: School Property Maintenance Traded Services

Follow up report: School Property Maintenance Traded Services

Original audit assurance rating



Substantial

	Extreme	High	Medium	Low
Number of actions				2
Implemented				1
Superseded				
Progressing				1
Not implemented				

A follow-up audit has been conducted to determine the progress made by the Building Group Team implementing agreed actions from the internal audit report for school property maintenance traded service (PROp), issued in October 2022. Our original review provided substantial assurance over the adequacy and effectiveness of the control framework to assess the adequacy of marketing the traded service, ensuring contributions cover costs, maintaining quality of service, effectively managing contractors and administering a balanced budget.

Based on the information and evidence provided to us, we are satisfied the School's Portal had been appropriately updated. The old PROp prospectus 2017/20 was removed and replaced with the current scheme's 2023/26 version and contact details have been amended. Letters of understanding were sent out in March 2023 to schools as part of the new three-year PROp scheme and the annual renewal, which required stakeholder signatures. The Implementation of Oracle Fusion caused delays, during the year end process and the confirmation of school contribution balances was issued later than scheduled, therefore not all schools had returned signed contracts. The service has proposed an extension to the original agreed action implementation date to the end of July 2023, enabling them to obtain all outstanding signed contracts.

Audit, Risk and Governance Committee
Meeting to be held on Monday, 16 October 2023

Electoral Division affected:
N/A;

Local Member Grants Scheme - Update Report

Contact for further information:
Josh Mynott, Democratic and Member Services Manager, Tel: 01772 534580,
Josh.Mynott@lancashire.gov.uk

Brief Summary

Monitoring of the money awarded under the Local Member Grants Scheme is conducted by Democratic Services. This report provides an update on the outcomes of that monitoring activity, following the Local Member Grants Scheme Annual Report which was presented to the Audit, Risk and Governance Committee at its meeting on 24 April 2023.

This update report covers the period January 2021 to March 2023.

Recommendation

The Audit, Risk and Governance Committee is asked to consider and comment on the Local Member Grants Scheme - Update Report for January 2021 to March 2023.

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 been given a specific budget which they can spend to enhance the economic, social, and environmental wellbeing of people who live in their division.

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:

Monitoring of the money awarded under the Local Member Grants Scheme is conducted by Democratic Services. 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 organisation's application and as agreed by the local county councillor(s).

The information below provides the Audit, Risk and Governance Committee with a summary of the outcomes of this monitoring activity, in line with the committee's responsibility for oversight of the county council's governance and risk management.

2021/22

Month	Total number of grants awarded	Total amount awarded (£)	Satisfactory Evidence of Use		No or Unsatisfactory Evidence of Use	
			Total no. responses received	Total amount (£)	Total no. responses outstanding	Total amount (£)
Jan 2022	23	5,710.00	22	5,210.00	1	500.00
Feb 2022	34	8,928.35	33	8,428.35	1	500.00
Mar 2022	52	14,187.02	47	12,737.02	5	1,450.00
Total	109	28,825.37	102	26,375.37	7	2,450.00

For the period from 1 January to 31 March 2022, a response providing satisfactory evidence of expenditure has been received in relation to 94% of grants, equating to 92% of the total value awarded. This information is correct as of 26 September 2023.

2022/23

Month	Total number of grants awarded	Total amount awarded (£)	Satisfactory Evidence of Use		No or Unsatisfactory Evidence of Use	
			Total no. responses received	Total amount (£)	Total no. responses outstanding	Total amount (£)
Apr 2022	34	12,074.98	26	9,124.98	8	2,950.00
May 2022	64	23,069.78	28	10,094.98	36	12,974.80
Jun 2022	23	9,046.00	12	5,550.00	11	3,496.00

Month	Total number of grants awarded	Total amount awarded (£)	Satisfactory Evidence of Use		No or Unsatisfactory Evidence of Use	
			Total no. responses received	Total amount (£)	Total no. responses outstanding	Total amount (£)
Jul 2022	26	8,985.00	15	6,825.00	11	2,160.00
Aug 2022	9	3,220.00	5	1,720.00	4	1,500.00
Sep 2022	30	13,065.00	15	6,665.00	15	6,400.00
Oct 2022	23	9,976.70	7	2,270.00	16	7,706.70
Nov 2022	31	14,417.57	13	6,762.60	18	7,654.97
Dec 2022	29	14,606.06	8	3,185.00	21	11,421.06
Jan 2023	21	10,803.00	0	0.00	21	10,803.00
Feb 2023	42	17,973.41	14	3,950.00	28	14,023.41
Mar 2023	81	45,920.32	11	6,725.00	65	39,195.32
Total	413	183,157.82	154	62,872.56	259	120,285.26

For the period from 1 April 2022 to 31 March 2023, a response providing satisfactory evidence of expenditure has been received in relation to 37% of grants, equating to 34% of the total value awarded. This information is correct as of 26 September 2023.

2023/24

For grants awarded from 1 April 2023 onwards, organisations have not yet been contacted to request evidence of their expenditure. 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.

As of 26 September 2023, the total number of grants awarded is as follows.

Month	Total number of grants awarded	Total amount awarded (£)
Apr 2023	52	£21,239.98
May 2023	39	£17,197.00
Jun 2023	44	£14,124.98

Jul 2023	41	£13,763.44
Aug 2023	32	£13,964.28
Sept 2023	23	£8,963.60
Total	231	£89,253.28

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Democratic Services maintain an effective audit trail of the money allocated to organisations. 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 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.

In some cases, organisations may never respond to Democratic Service's 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, and the Internal Audit team is satisfied that Democratic Services take suitable steps to ensure money awarded under the Local Member Grants Scheme is spent in line with the organisation's application and as agreed by the local county councillor(s).

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

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



Audit, Risk and Governance Committee
Meeting to be held on Monday, 16 October 2023

Electoral Division affected:
(All Divisions);

Corporate Risk and Opportunity Register – Quarter 3 Update
(Appendices 'A' and 'B' refer)

Contact for further information:
Paul Bond, Head of Legal, Governance and Registration, Tel: 01772 534676,
paul.bond@lancashire.gov.uk

Brief Summary

This report provides an updated (Quarter 3 2023/24) 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.

The updated Corporate Risk and Opportunity Register is attached at Appendix 'A'. The risk entries for Cyber Security, the Oracle Fusion Data Breach, Oracle Fusion Post Implementation Issues, and Building Schools for the Future contain private and confidential information, so are provided at Appendix 'B' and included in Part II of the agenda.

Recommendation

The Audit, Risk and Governance Committee is asked to consider and comment on the updated Corporate Risk and Opportunity Register.

Background

This report provides an updated (Quarter 3 2023/24) Corporate Risk and Opportunity Register 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 Executive Management Team review the Corporate Risk and Opportunity Register on a quarterly basis, taking account of the current and predicted future 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 that 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 automatically referred to the Executive Management Team for consideration for inclusion on the Corporate Register. However, the Executive Management Team 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 Executive Management Team 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 has asked to be informed of future instances when a risk has been considered by the Executive Management Team but not included on the Corporate Register.

Quarter 3 Update - Summary of Key Points

The risks and opportunities have been updated using information provided through directorate risk registers. The updated register is attached at Appendix 'A'. For Quarter 3, two new risks have been added – Building Schools for the Future and Lack of Available Mental Health Beds.

In addition to this, the opportunity relating to New Ways of Working (in Adult Social Care/Public Health) has been removed from the register.

CORP1 Financial Sustainability

Indicative savings targets covering the updated Medium Term Financial Strategy position have been allocated to directorates to identify savings proposals to meet the forecast future gap. Budget proposals for 2024/25 are scheduled for November Cabinet along with a Medium Term Financial Strategy update. The outturn position for 2022/23 was reported to September Cabinet. This showed a £0.75m overspend (less than 0.1% of the revenue budget). The 2023/24 Quarter 1 monitoring position is to be presented to Cabinet in October.

CORP 2 Recruitment and Retention

A 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. A new operating model for People Services has been agreed to support the business with key strategic people risks and activities. A full review of the contingent workforce is underway to identify the required staffing levels and skills via an agency/consultancy model. Recruitment process is to be redesigned and benchmarked against emerging and best practice and a talent attraction team is to be established as part of People Services operating model. Development of a leadership capability framework in people management and development is taking place and succession planning work commenced with the Executive Management Team.

CORP 3 Demand on Services

Whilst mitigating actions are being put in place, demand continues across Adult Social Care, Childrens Social Care and SEND. Rates for Child in Need, Child Protection, and Children Looked After continue to be tracked. Where our Children Live Capital Bid to the Department for Education was successful and plans to implement developed. Successful further bids to the Department for Education for children's home capital funding and proposals to develop additional in-house home supported by specialist NHS team. Exploitation workstream established through the Where Our Children Live project and there is strong oversight of high-cost homes. We have strengthened the interface between children's social care and CAMHS teams through NHS funded Risk Support roles. Work continues strengthening in-house fostering sufficiency.

The risk relating to demand on services in Adult Social Care has been redrafted to focus on an increase in waiting times. The risk now focuses on an increase in waiting times for assessments and reviews that are a consequence of high demand.

Additional Special Education Needs (SEN) Units continue to be established and there has been agreement to establish new SEN provision in the north. Staffing options have been developed and SEND Inspection readiness work continues to strengthen oversight. A refreshed Alternative Provision Strategy for 2023-26 was agreed by Cabinet in September 2023.

CORP 4 Our Improvement Journey

This risk has been updated to incorporate the new draft Change Plan, including the priority programmes and projects, an update of which will be presented to the Community, Cultural and Corporate Scrutiny Committee. Additional resource has been approved to increase change, project, and programme capacity to support delivery of the Change Plan. A service redesign proof of concept has commenced. This is a 12-week project to prove concept of service redesign, build the county council's skills and capacity, and roll forward into an organisation wide programme of service redesign (subject to recruitment of additional capacity).

CORP 5 School Places

The expansion of popular schools continues, and an Inquiry Day has been held to consider School Place Planning (Mainstream and SEND) and School Transport. The Inquiry Day Panel comprised members of the Children, Families and Skills Scrutiny Committee and the Scrutiny Management Board. Consultations have taken place in respect of primary and secondary schools in Preston and 11 secondary schools from across the county have increased their intake of pupils to reflect the growth in demand.

CORP 10 Lack of Available Mental Health Beds

Service transformation should support earlier intervention and support in times of crisis and is being rolled out. The Lancashire and South Cumbria NHS Trust have an ambitious capital and workforce plan phased over the next two years to significantly increase the overall impatient bed base to address this gap. The use of Out of Area Placements will continue throughout this period of transition.



Opportunities

No new opportunities have been added to the register.

New Risks Considered by the Executive Management Team

The committee has asked to be informed of instances when a risk has been considered by the Executive Management Team but not escalated onto the Corporate Register. For Quarter 3, the Executive Management Team considered a risk relating to the welfare rights service migration to a new database but agreed that it should be managed at a directorate level.

Appendices

Appendix	Title
Appendix A	Corporate Risk and Opportunity Register
Appendix B (Part II)	Risk entries for Cyber Security, Oracle Fusion Data Breach, Oracle Fusion Post Implementation Issues, and Building Schools for the Future

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

N/A

Reason for inclusion in Part II, if appropriate

Appendix 'B' 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 taken in connection with the prevention, investigation or prosecution of crime.



Corporate Risk & Opportunity Register Q3 2023/24

Risk ID CORP1		Title: Financial Sustainability		Current risk score: 16 Target Risk Score: 12	
<p>Risk Description</p> <p>Failure to deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities.</p> <p>Possible Causes:</p> <ul style="list-style-type: none"> Reserves not sufficient to meet the forecast MTFs funding gaps. Inability to set a balanced budget or deliver services within available resources because of 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) Significant uncertainty regarding funding levels for 2025/26 and beyond along with the impact of the much delayed new funding formula and business rate retention changes. 	<p>Risk Consequences</p> <ul style="list-style-type: none"> Increased overspends in particular services Services become unsustainable and we cannot fulfil our statutory duties because of funding pressures not being met Adverse impact on clients/residents Insufficient reserves Unable to meet savings targets External intervention if the council is unable to deliver a balanced budget in future years Reputational damage 	<p>Risk Owner</p> <p>Executive Director of Resources/S151 Officer</p> <p>Target date Ongoing</p>	<p>Current Likelihood</p> <p>4</p> <p>Target Likelihood</p> <p>3</p> <p>Target Risk Confidence</p>	<p>Current Impact</p> <p>4</p> <p>Target Impact</p> <p>4</p>	
<p>Current Controls</p> <ul style="list-style-type: none"> 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 		<p>Control Owner</p> <p>S151 Officer/Director of Finance/Executive Directors</p>			

<ul style="list-style-type: none"> • 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 MTFS • 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 	
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • DLT Finance Boards review progress and are each chaired by the relevant Executive Director • Revenue position includes a planned contribution from reserves to support savings delivery and the funding gap • Savings plans subject to regular review and position reported as part of the budget monitoring process • Service Challenge type savings process in place to identify proposals to address updated MTFS scenario • Whilst there is significant uncertainty regarding future funding levels from 2025/26 this both represents a risk and a potential opportunity depending on HMT decisions on future settlement quantum and funding distributions with significant additional funding being provided for social care in recent settlements reflecting national pressures. 	<p>Mitigation Owner</p> <p>S151 Officer/Director of Finance/Executive Directors</p>
<p>Progress:</p> <ul style="list-style-type: none"> • 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. • 2023/24 revenue budget was approved at Full Council in February with a contribution from reserves of £8.9m. The updated MTFS is forecasting a gap of £19.1m by 2026/27 which is less than 2% of the net revenue budget. A 	

<p>significant risk factor is in relation to savings delivery, as the 2023/24 budget will be based on the delivery of c£80m of new / previously agreed savings.</p> <ul style="list-style-type: none"> • 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 scheduled for November Cabinet along with MTFS update. • Outturn position for 22/23 reported to September Cabinet showing £0.75m over spend (less than 0.1% of the revenue budget). • 2023/24 Quarter 1 monitoring position to be presented to Cabinet in October 	
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Risk ID CORP 2		Title: Workforce recruitment and retention		Current risk score: 16 Target Risk Score: 12	
<p>Risk Description Unable to attract and recruit candidates and retain staff leading to an inability to deliver services.</p> <p>Possible Causes:</p> <ul style="list-style-type: none"> • Lack of suitably qualified candidates in the labour market (particularly in hard to recruit roles) • Non-competitive pay rates compared to other employer • Unattractive terms and conditions Could we please reword to say lack of an attractive reward and benefits offer • Lack of effective retention tools 	<p>Risk Consequences</p> <ul style="list-style-type: none"> • Reduced capacity and skills to deliver key roles and council priorities leading to increased waiting times and delays for people in need of support • Potential skills gap and deterioration in service delivery through loss of experienced staff and age profile of workforce • Unable to deliver statutory services and services in key areas • Adverse impact on clients/residents/businesses • High vacancy rates in critical front line areas • High use of agency staffing • Pressure to increase market rates • Weaknesses in approach to workforce planning • Reputational damage • Increased demands and pressures on remaining staff leading to morale issues 	<p>Risk Owner Executive Directors/ Interim Director of People</p> <p>Target date March 24</p>	<p>Current Likelihood 4</p> <p>Target Likelihood 3</p> <p>Target Risk Confidence</p>	<p>Current Impact 4</p> <p>Target Impact 4</p>	

<ul style="list-style-type: none"> • Poor workforce planning (including lack of workforce data) with an ageing workforce • Commissioned services and education settings unable to recruit and retain staff • Immature approach to a system wide health and social care workforce 	<ul style="list-style-type: none"> • Commissioned services and education settings fail 			
<p>Current Controls</p> <ul style="list-style-type: none"> • Performance management dashboards established to collate and analyse workforce data • Governance structure identified to manage and lead the workforce performance & strategy (ASC) • Education and Children's Services Workforce Strategy agreed April 2022 • Corporate workforce group to facilitate joint solutions with directorate SMTs • Developing talent acquisition team and recruitment support • Commission recruitment consultants for some roles • Skills and development opportunities • Performance engagement • Social work academy • Additional OT capacity being sought from COMF funding to start July 2022 • Backlog agency in place from April 2022 (Attenti) 		<p>Control Owner Executive Directors</p>		
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • 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 		<p>Mitigation Owner Executive Directors</p>		

<ul style="list-style-type: none">• In Adult Social Care, regular monitoring and action plans are in place and include:• ASC Workforce Strategy refresh in progress that includes:<ul style="list-style-type: none">• Provider Services Recruitment Action Plan• Key transformation priorities (LbLiL, Demand Management) will address workforce issues in the immediate & longer term• Discussions with HR re international recruitment (pending data analysis)• Ensuring the right capacity within our workforce to respond to the demand.• Additional capacity being sourced to help clear some of the Occupational Therapy Backlogs• Workforce data framework established• Performance Management Board established• In-house Provider Workforce sub-group established focused on recruitment and retention• People Strategy and People Services Offering under development to review our approach to talent acquisition and development• Education and Children's Workforce Strategy established that includes:<ul style="list-style-type: none">• Strengthening recruitment activity through, for example, clear approach to engagement through social media, virtual open days, engagement with local education partners, promoting LCC as an employer of choice, targeted recruitment activity including overseas recruitment• Strengthening retention activity through, for example, creating an inclusive and diverse workplace, listening to and responding to employee voice, clear development frameworks and learning opportunities, talent management, manageable caseloads and effective tools for the job	
Progress:	

- 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 – moving to this new model in 2023
- Full review of contingent workforce underway to identify required staffing levels and skills via an agency/consultancy model
- Recruitment process to be redesigned and benchmarked against emerging and best practice
- Talent attraction team to be in place as part of People Services operating model
- Development of a leadership capability framework in people management and development
- Succession planning work commenced with EMT

Risk ID CORP3		Title: Demand for Services		Current risk score: 16		Target Risk Score: 8	
Risk Description	Risk Consequences	Risk Owner	Current Likelihood	Current Impact			
<p>Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services.</p> <p>Possible Causes:</p> <ul style="list-style-type: none"> • Provider failure • Insufficient funding • As we move into winter, seasonal illnesses such as flu and further Covid 19 peaks could exacerbate this risk 	<ul style="list-style-type: none"> • Significant financial pressure on the county council • The ultimate consequence of unmet need is the risk to a person's health and wellbeing. • Potential adverse impact on quality-of-service provision as backlogs and waiting times could increase further • Pressure on specific services such as Mental Health which are already under strain • Could result in additional safeguarding alerts • Additional pressures on family and other carers • Pressures on already pressured and fatigued workforce (internal and external) • Could result in strained relationships with key partners such as NHS, VCFS and external market 	<p>All Directors and Heads of Service within Adult Social Care and Education & Children's Services</p> <p>Target date</p>	<p>Likely (4)</p> <p>Target Likelihood</p> <p>Possible (3)</p> <p>Target Risk Confidence</p>	<p>Major (4)</p> <p>Target Impact</p> <p>Moderate (3)</p>			

<ul style="list-style-type: none"> • Adverse impact of the rising cost of living, high inflation, and increased cost of energy • Lack of qualified staff 	<ul style="list-style-type: none"> • Potential drift and delay – impact on timeliness of assessments, plans and interventions with children and families • Special Educational Needs & Disability - Insufficient local places to meet needs 	March 2024		
<p>Current Controls</p> <p>Adult Social Care</p> <ul style="list-style-type: none"> • Established pathways for triage, assessment and care finding are in place as part of BAU to minimise the ultimate risk to life • Processes and procedures are in place to help manage current demand for Adult Mental Health services • Living Better Lives in Lancashire (LBLiL) new operating model will be rolled out across ASC, starting with East Lancashire. This will utilise strength based practice and the '3 conversations' to improve how we manage demand at the 'front door', making better use of information, advice and community based services • Assessment and Reviews backlogs - Performance Management in place with fortnightly boards and weekly reports • Working with the NHS locally to model capacity, agree plans and procedures (particular focus on Continuing Health Care (CHC), system resilience and hospital discharge), financial flows and workforce requirements • Incomplete CHC Referrals Board in place – meets weekly to review progress/address issues • Integrated Care System (ICS) CHC recovery group in operation, escalation processes in place • Quality Improvement Strategy in development • New ASC internal structure and appointment of LCC Exec Director in joint leadership role as Director of Health and Care for Lancashire should result in an improved approach to cross system working to address demand pressures • Workforce Strategy and Action Plan now agreed by EMT, operational plan in development • Corporate Employee Wellbeing Support now in place <p>Children's Social Care</p>		<p>Control Owner</p> <p>All Directors and Heads of Service within Adult Social Care and Education & Children's Services</p>		

<ul style="list-style-type: none"> • Clear governance and accountability arrangements in place via the Keeping Children Safe Board • MASH / Demand Management group and Permanence and Children in Our Care group providing oversight of service improvements • Family Safeguarding Board providing leadership and oversight of Family Safeguarding Programme • Range of further activity to manage demand including Family Group Conferencing evaluation funded through pan-Lancs bid, VCFS led model of support pilot in Preston to be extended • Where Our Children Live Strategy together with Sufficiency Strategy to ensure most effective use of provision and to help identify and address gaps in service <p>SEND</p> <ul style="list-style-type: none"> • SEND Sufficiency Strategy agreed by Cabinet January 2020 • Alternative Provision Strategy agreed by Cabinet October 2021 • Delivery plans established 	
<p>Mitigating Actions</p> <p>Adult Social Care</p> <ul style="list-style-type: none"> • Waiting Lists and Backlogs a priority on CQC Action Plan • New practice focussed approach, Living Better Lives in Lancashire, will change the approach and ways of working particularly around current front-line assessment and determination of services (see ASC 8 below). Undertaking an evaluation in terms of demand and capacity to ensure we have the right capacity in the right place to respond appropriately to demand and waiting lists. • Sharp focus on 'demand management' through ASC Savings programme/Finance Board • Participation in hospital escalation calls to undertake mitigating actions required as appropriate. Ongoing dialogue with internal and external partners, including the NHS, VCFS and NWADASS <p>Children's Social Care</p> <ul style="list-style-type: none"> • Delivery of Early Help Strategy • Delivery of Family Safeguarding 	<p>Mitigation Owner</p> <p>As above plus Area and County Managers across directorates</p>

- Evaluation of targeted interventions including Family Group Conferencing at pre proceedings, and VCFS 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 CAMHS service developments and be sighted on / support ICS discussions on CAMHS related NHS investment proposals

SEND

- Delivery of priorities within the SEND sufficiency strategy and Alternative Provision Strategy

Progress:

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 being formulated.
- Additional resource being procured to help reduce waiting lists and risk assessment plans for people on waiting lists are in place.

Children's Social Care

- Strong early help offer.
- Family Safeguarding implemented.
- Outreach services expanded.
- Family Group Conferencing evaluation as part of national programme.
- VCFS provision in place supporting referrals from Childrens Social Care Teams.
- "Where Our Children Live" project reported to Cabinet January 2021 and delivery underway.
- Shifted block residential provision to establish more for children and young people with most complex needs. Continued focus on step down fostering placements with option to pay retainers to secure provision.
- Rates for Child in Need, Child Protection and Children Looked After tracked

<ul style="list-style-type: none"> • Where our Children Live Capital Bid to DfE successful and plans to implement developed. Successful further bid to DfE for children's home capital funding and proposals to develop additional in-house home supported by specialist NHS team • Exploitation workstream established through Where Our Children Live project • Strong oversight of high-cost homes • Strengthened interface between children's social care and CAMHS teams through NHS funded Risk Support roles • Development of proposals to increase fostering sufficiency <p>SEND</p> <ul style="list-style-type: none"> • Additional SEN Units continue to be established • Agreement to establish new SEN provision in North • Staffing options developed • SEND Inspection readiness work continues to strengthen oversight • Refreshed Alternative Provision Strategy 2023-26 agreed by Cabinet September 2023 	
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Risk ID CORP 4		Our Improvement Journey		Current risk score: 16		Target Risk Score: 9	
Risk Description	Risk Consequences	Risk Owner	Current Likelihood	Current Impact	Target Likelihood	Target Impact	Target Risk Confidence
<ul style="list-style-type: none"> • 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 <p>Possible Causes:</p> <ul style="list-style-type: none"> • Competing / unclear priorities • Inability to secure sufficient resource / capacity across the 	<p>Insufficient Capacity</p> <ul style="list-style-type: none"> • Inability to deliver full programme of transformation across the Council • Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes <p>Change programme</p> <ul style="list-style-type: none"> • Priority change activities are not happening as quickly as they could/should, and consequently, the benefits for citizens/staff are not being realised as soon as they could be. 	<p>Executive Management Team (EMT)/Director of OD & Change</p> <p>Target date March 2024/Ongoing</p>	<p>Major (4)</p> <p>Target Likelihood Possible</p>	<p>Major (4)</p> <p>Target Impact Moderate</p>			

<p>organisation to deliver on the strategic budget options whilst also delivering existing projects and programmes across directorates</p> <ul style="list-style-type: none"> • Lack of a clear corporate wide strategic change plan / programme with EMT oversight and appropriately allocated resources. • Multiple routes initiate change leading to: <ul style="list-style-type: none"> • A lack of strategic prioritisation, sequencing and link to corporate objectives • Too many competing asks • Work being done in silos leading to duplication and effort and inefficient use of scarce resources • Inconsistent approach to prioritisation and delivery of change projects <p>See Corp 1, 2 & 3</p>	<ul style="list-style-type: none"> • Resources are not focused on the priority change activities; the competing demands on resource results in focus being across too many initiatives and therefore the delivery is not as effective or efficient as needed. • There are financial costs for LCC, either for additional resources or delayed benefit realisation, as a consequence of the current approach, with the potential to fail to deliver key programmes and benefits. <p>New ways of working</p> <ul style="list-style-type: none"> • Our future workplace model does not optimise the performance of our people, places, processes and technology. We are unable to leverage the best of what is possible today and continuously improve & adapt in response to future challenges. • Inability to deliver a full programme of staff and customer experience improvement • Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes <p>Commercialisation</p> <ul style="list-style-type: none"> • We will not achieve our commercialisation vision 			
<p>Current Controls</p> <p>Capacity</p> <ul style="list-style-type: none"> • LCC Change plan sets out priority programmes and projects, agreed by EMT. • Creation of Change & Digital Board agreed by EMT; the Board will consider any new proposals for change activity, and will make decisions on whether capacity can be allocated to support it. This will enable prioritisation & allocation of resource for change across the organisation; and 		<p>Control Owner Director of OD & Change</p>		

includes a requirement for business cases for all new project and programme initiatives so that capacity demands and benefits can be understood and balanced.

Change Programme

- Director of OD & Change supports Change & Digital Board (and thence EMT) to shape and agree the LCC change programme
- Change & Improvement service provides skills and capacity to identify and co-ordinate priority change initiatives
- Programme Office works with directorates to plan and monitor delivery of the agreed LCC Change Plan priorities

New ways of working

- Improvement Journey priorities aligned with corporate priorities, subject to regular review by Strategic Improvement Board (SIB)
- People Directorate established to provide capacity for development and implementation of People Strategy, including Staff Experience principles and people / cultural / skills elements of new ways of working
- Initial development offer in place and evolving to meet needs of new ways of working

Commercialisation

- Commercialisation blueprint approved by cabinet

Director of OD & Change

Director of Strategy & Performance

Mitigating Actions

Capacity

- LCC Change plan agreed by EMT July 2023, including the priority programmes and projects
- Additional resource approved to increase change, project and programme capacity to support delivery of the LCC Change Plan
- Regular engagement between Change & Digital Board and EMT to review delivery of the Change Plan, and understand any new capacity challenges and prioritisation requirements
- Additional interim capacity in place to support initial stages of strategic change programmes (including Oracle Fusion, People Strategy, Contracts Review and Process Improvement)
- Identify opportunities for realignment of roles / activities in complementary areas to support delivery of agreed priorities

Mitigation Owner

Director of OD & Change

<ul style="list-style-type: none"> • The strategic change delivery plan (SCDP) is being developed for SIB, using input from the Stop / Pause / Continue exercise and the service planning process which commenced in Dec 2022. • An interim portfolio and programme manager has been recruited to develop the programme office and support the production and delivery of the agreed SCDP priorities • SIB have committed to the Change Front Door process and to ensuring that all new change requirements are assessed and prioritised on the basis of 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 • New data sets will support the next phases of the property review, providing a more accurate and up to date picture of building usage and efficiency • A paper setting out a proposed approach to commercialisation has been approved by EMT and will form part of the SCDP on production of an approved business case 		
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Risk ID CORP5	Title: School Places	Current risk score: 12	Target Risk Score: 8	
<p>Risk Description</p> <p>Insufficient school Places meaning children and young people are missing out on education</p> <p>Possible causes:</p> <ul style="list-style-type: none"> • Insufficient places 	<p>Risk Consequences</p> <ul style="list-style-type: none"> • Children are put at risk of harm • Children missing out on education • Adverse publicity 	<p>Risk Owner</p> <p>Director of Education and Children's Services</p> <p>Target date March 2024</p>	<p>Current Likelihood</p> <p>Possible (3)</p> <p>Target Likelihood</p> <p>Unlikely (2)</p> <p>Target Risk Confidence</p>	<p>Current Impact</p> <p>Major (4)</p> <p>Target Impact</p> <p>Major (4)</p>

<p>Current Controls</p> <ul style="list-style-type: none"> • 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 	<p>Control Owner</p> <p>Director of Education and Children's Services</p>
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • 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 	<p>Mitigation Owner</p> <p>Director of Education and Skills</p>
<p>Progress:</p> <ul style="list-style-type: none"> • 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. • Our 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 & 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. • An Inquiry Day has been held to consider School Place Planning (Mainstream and SEND) and School Transport. The Inquiry Day Panel comprised members of the Children, Families and Skills Scrutiny Committee and the Scrutiny Management Board • 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.

Risk ID CORP 10		Title: Lack of Available Mental Health Beds		Current risk score: 18 Target Risk Score: 5	
<p>Risk Description</p> <p>The demand for a Mental Health Act (MHA) assessment remains extremely high and has continued to rise since the start of 2021.</p> <p>The number of 'double assessments' carried out by Approved Mental Health Professionals (AMHPs) due to bed unavailability is increasing each month.</p> <p>Continued disparity in bed wait durations between people awaiting admission in A&E compared with people waiting in the community.</p> <p>Due to the current deficit in inpatient bed provision, there is a consistent reliance on the provision of Out of Area Placements. This has a continued negative impact on people admitted out of area and their families, as well as the operational challenges this creates to support discharge planning in a timely manner.</p>	<p>Risk Consequences</p> <ol style="list-style-type: none"> 1) People being left without treatment for a mental health condition resulting in risk to themselves and members of the public. Sadly, people awaiting a bed following an assessment have passed away due to self-harm or suicide. That could have been prevented had an appropriate mental health bed been available. 2) People waiting in care homes, supported living and other placements for long periods of time is placing the person and staff at risk in an already fragile care market. This is having a significant impact on the person being assessed and their families as they are having to go through the experience again. It is also putting a significant amount of pressure on the Mental Health Service. 3) Overall delays within the mental health system are impacting on response times for adults and children awaiting an assessment in the community. 4) Care providers are reluctant to have people return in some cases or requiring significant additional funding. 5) People are being labelled for risk behaviours whilst unwell and untreated in the community while awaiting a bed. This means that additional support is needed. Additional resources being used in the community for example 1-1, which has an impact on homecare providers and capacity for other people. 	<p>Risk Owner Director of Adults Community Social Care</p> <p>Target date March 2024</p>	<p>Current Likelihood Likely</p> <p>Target Likelihood Possible</p> <p>Target Risk Confidence RED</p>	<p>Current Impact Major</p> <p>Target Impact Moderate</p>	

	<ul style="list-style-type: none"> 6) There have been serious incidents while people have been awaiting a bed, where people have taken their own lives. 7) The use of Out of Area Beds which causing further distress to people and leads of higher risk of suicide. 8) Increased financial risk to the Local Authority and resources on the Mental Health workforce, additional support hours being commissioned whilst awaiting a bed. 9) Negative impact on market sustainability within the residential and supported living areas. 			
<p>Current Controls</p> <p>Daily multi-agency calls take place for high-risk cases to be escalated using section 140 of the Mental Health Act. There is agreement that Health will make funding available for additional support when someone is awaiting a bed.</p> <ul style="list-style-type: none"> 1) Additional 1-1 is being provided to providers and funded by Health whilst awaiting a bed. 2) Lancashire & South Cumbria NHS Trust (LSCFT) support patients in the community awaiting a mental health inpatient bed, with Home Treatment Teams continuing to undertake face to face appointments whilst a bed is being sourced. 3) Approved Mental Health Professionals Team have daily calls with people/MDT who are awaiting a bed 4) Risks have been highlighted and raised at the Lancashire Safeguarding Adults Board 5) Risks are shared with ICB and Urgent Care Board. 		<p>Control Owner</p> <p>Director of Adults Community Social Care / Head of Adult Social Care-Learning Disabilities, Autism & Mental Health</p>		
<p>Mitigating Actions</p> <p>CMHT Transformation should support earlier intervention and support in times of crisis and will be rolled out in Q3</p> <p>LSCFT have an ambitious capital & workforce plan phased over the next 2 years to significantly increase the overall inpatient bed base to address this gap.</p> <p>The use of Out of Area placements will continue throughout this period of transition.</p>		<p>Mitigation Owner</p> <p>Director of Adults Community Social Care / Head of Adult Social Care-Learning Disabilities, Autism & Mental Health</p>		
<p>Progress:</p> <ul style="list-style-type: none"> 1) Despite all the above, bed delays continue to increase. 				

Opportunity ID: CO2		Title: Environmental Improvements		Current Opportunity score: 6		Target Opportunity Score: 16	
Opportunity Description Environmental Improvements (Air Quality, Noise and Safety) Green Fleet <ul style="list-style-type: none"> • Electric Vehicles (EV) • Ultra Low Emission Vehicles (ULEV) • Alternative Fuels (CNG and Hydrogen) • Lower Emission combustion engines 		Opportunity Consequences <ul style="list-style-type: none"> • Reduce Authorities Carbon Footprint • Reduce impact on air quality from LCC operations especially in urban areas by removing or reducing tailpipe emissions of noxious gases and particulates which impact adversely on health. 		Risk Owner HoS P&IT	Current Likelihood 3	Current Impact 2	
				Target date Ongoing	Target Likelihood 4	Target Impact 4	
						Target Confidence	
Progress to date <ul style="list-style-type: none"> • Replacement of older significantly less environmentally friendly vehicles with newer lower emission vehicles and plant as part of Capital Fleet Replacement Programme (Note latest Euro specification vehicles emit exponentially less than earlier Euro standard vehicles). • Looking at Electric Vehicles (EV's) but ranges and charging remain an issue • Working group formed with Fleet, Property and D&C and proposals being completed for pilot for single dual point 22 KW charging facilities at Bamber Bridge and N65 to trial EV's in Fleet and inform the working group to enable further roll out of infrastructure and EV's within LCC. • Three EV mid-sized vans now in Fleet Services (delivered April 21) which will inform further the feasibility and actions that may need to be considered with a larger roll out of EV and ULEV's; one of the vans will initially be used by user departments and teams on extended trials and to inform of possible changes to working practices and infrastructure requirements to achieve zero emission vehicles in practical operational use. • Investigation and trialling of various EVs (vans and cars) with Parking Services re enabling the use of suitable EV's for the Parking Services operations moving in-house this year. • Premises review underway 				Control Owner HoS P&IT Fleet Manager and Property Service			
Actions to realise <ul style="list-style-type: none"> • Corporate Charging infrastructure for Electric Vehicles 				Opportunity Owner Director of Highways & Transport Director of Strategy & Performance			

- We are also undertaking a premises review which will help reduce carbon emissions and identify properties for improvement. We continue to investigate opportunities for carbon reduction in our premises and seek sources of external funding.

Opportunity ID CO3 – Sub Regional Place Leadership and Governance		Current Opportunity score: 12	Target Opportunity Score: 16	
<p>Opportunity Description</p> <p>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.</p>	<p>Opportunity Consequences</p> <p>At a strategic level, in the absence of a combined county authority, devolution deal or other arrangement for Lancashire, failure to secure devolved funding and powers impacts on the ability to maximise Lancashire's target outcomes and priorities to the detriment of residents and businesses. Furthermore, an amplified, stronger and unified voice for other sub-regions around the county, particularly those regions surrounding Lancashire, is likely to compromise Lancashire's ability to present its case and advocate for its residents and businesses with the same level of authority/influence.</p>	<p>Opp Owner</p> <p>Simon Lawrence</p> <p>Target date</p> <p>All 15 Lancashire authorities achieved 'Lancashire 2050' targets in 2022/23. Further to Levelling Up White Paper and subsequent Levelling Up and Regeneration Bill, to agree a new governance model and commence negotiations with Gov't on a devolution deal in 2023/24.</p>	<p>Current Likelihood</p> <p>Likely (4)</p> <p>Target Likelihood</p> <p>Possible (3)</p> <p>Target Opp Confidence</p>	<p>Current Impact</p> <p>Major (4)</p> <p>Target Impact</p> <p>Major (4)</p>
<p>Current Controls</p> <ul style="list-style-type: none"> • (Previously) engaged specialised consultants advising on approach and submitted outline business case for change to Government. Leaders agreed principles of establishing a Lancashire strategic plan. • (2021/22) Aligned to introduction of County Deals, Lancashire councils agreed the principle of establishing a strategic plan, a governance model and the scope of a potential county deal to inform negotiations with Government. 		<p>Control Owner</p> <p>Director of Growth and Regeneration</p>		

<ul style="list-style-type: none"> • (Feb/March 2022) Following publication of Levelling Up White Paper and devolution framework, Leaders agreed to seek a dialogue with Government on county deal/governance and to commence work on Lancashire 2050. • (Autumn/Winter 2022) Lancashire 2050 strategic framework agreed by all 15 Leaders and Local Authorities and launched in Westminster. • (Spring 2023/ongoing) Dialogue with government to seek to progress county combined authority and devolution deal. 		
<p>Maximising Actions</p> <ul style="list-style-type: none"> • Engage with and review new Government policy, draft bill and statements on levelling up, devolution deals and local government reorganisation, so emerging plans can be adapted accordingly. • Aligning to and responding to Levelling Up White Paper (including the twelve 'missions' and devolution framework) and subsequent Bill (passing House of Lords Committee stage as at May 2023) • Continue with preparation and development of the scope of a potential county combined authority and devolution deal including through the application of the recently concluded evidence base and emerging evidence. • Support Lancashire Leaders to strengthen governance and engage with Government with a unified voice. • Building strategic capacity and resource to develop and deliver new strategic and policy framework including operational governance and theme groups. 	<p>Owner</p> <p>Director of Growth and Regeneration</p>	
<p>Progress</p> <ul style="list-style-type: none"> • Negotiations with government on a Devolution deal for Lancashire are at an advanced stage, with a strong commitment from all parties to the creation of a Combined County Authority • Alongside the deal, opportunities for one-off capital funding opportunities are being explored with government. • Discussions on issues around funding and resource continue. • Progress continues on L2050, with positive developments in a number of the priority areas. • Discussions are progressing with the district councils in relation to both L2050 and the Devolution deal. 		

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			

Agenda Item 14

(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)

Document is Restricted

Appendix A

(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)

Document is Restricted

Agenda Item 15

(NOT FOR PUBLICATION: By virtue of paragraph(s) 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)

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 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)

Document is Restricted

Appendix B

(NOT FOR PUBLICATION: By virtue of paragraph(s) 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)

Document is Restricted

Appendix C

(NOT FOR PUBLICATION: By virtue of paragraph(s) 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)

Document is Restricted

Agenda Item 16

(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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