LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

DRAFT
Statement of Accounts
For the year ended 31 March 2025
(Subject to Audit)

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Narrative Report of the Chief Financial Officer

INTRODUCTION

As the Council's Chief Financial Officer, I have pleasure in presenting Lancaster City Council's Statement of Accounts for 2024/25. As Chief Financial Officer and the Council's statutory Section 151 Officer, I am required to prepare a narrative report to accompany the Statement of Accounts. This report and the notes that follow give you a clear picture of the figures making up our Statement of Accounts and show how the money paid became the services received. The Statement of Accounts is required by law and the format prescribed and follows the requirements as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and the Service Reporting Code of Practice for Local Authorities 2024/25 (SeRCOP), supported by International Financial Reporting Standards (IFRS) covers various statutory requirements and other relevant information.

The Council are responding to the ongoing economic challenges by ensuring we regularly review our Medium-Term Financial Strategy (MTFS) and that our forecasts of future income and expenditure, anticipated pressures and new developments are both robust and prudent. The MTFS report advises Members of the key financial challenges and issues which will be faced by the Council over the forecast period together with updated budget gap estimates for 2026/27 to 2029/30. We will continue adapting to maximise value for money for our residents and aim to mitigate the impact on front-line service provision.

The General Fund has reported an underspend of £1.246M which has been transferred to reserves. Whilst there are number of positive and negative movements underpinning this underspend, we have benefited particularly from a VAT refund £0.350M and the Court's ruling that local authorities' leisure services are provided under a statutory framework and can be treated as non-business for VAT purposes. There was also an underspend of £0.650M in regard to our homelessness provision through effective management and utilisation of grant income.

Whilst this underspend is welcome there remains significant pressures forecast in future years with a budget deficit of £2.633M forecast for 2026/27 rising to £5.480M if not addressed. Although funding the deficit from reserves alone is not an option the Council's unallocated reserve balance currently stands at £10.028M. Although there are a number of commitments on this reserve during 2025/26 which will reduce the balance, it offers mitigation and provide a degree of resilience as the Council continues to implement the Council's OBR Fit for the Future process.

Unlike the General Fund, the Council's Housing Revenue Account (HRA) has recorded a deficit of £0.598M on its provision of services, with the annual depreciation charge being significantly higher than anticipated. The deficit has been funded from a combination of its unallocated and business support reserves. As a result, the unallocated reserve balance is now below the s151 Officers minimum recommended level. With significant commitments outstanding and potential revenue pressures associated with a number of major projects this position may be further exacerbate. The financial health of the HRA is being carefully monitored and detailed plans developed including a review and assessment of the useful life of properties as part of the Quinquennial valuation due in 2026/27.

More information on the Council's financial and non-performance is provided later within this narrative report and throughout the financial statements. Revenue, Capital and Treasury Management Outturns will be considered by Cabinet & Council later this year. Browse Meetings, 2025 - Lancaster City Council

Readers of the Council's recent Statement of Accounts will know that we have been severely impacted by the on-going crisis within the Public Sector Audit regime and the resulting "audit back-log". We have also been subject to a number of longstanding objections to the Councils Financial Statements which has impacted on both the Audit Opinions and Certification. It is against this backdrop it is with pleasure that I am able to provide the following update.

The audits of the 2019/20, 2020/21, 2021/22 and 2022/23 Financial Statements have now been concluded with Deloittes issuing unmodified opinions for the years 2019/20, 2020/21, and in accordance with the provisions for addressing the audit backlog issued disclaimed opinions for years 2021/22 and 2022/23. Copies of the audited financial statements were published on the Council's website ahead of the December 2024 backstop deadline

The outcome of the objections were formally communicated to the objector by Deloitte in February 2025. The communication outlined in detail their considerations and conclusion against each of the 34 objections and confirms that for a number of reasons none of the objections have been upheld. The objector has the right to appeal against the decision to the court. It is understood that the objector has communicated his desire to exercise this right to Deloitte.

In addition to these areas the Auditors undertook an assessment of the Council's Value for Money (VfM) arrangements against the three required reporting criteria (Financial Sustainability, Governance and Improving economy, efficiency and effectiveness). For each of the outstanding years the Auditors found

- No risk of significant weakness
- No significant weakness identified

Despite the significant progress made to clear the audit backlog the 2023/24 audit still remains outstanding. KPMG have been appointed as the Council's External Auditors for the 5-year period 2023/24 to 2028/29 and inevitably the delays in issuing the audit opinions and addressing the objections have impacted their work. However, their work is complete, with no significant issues have been identified and we expect a disclaimed audit opinion to be issued shortly.

The work of the Council's finance team is critical in ensuring proper protection and stewardship of public funds is conducted efficiently and effectively. The work that the team does in collaboration with colleagues to challenge spend and to help improve and deliver value for money is critical in ensuring high quality services continue to be delivered to our residents and I would like to take this opportunity to thank them all for their hard work, effort and selfless commitment throughout this challenging time which has seen them deliver not only these financial statements but key financial documents such as the Medium Term Financial Strategy (MTFS), Annual Revenue and Capital budget preparation, performance management and reporting, as well as a number of key documents including the Treasury Management and Capital strategies.

Last year saw the retirement of Elaine Dowling my Deputy s151 Officer and this year I would like to welcome some new faces and recognise some that who are perhaps not so new.

Shona, has the unenviable task of taking on the Councils more glamorous and technical areas such as capital accounting, VAT and Business Rates.
Becca our HRA accountant who has worked tirelessly this year providing financial assistance to Members and Officers as we work through the issues within the HRA
Dani, who is a rising star she has hit the ground running and has done exemplary work in a number of areas particularly in securing the Council's VAT refund.
Liz started with us last year but who scored a remarkable 98% in her CIPFA exams.
Harrison and Bence started their apprenticeship this year and commencing the epic journey to becoming a CIPFA accountant and are currently biting their nails waiting for their results.

Finally, my new Deputy s151 Kips, who having been with the Council for over 30 years, falls into the not so new category it's about time!

LANCASTER CITY COUNCIL PRIORITIES AND PERFORMANCE

The emphasis of the Statement of Accounts which follow this narrative report is upon the financial performance of the Council. Our financial performance, however, needs to be considered in conjunction with our ability as a Council to provide a sustainable comprehensive range of value for money services that meet both our statutory obligations and the needs of our area. This narrative seeks to outline some of the services and projects which the Council has delivered during 2024/25, linking these to our strategic objectives and future plans.

As outlined in the Council Plan 24-27, the agreed priorities are for:

1. A Sustainable District
2. An Inclusive and Prosperous Local Economy
3. Happy and Healthy Communities
4. A Co-operative, Kind and Responsible Council

The four key themes are:

1. Climate Emergency
2. Community Wealth-Building
3. Increasing Wellbeing. Reducing Inequality
4. Deliver Effective Services, Take Responsibility

Below is a summary categorising our achievements and activities in relation to each of the priorities and themes:

Climate and Sustainability

- Government grant helps to pay for Supa Skips emergency works - Lancaster City Council (April 2024) £764,916 was provided in an exceptional grant from the Department for Levelling Up Housing and Communities (DLUHC) and was used to meet costs incurred by the council to demolish buildings and remove waste as part of the firefighting efforts following the fire at the former Supa Skips site in Lancaster.

- City council strikes gold at national award ceremony - Lancaster City Council (June 2024) A project highlighted by TV presenter Kevin McCloud as a new approach to tackling the climate emergency earned Lancaster City Council top marks at the 2024 Local Government Chronicle Awards. The entry for the Net Zero category struck gold, with judges saying the winning project has "set a shining example for other local authorities to emulate".

- Residents given access to air quality information thanks to a new online portal - Lancaster City Council (July 2024) A tool to enable residents to check the quality of the air locally was launched. Air quality is continually monitored daily by Lancaster City Council. And, thanks to 13 new sensors across the district, residents will now be able to keep tabs on it too via the EarthSense Portal. The link to the Earth Sense portal is **EarthSense**.

- Planning permission granted for Burrow Beck solar development - Lancaster City Council In September, planning permission for a solar farm at Burrow Beck (Lancaster) was granted. The development, which will be located on land owned by the city council north of Bailrigg Lane, will produce 4GWh of sustainable energy.

- Local Area Energy Plan adopted by Lancaster City Council - Lancaster City Council In October 2024, the council's cabinet approved a Local Area Energy Plan (LAEP), which sets out a long-term vision for decarbonising the district by 2040 and looks beyond the council's own 2030 target for its direct activities. The LAEP sets out the changes required to transition the Lancaster district energy system and built environment to net zero while also addressing fuel poverty. It details what changes are required, where, when and by whom.

- Inspector backs Lancaster's Climate Emergency Review of the Local Plan - Lancaster City Council (Dec 2024) A Local Plan described as being at the "forefront of integrating net zero into local planning policy" has been found to have been soundly prepared by a government appointed inspector. Lancaster City Council adopted its Local Plan for the district in July 2020, but then took an unprecedented decision to launch an immediate review to include higher standards for planning proposals to address the effects of climate change and reduce carbon emissions.

Inclusive Prosperous Economy

- Eden Project Morecambe awarded up to £2.5M following formal funding agreement - Lancaster City Council (July 2024) Eden Project Morecambe received a funding boost of up to £2.5m following the signing of the first stage of a Grant Funding Agreement. The money, which is part of the £50m investment committed to Eden Project Morecambe by the UK Government, will be used to secure the services of external contractors to further develop the designs as part of the next stage of development ahead of the construction phase.

- Pedestrian improvement works completed - Lancaster City Council In July 2024, highway and public realm improvements to enhance pedestrian access for people visiting Lancaster's Grand Theatre and using St Leonard's Gate were completed. Funded as part of the Lancaster High Streets Heritage Action Zone project, the works have included widening the pavement in front of the Grand Theatre and the use of high-quality natural stone materials.

- Free parking for shoppers this Christmas - Lancaster City Council From Sunday November 24 until Sunday December 22, all of Lancaster City Council's town centre pay and display car parks in Lancaster and Morecambe were free to use for Sunday shopping. On Thursday evenings from November 28 until Thursday December 19, free parking at the council's town centre pay and display car parks from 5pm until 8am the following morning to enjoy late night shopping.

- Lancaster City Council successfully defends Bailrigg planning appeal refusal - Lancaster City Council Two planning applications for the development of 644 houses, ancillary infrastructure, and an access link road at Bailrigg have been dismissed on appeal by the Planning Inspectorate. The applications, which were first refused by Lancaster City Council's Planning Regulatory Committee in December 2023, were dismissed following a public inquiry.

Healthy and Happy Communities

- Exhibitions celebrate local industries - Lancaster City Council (May 2024) Standfast and Barracks: A Century of Design, was at the City Museum on Market Square in May and June 2024. The exhibition uncovers the rich history of one of Lancaster's most well-known factories, Standfast and Barracks, which celebrated its centenary in 2024. It shows scrimshaw made by prisoners interned on the Caton Road site, when it was a camp for 'enemy aliens' during the first world war, as well as original design books and the memorial plaque for colleagues lost during the second world war.

- Morecambe's beaches receive Seaside Awards - Lancaster City Council (May 2024) Morecambe North and South are recipients of the prestigious Keep Britain Tidy Seaside Award. Seaside Awards recognise and award beaches in England that achieve the highest standards of beach management and offer visitors great facilities alongside a litter free and safe environment.

- Discover Williamson Park with the Love Exploring App - Lancaster City Council (May 2024) Lancaster City Council has made it even easier for visitors to enjoy an exciting day out exploring one of its most popular tourist attractions with the launch of the free Love Exploring mobile app. The Love Exploring app can be downloaded from Google Play and The App Store. Simply search 'Love Exploring' or visit the park and use one of the QR codes displayed on site.

- Lancaster City Museums awarded National Lottery grant to help support review - Lancaster City Council (July 2024) Lancaster City Council received a £68,512 grant from The National Lottery Heritage Fund to support a project that aims to make its museums fit for the future. The funding kickstarted a review to develop a suite of options for the City, Maritime, Cottage and King's Own Royal Regiment museums.

- Local parks retain their Green Flag accreditation - Lancaster City Council (July 2024) The five Lancaster parks with Keep Britain Tidy Green Flag accreditation, retained their status for 2024.

- Lancaster City Council launches new visitor information website - Lancaster City Council (July 2024) Lancaster City Council and local partners Hotfoot have created **www.lancasterandmorecambebay.com to** promote the very best tourism attractions, retail, food and leisure venues across the district. The project was funded by the government's UK Shared Prosperity Fund.

- Crowds celebrate the 20th Century at Morecambe's Vintage by the Sea - Lancaster City Council In August 2024, the popular Vintage by the Sea festival, welcomed visitors dressed in fashions from the 20s to the 90s, to strut their stuff on the iconic Best In Show catwalk, take a bike ride along the promenade on their vintage cycles or learn to dance in the new Boogie Ballroom with popular classes including Bhangra with Sohan Kailey to the Charleston and Northern Soul, or even breakdancing with the nationally acclaimed UC Crew Powered by Hip Hop.

- Planning permission approved for new council homes in Skerton - Lancaster City Council In December 2024, Lancaster City Council's Planning Regulatory Committee approved the proposal to provide 135 new council homes on the site of the former Skerton High School in Lancaster. The design proposals reimagine the former school site in a boldly presented scheme of modern apartments and housing that reflect the heritage of the area. At its heart are two sets of new apartments with a large central square providing shared amenity space to encourage a sense of community and to provide a space where residents can meet and socialise.

- WorkWell support service launches across the Lancaster district - Lancaster City Council In January, WorkWell, a national support service designed to help disabled people and people with health conditions to start, stay or succeed in work was rolled out across the Lancaster district. As part of the offer, individuals will have access to a work and health coach, who will offer individualised support for up to 12 weeks and help create some clear objectives that address individuals' physical, psychological and social needs.

Kind Co-operative Council

- Positive peer review welcomed by Lancaster City Council - Lancaster City Council (July 2024) An independent peer review of Lancaster City Council praised the organisation, saying it has a 'let's do it' culture with a clear vision for the district. The review team spoke to more than 130 people, including a range of council staff, councillors and external stakeholders. Some of the strengths highlighted in the report include:
    - The council has a clear vision through its new Council Plan
    - There is strong leadership and staff are empowered to try out new things – 'let's do it' attitude
    - It is a welcoming, supportive place to work – professional, friendly with a strong emphasis on staff wellbeing and development
    - There is a clear ambition that increased prosperity must be for the benefit of the whole community and enable a low carbon future
    - People are proud to work for and represent Lancaster City Council – officers and members work well together

- There is a good understanding among officers, councillors and partners of the need to make savings and generate income

- Lancaster City Council and partners sign up to new strategic partnership - Lancaster City Council In August 2024, nine organisations from across the Lancaster district have pledged to work together more closely to improve the lives of the local community with the signing of a Memorandum of Understanding (MOU).

Through the partnership, the founding member organisations will work together to improve the Lancaster District aligned to agreed strategic priorities – sustainability and the climate emergency, the economy, health and wellbeing and communities.

Founding organisations include Lancaster City Council, Lancaster University, University of Cumbria, Lancaster and Morecambe College, Lancaster and Morecambe Chamber of Commerce, University Hospitals of Morecambe Bay NHS Foundation Trust, Lancashire and South Cumbria Integrated Care Board, Lancaster District CVS and Lancaster Arts Partnership.

- New local fibre network launched - Lancaster City Council In October 2024, more than 50 representatives from local technology businesses and organisations attended the launch of the Lancaster district's new Local Full Fibre Network to find out more about its benefits and how it will help to turbocharge the local economy.

- Council shortlisted for prominent national local government awards including Local Authority of the Year - Lancaster City Council (March 25) Lancaster City Council is proud to have been shortlisted in four different categories at this year's MJ Awards, including the prestigious Local Authority of the Year category. The categories the city council has been shortlisted for in are:
  - Local Authority of the Year
  - Leadership in Responding to the Climate Emergency
  - Rising Star
  - Digital Transformation

- Lancaster City Council sets its budget for 2025/26 - Lancaster City Council Maintaining a resilient financial foundation and protecting essential services are at the heart of Lancaster City Council's budget for 2025/26, which was agreed on in February 2025. Following months of hard work by officers and councillors, a balanced budget has been achieved for 2025/26 without use of reserves.

- https://www.lancaster.gov.uk/business/business-support/uk-shared-prosperity-fund The 3 year UKSPF and REPF programme (2022-2025) came to a close in financial year 24/25. The overall percentage of spend was 99.4% over the 3 years. This achieved close to £5,293,336 of investment into the Lancaster district via UKSPF and over £500,000 of investment via the rural fund.

A Sustainable District	An Inclusive and Prosperous Local Economy	Happy and Healthy Communities	A Co-operative, Kind and Responsible Council
In September, planning permission for a solar farm at Burrow Beck (Lancaster) was granted. The development, which will be located on land owned by the city council north of Bailrigg Lane, will produce 4GWh of sustainable energy.	From Sunday November 24 until Sunday December 22, all of Lancaster City Council's town centre pay and display car parks in Lancaster and Morecambe were free to use for Sunday shopping. This applied on selected Thursdays over the same period.	Lancaster City Council has made it even easier for visitors to enjoy an exciting day out exploring one of its most popular tourist attractions with the launch of the free Love Exploring mobile app	An independent peer review of Lancaster City Council praised the organisation, saying it has a 'let's do it' culture with a clear vision for the district.
In April 24, £764,916 was provided in an exceptional grant from the Department for Levelling Up Housing and Communities (DLUHC) and was used to meet costs incurred by the council to demolish buildings and remove waste as part of the firefighting efforts following the fire at the former Supa Skips site in Lancaster.	Two planning applications for the development of 644 houses, ancillary infrastructure, and an access link road at Bailrigg have been dismissed on appeal by the Planning Inspectorate. The applications, which were first refused by Lancaster City Council's Planning Regulatory Committee in December 2023, were dismissed following a public inquiry.	The five Lancaster parks with Keep Britain Tidy Green Flag accreditation, retained their status for 2024.	In August 24, nine organisations from across the Lancaster district have pledged to work together more closely to improve the lives of the local community with the signing of a Memorandum of Understanding.
A project highlighted by TV presenter Kevin McCloud as a new approach to tackling the climate emergency earned Lancaster City Council top marks at the 2024 Local Government Chronicle Awards. The entry for the Net Zero category struck gold, with judges saying the winning project has "set a shining example for other local authorities to emulate".	In July 2024, highway and public realm improvements to enhance pedestrian access for people visiting Lancaster's Grand Theatre and using St Leonard's Gate were completed. The works have included widening the pavement in front of the Grand Theatre and the use of high-quality natural stone materials.	Lancaster City Council received a £68,512 grant from The National Lottery Heritage Fund to support a project that aims to make its museums fit for the future. The funding kickstarted a review to develop a suite of options for the City, Maritime, Cottage and King's Own Royal Regiment museums.	In October 24, more than 50 representatives from local technology businesses and organisations attended the launch of the Lancaster district's new Local Full Fibre Network to find out more about its benefits and how it will help to turbocharge the local economy.
In October 2024, the council's cabinet approved a Local Area Energy Plan (LAEP), which sets out a long-term vision for decarbonising the district by 2040 and looks beyond the council's own 2030 target for its direct activities.	Eden Project Morecambe received a funding boost of up to £2.5m following the signing of the first stage of a Grant Funding Agreement. The money, which is part of the £50m investment committed to Eden Project Morecambe by the UK Government, will be used to secure the services of external	In December 2024, Lancaster City Council's Planning Regulatory Committee approved the proposal to provide 135 new council homes on the site of the former Skerton High School in Lancaster.	Maintaining a resilient financial foundation and protecting essential services are at the heart of Lancaster City Council's budget for 2025/26, which was agreed on in February 2025. Following months of hard work by officers and councillors, a balanced budget has been achieved

	contractors to further develop the designs as part of the next stage of development ahead of the construction phase.		for 2025/26 without use of reserves.
		In January, WorkWell, a national support service designed to help disabled people and people with health conditions to start, stay or succeed in work was rolled out across the Lancaster district.	The 3-year UKSPF and REPF programme (2022-2025) came to a close in financial year 24/25. The overall percentage of spend was 99.4% over the 3 years. This achieved close to £5,293,336 of investment into the Lancaster district via UKSPF and over £500,000 of investment via the rural fund.

LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

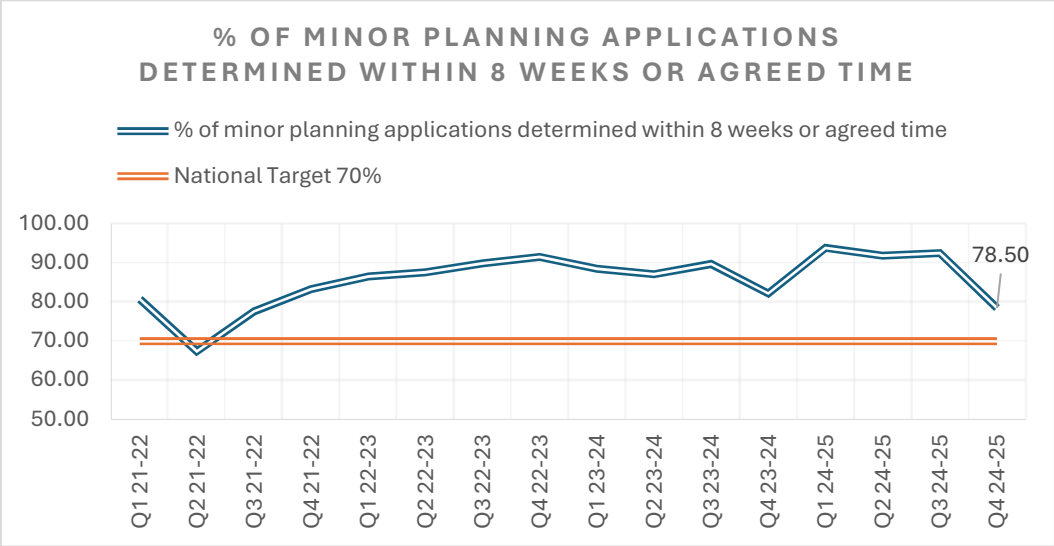
Corporate Performance updates 31st March 2025 (Q4)

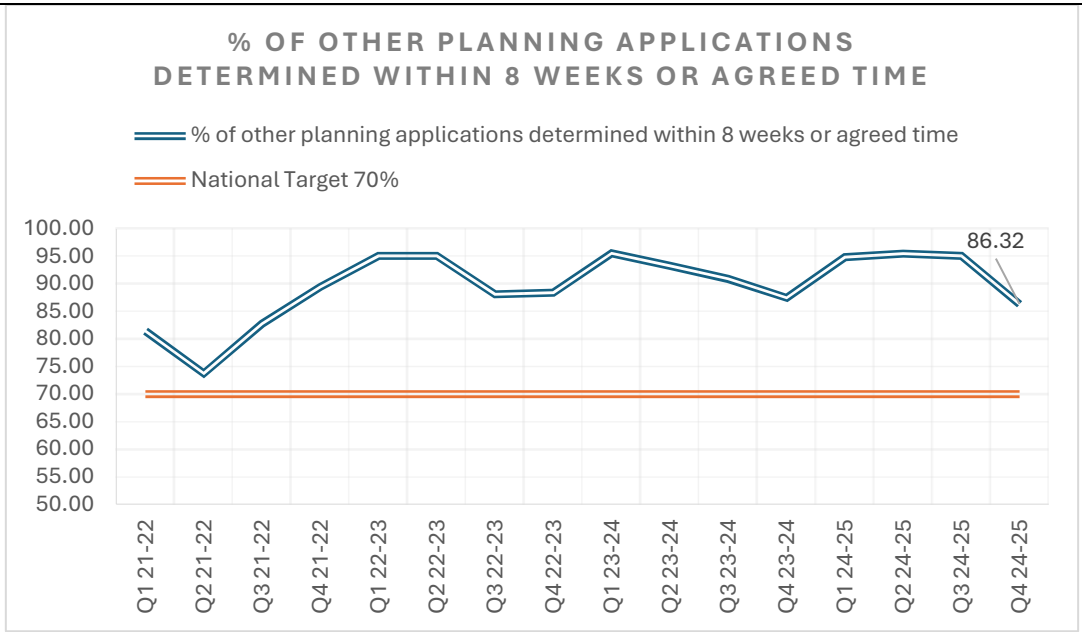
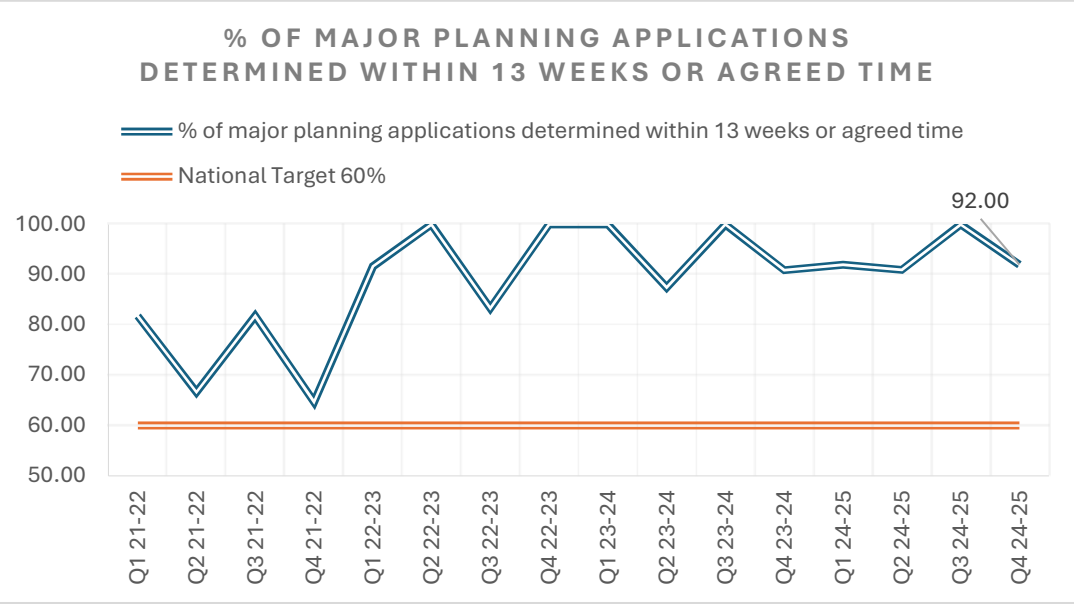
Council Priorities Key

I	An inclusive and Prosperous Local Economy (Economy)
S	A Sustainable District (Environmental)
H	Healthy and Happy Communities (Social)
R	A Co-operative, Kind and Responsible Council (Governance)

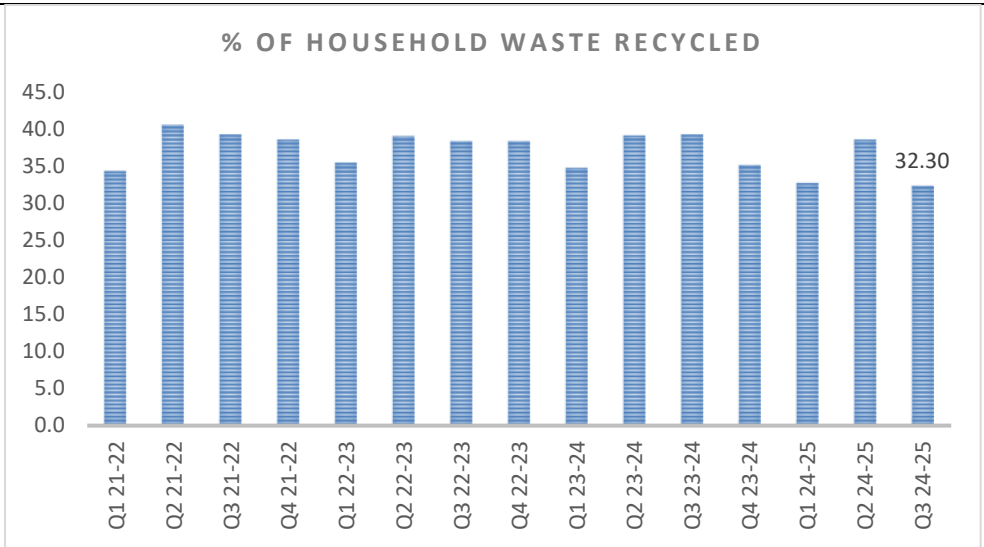
Measures marked with a * are usually compared to the same quarter from the previous year.

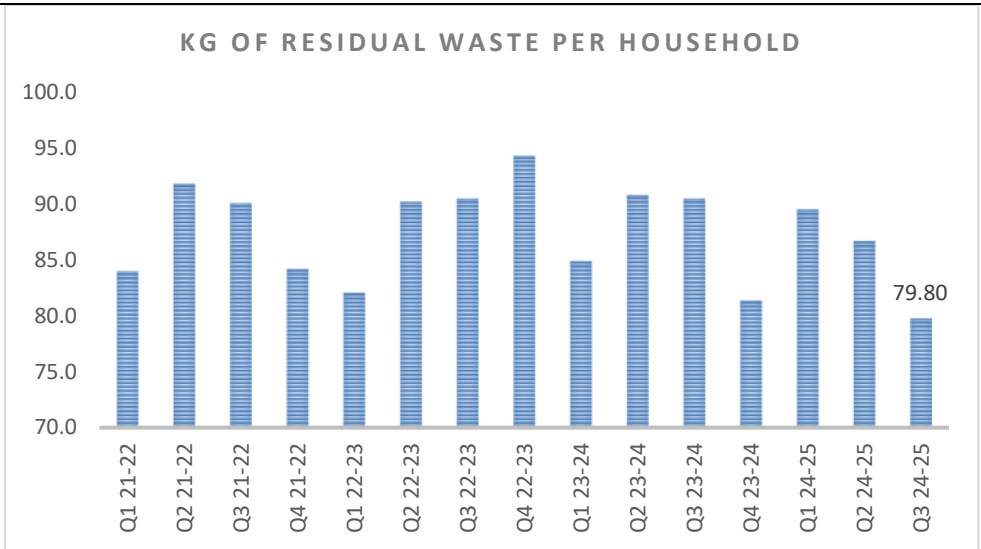
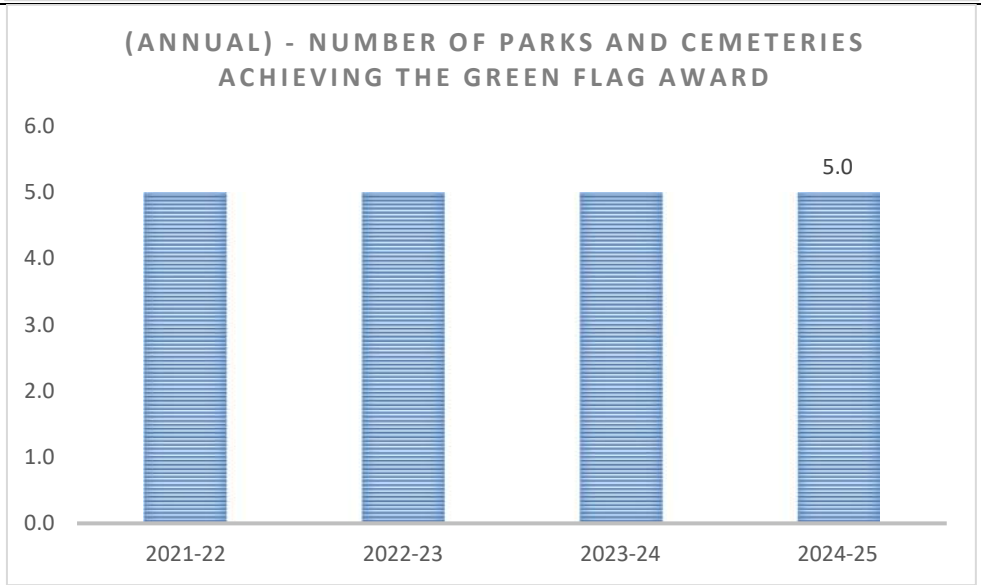
An Inclusive and Prosperous Local Economy (Economy)

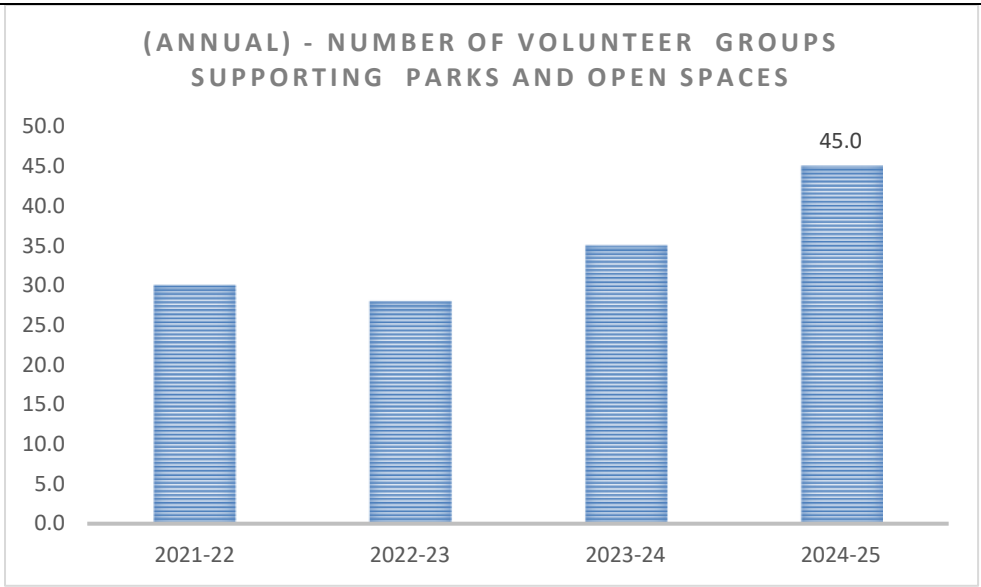
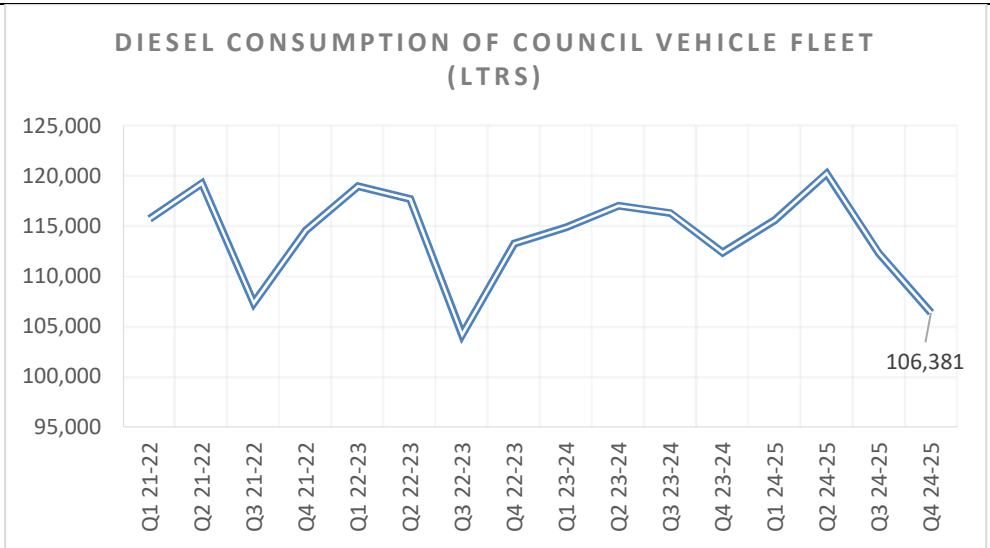
Priority	KPI Measure and Direction of Travel	Comments provided by KPI Owners
I		Performance appears to have fallen significantly in respect of minor applications compared to the last quarter; however, the period has coincided with the adoption of the LPA's Climate Emergency Development Plan Review at the end of January 2025. The stringent policies have challenged developers and where additional information has been required, Officers have had to request further information on all applications. A small number of local agents have also confirmed during this period that where an application is to be refused, they will not work with the LPA and agree extensions of time, as a matter of course. With a lower number of overall applications submitted, the actions of a small number of agents on a small number of applications, has had a significant impact upon the performance figures of the minor applications. The LPA is working hard with all agents to help them improve the quality of their submissions and implement the adopted local planning policies and it is considered that this performance drop is a temporary concern. **High is good**

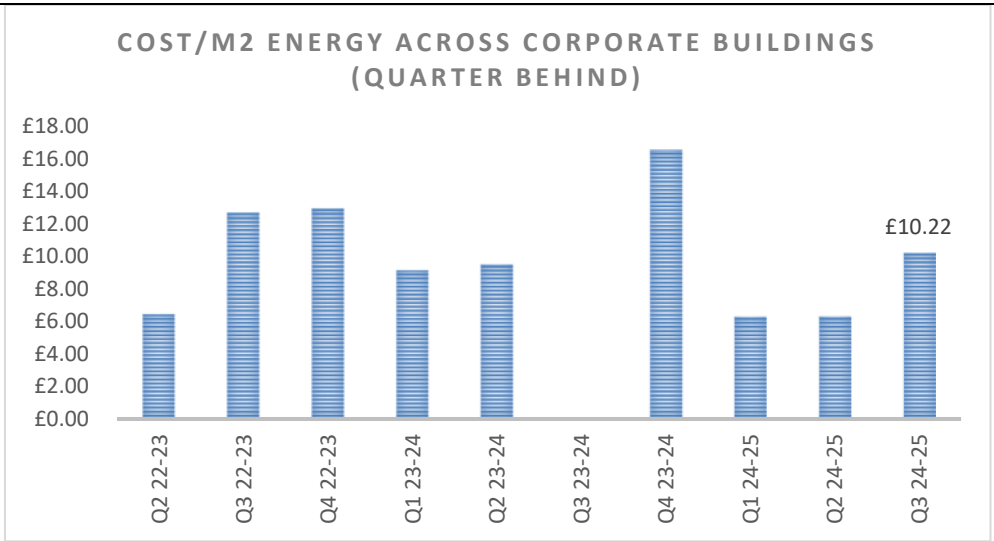
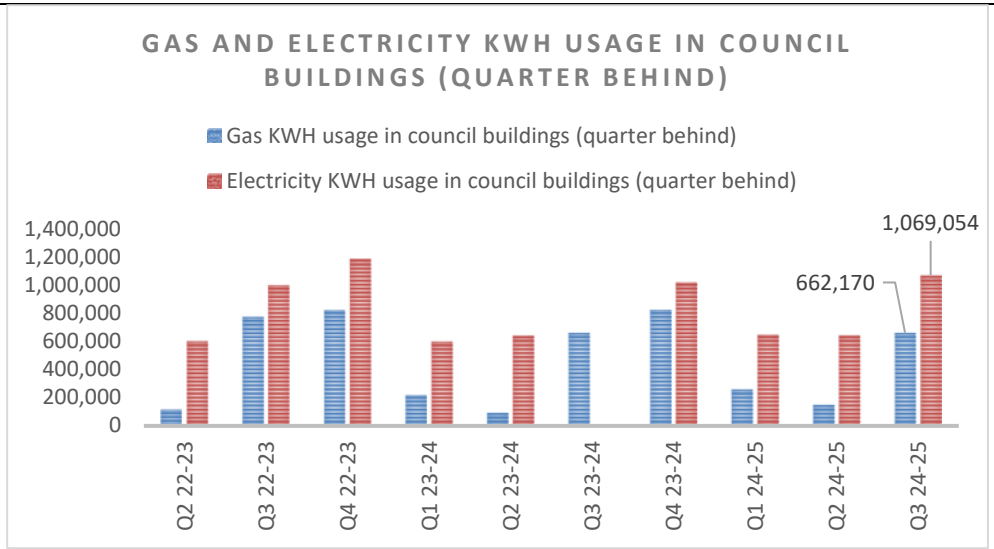
I					Again, there is a fall in the number of applications determined in time. The performance drop here can also be understood due to the changes in policy and the reduced number of applications received and the impact that a small number of out of time applications without agreed extensions of time can have. The performance is still good however, and the quality of the decisions is still considered to be high, especially when viewed in light of the number of appeals that have been dismissed. The appeal success rate reflects both Minor and Other apps and the quality of work that is carried out by the LPA. **High is good**
I					Although down on last quarter from 100%, the lower number of applications received and determined has contributed to this statistical drop in performance. With a fall in the number of applications received, Officers have tried to move forward historic major applications that had become stuck due to further information being required due to local and national policy changes. Although down, performance is still considered to be very good and in line with the national averages. **High is good**

A Sustainable District (Environmental)

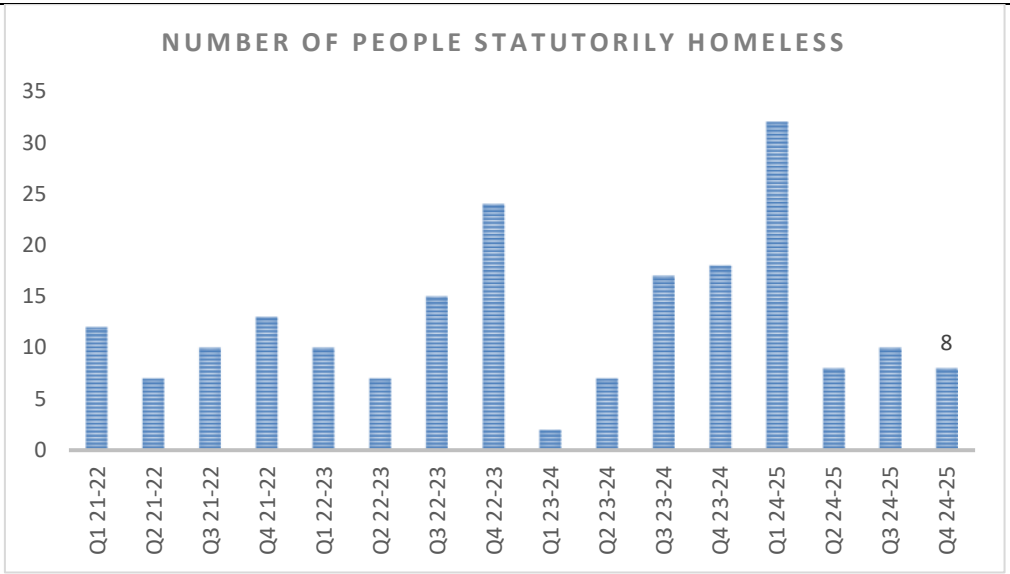
Priority	Measure and Direction of Travel	Comments
S		The graph represents the correct figures for each quarter. However, there is a delay in receiving the data from Lancashire County Council, so they are reported on a quarter behind. **High is good**

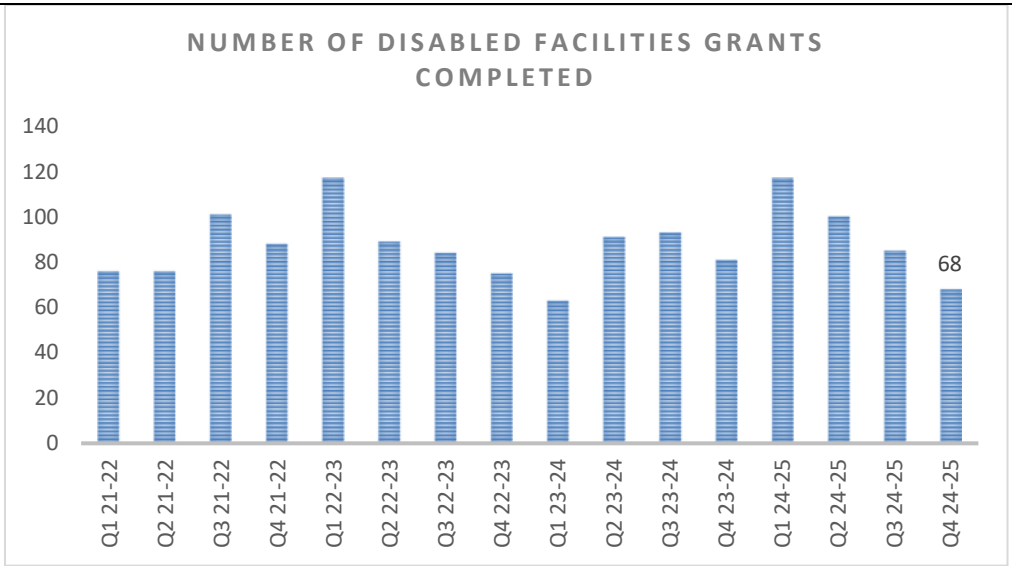
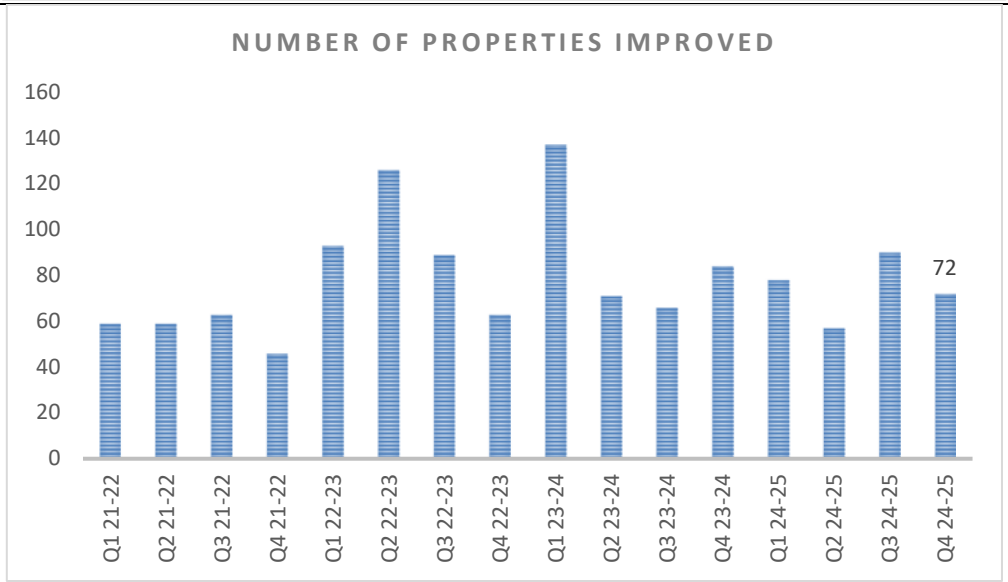
	S				The graph represents the correct figures for each quarter. However, there is a delay in receiving the data from Lancashire County Council, so they are reported on a quarter behind. **Low is good**
	S				In 2024-25, 5 awards were retained which aligns to the previous year. The green flag scheme recognises and rewards well managed parks and green spaces, setting the benchmark standard for the management of recreational outdoor spaces across the UK. **High is good**

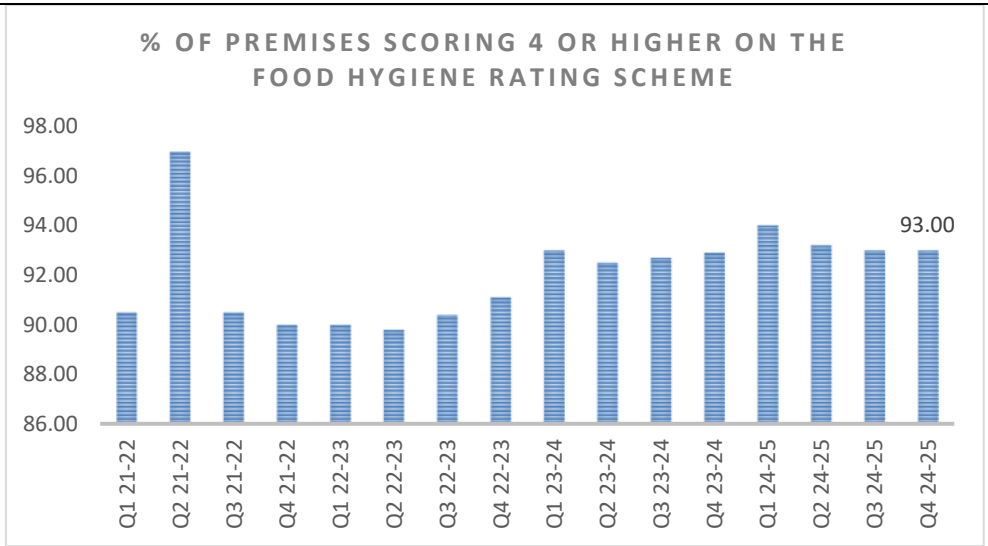
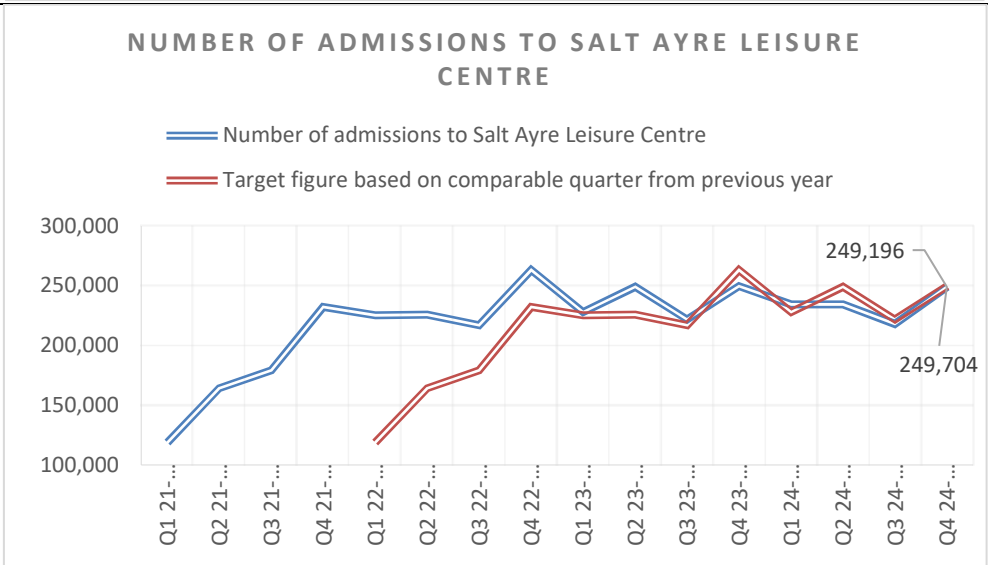
	S				The performance has significantly increased from the previous year, with an increase of 10 volunteer groups. This increase has been achieved due to additional litter picking groups being established which is linked with the increased awareness raised through social media. Volunteers are a vital asset to parks, enabling them to function more efficiently while connecting communities to nature. The ways in which volunteers help can include litter picking, planting and raising funds for playground renovations. They also strengthen community engagement, fostering a sense of ownership and responsibility within the community. **High is good**
	S				No comment available. **Low is good**

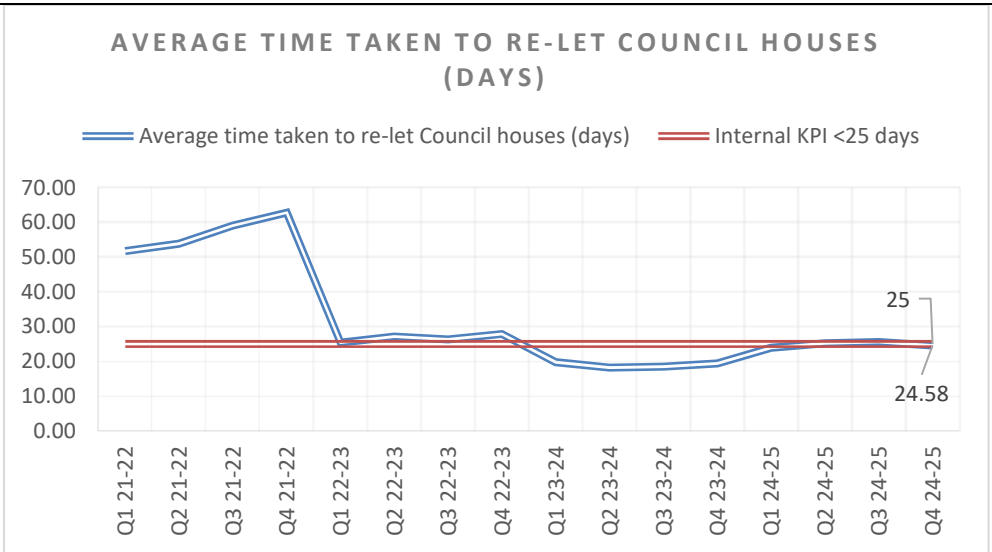
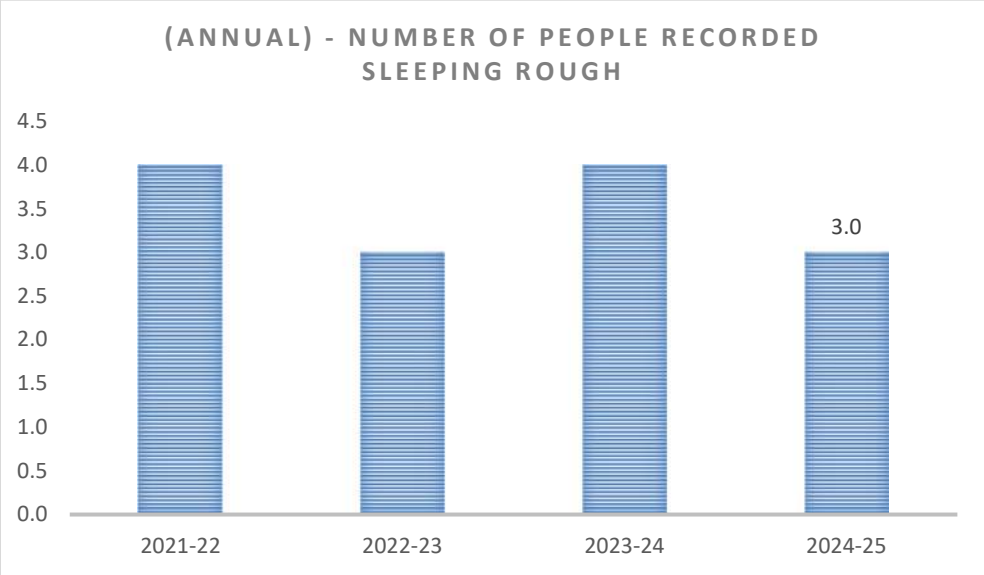
	S				Energy consumption has slightly increased on 2023/24 figures, but energy costs have decreased over the same period. Further analysis would be required to check for reasons for consumption increase. The graph represents the correct data for each quarter, but the measure is reported on a quarter behind. **Low is good**
	S				Comparison with same period from previous year shows consumption of gas has seen a slight decrease. Comparison with same period from previous year shows consumption of electricity has seen a slight increase. Further analysis of both measures would be required to determine the cause for this change. The graph represents the correct data for each quarter, but the measure is reported on a quarter behind. **Low is good**

Healthy & Happy Communities (Social)

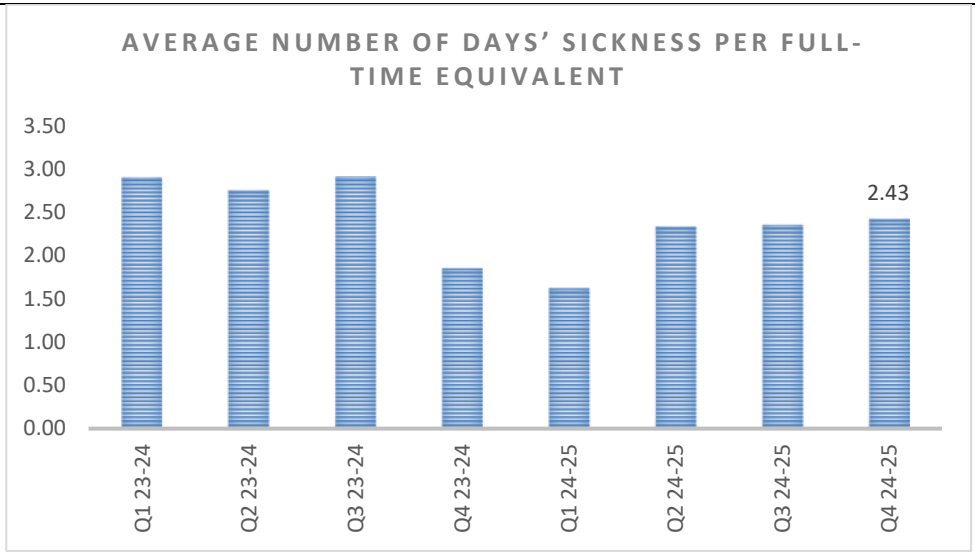
Priority	Measure and Direction of Travel	Comments
H		There were 8 re-housing duties where the Council owed a full rehousing duty in Quarter 4 which is a slight reduction from the previous quarter. In addition, the Council separately made 6 intentionally homeless decision, 31 non-priority homeless decisions and one decision where the applicant was not homeless in the quarter. **Low is good**

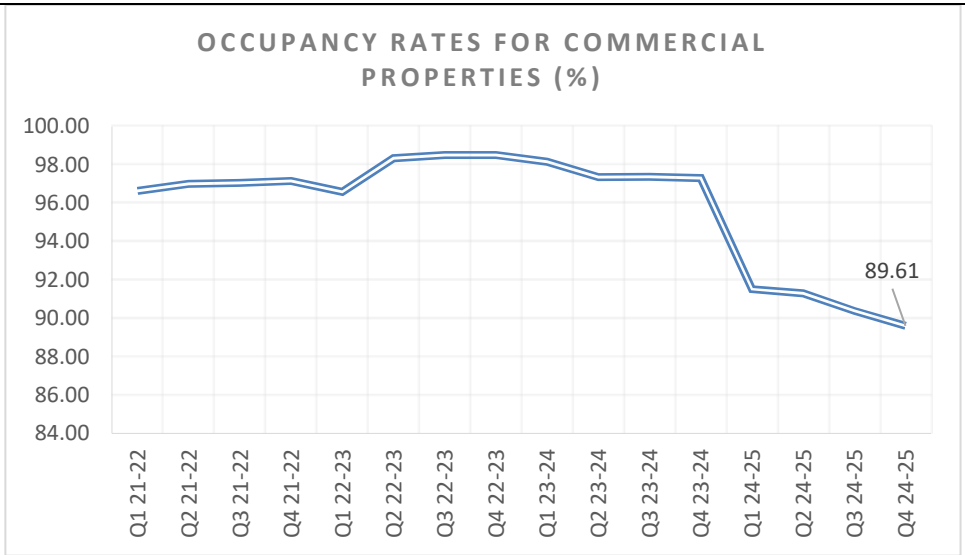
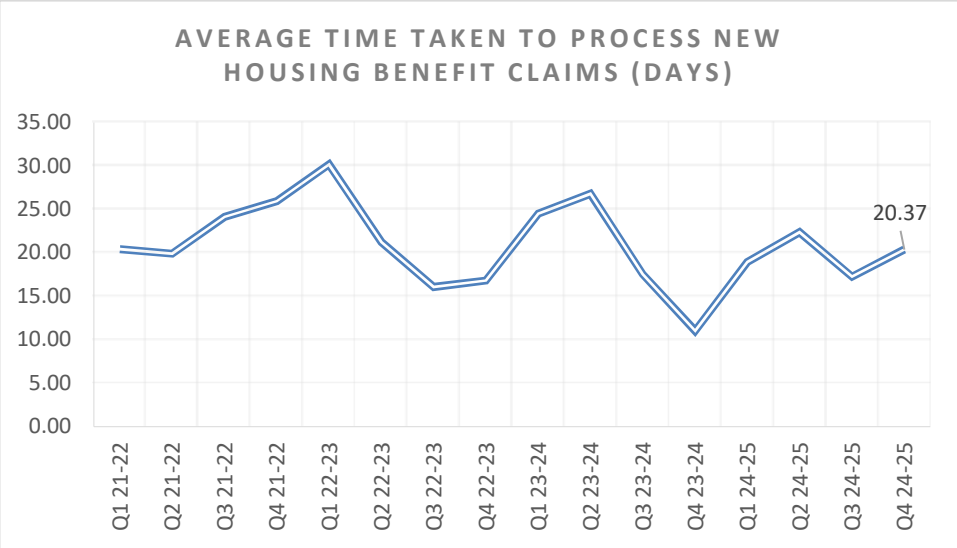
		H			370 grants were completed in 24/25 with a total spend of £2,516,067. The average completed grant including fees was £6,757.00, well below the national average. The 24/25 grant allocation was £2,338,873 with an additional allocation of £321,829 received in February 25. Any unspent allocation is carried forward and added to the 25/26 grant allocation, which has been confirmed at the same level as 24/25. **High is good**
		H			Damp, mould and excess cold continue to be the most common complaints. The creation of an online process for HMO licensing applications was completed in this quarter and we are still waiting for legislative changes. **High is good**

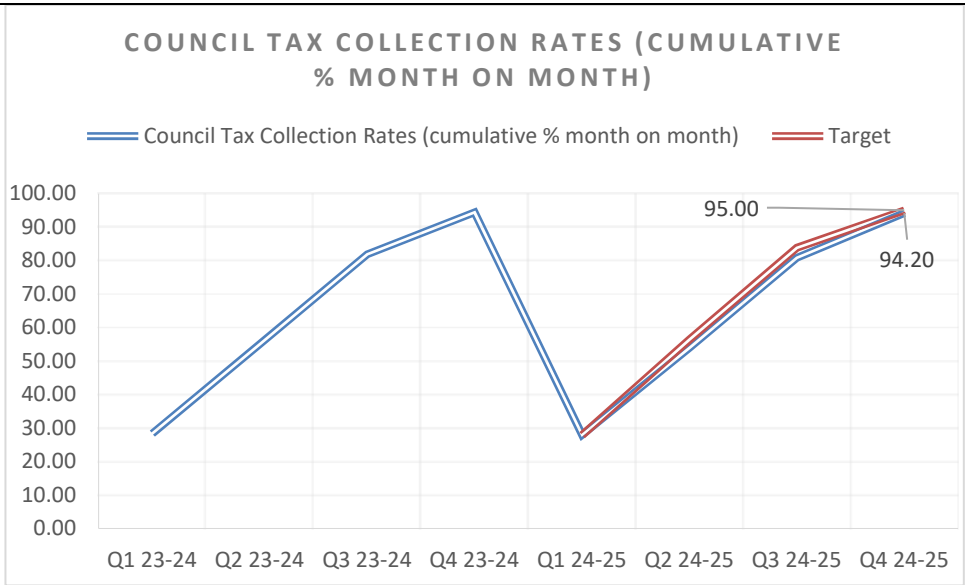
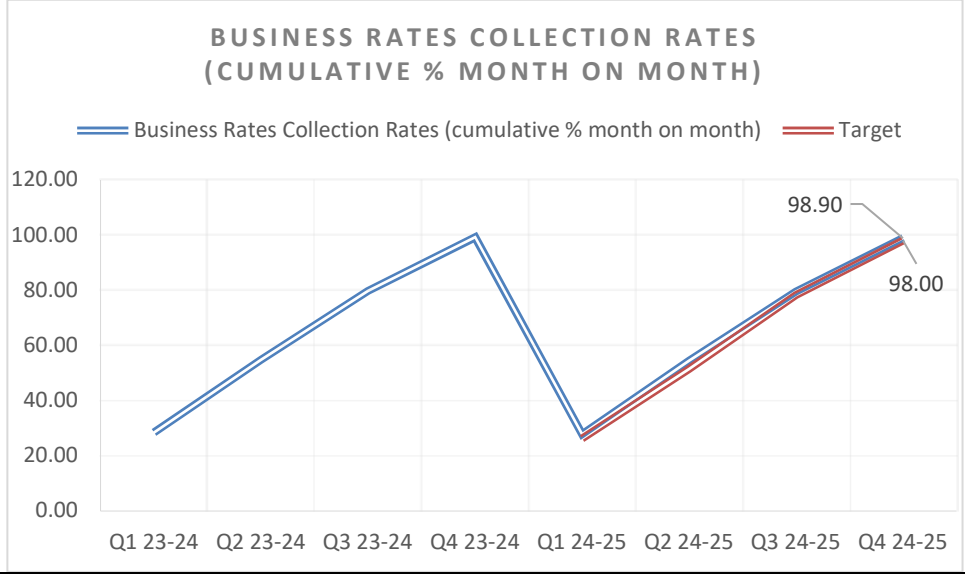
I	H			93% of premises scored 4 or higher but there were 98% of premises that scored 3 or higher which is considered generally satisfactory. Note - 3* = satisfactory, 4* = good **High is good**
	H			Year on year figures are similar with a small decrease in Q4. Whilst some areas are performing well, swimming enrolments are slightly down due to shortage of teachers and will have contributed to the negligible reduction. This is being addressed through training and recruitment processes. **High is good**

		H				Performance meets our internal target of 25 days for standard relet times. **Low is good**
		H				The annual number of people recorded sleeping rough for 24-25 is 3 people. This is based on the most recent monthly snapshot that was recorded on 28th March. As Lancaster City Council receive rough sleeper initiative funding there is a requirement to carry out a monthly rough sleeper count and submit this to central Government each month. The figures fluctuate during the course of each month, but an internal figure of 2.0 people is set. This target may not be deemed achievable due to the current housing crisis. **Low is good**

A Co-operative, Kind and Responsible Council (Governance)

Priority	Measure and Direction of Travel	Comments
R		The average for Q4 is slightly higher than that for Q3 (0.09 difference) - there has been a decrease in days lost due to mental health/stress-related sickness, but an increase in days lost due to coughs/colds/viruses/chest infections which have been mainly short-term and are more prominent in Q4 which crosses the winter period. There has also been an increase in the number of new long-term sickness cases, although the majority of these have now returned to work. Musculoskeletal-related sickness remains high compared to Q4 last year, with progress/returns to work limited by increasingly long NHS waiting times for treatment/specialist appointments/surgery. The Council pays for 4 sessions with a local physiotherapist for employees where this would help them to return to work or reduce the likelihood that they will be off work. **Low is good**

			R				The occupancy rate remains high although there has been a slight reduction on the last quarter's figures. This relates to 2 further tenants vacating premises on lease expiry and further commercial space coming back on to programme. The Estates team are actively progressing deals on the majority of LCC's void commercial space which will translate into improved figures going forward. **High is good**
		H	R				No comment available. **Low is good**

		H	R				No comment available. Annual target for collection rate is 95% **High is good**
		H	R				No comment available. Annual target for collection rate is 98% **High is good**

FINANCIAL PERFORMANCE

Financial Summary 2024/25

As per the previous years, continued financial challenges have presented significant challenges from both internal and external pressures.

As part of the 2024/25 budget setting process, Members approved savings proposals to save the Council £1.233M and growth amounting to £0.125M in 2024/25. This represented significant challenges for the Council to deliver.

With regard to savings it is noted that £0.385M (31.2%) were achieved within the year. A majority of these net savings were budgeted to be achieved by the increase of fees and charges for which additional receipts of £0.838M were included. However, it is difficult to project as there are shortfalls in income across services which may be attributable to other issues over pricing strategy.

However, although both the General Fund and Housing Revenue Account were able to respond to the financial challenges in 2024/25 and maintain balanced budget positions by utilising its reserves, this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget pressures were addressed. To put into context a budget gap of £2.6M is still forecast for 2026/27 and this rises annually to £5.5M in 2029/30 for which the cumulative effect is not sustainable.

General Fund

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, except for Council Housing. On 28th February 2024 Council approved a General Fund Revenue Budget for 2024/25 of £25.008M (£21.091M 2023/24).

The table below provides details of the General Fund revenue income and expenditure for 2024/25 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension adjustments and capital charges initially charged to service.

	2024/25				
Expenditure:	**Original Budget** £000	**Working Budget** £000	**Actual** £000	**Remove Reserve Funded Variances** £000	**Variance from Working Budget** £000
Environment & Place	10,290	10,454	10,567	(52)	(165)
Governance	1,480	1,480	1,596	-	(116)
Housing & Property	4,037	5,969	3,929	(666)	1,374
People & Policy	2,527	2,578	2,414	27	191
Planning & Climate Change	2,304	2,791	2,484	(502)	(195)
Resources	4,740	5,004	4,585	(255)	164
Sustainable Growth	776	982	722	(157)	103
Other Corporate Income & Expenditure Items	(938)	(1,874)	(990)	1,605	721
Contribution to/(from) General Fund Balance	(208)	(2,376)	(299)	-	(2,077)
NET REVENUE EXPENDITURE	**25,008**	**25,008**	**25,008**	**-**	**-**

A core element of the Council's budget is salary driven and as part of the 2024/25 budget setting process, an inflationary uplift of 5.95% was included to salaries across all services of the Council. The National Employers' offer of an increase of £1,290 (or 2.5% whichever is higher) on all NJC pay points was accepted on 22nd October 2024. The Chief Officer's pay award was agreed and included at 2.5%.

Service/Section	SALARIES VARIANCE £000	PAY AWARD £000	AGENCY VARIANCE £000	OTHER VARIANCE £000	TOTAL VARIANCE £000
Environment & Place	515	146	(143)	(29)	489
Governance	124	38	(82)	0	80
Housing & Property	392	79	(47)	(88)	336
People & Policy	212	65	0	(161)	116
Planning & Climate Change	303	63	0	0	366
Resources	319	44	0	(42)	321
Sustainable Growth	146	28	0	0	174
Provision for Staff Turnover	(632)	-	-	-	(632)
TOTAL FAVOURABLE VARIANCE	**1,379**	**463**	**(272)**	**(320)**	**1,250**

During the financial year the Council continued to implement a planned programme of restructuring which contributes towards previously approved savings. This resulted in transformational costs being incurred which were funded in part by the flexible use of capital receipts. The compulsory element of redundancy and any pension strain payments are eligible to be capitalised, as per the government directive. Severance/Redundancy payments (-£0.143M) are included within the People & Policy outturn figures and pension strain payments (-£0.228M) are included within Other Corporate & Expenditure Items. Capital receipts of +£0.222M were made available for these transformational purposes which resulted in a net cost of (-£0.149M) being covered from General Fund balances.

With regard to day to day income and expenditure, at the end of the financial year, the General Fund was underspent by £1.246M and this has been transferred to the General Fund unallocated reserve.

Contribution to General Fund Balance

During the year, the unallocated reserve was used to fund the following areas whilst also addressing any under or overspend of General Fund revenue within the financial year.

	2024/25			
	Original Budget £000	Working Budget £000	Actual £000	Variance from Working Budget £000
Contributions To Reserve				
Approved Contribution (General Fund)	250	250	250	-
Approved Contribution (Business Rates)	820	820	820	-
Revenue Underspend	-	-	1,246	1,246
Contributions From Reserve				
Heysham Gateway	(855)	(2,564)	(1,966)	598
Local Plan	(423)	(630)	(260)	370
Supaskips Major Incident	-	-	(31)	(31)
Household Waste Audit	-	(20)	(20)	-
Property Stock Condition Survey	-	(100)	(99)	1
Property Civica Property Mgt Set Up	-	(101)	(94)	7
LERG match funding	-	(25)	(12)	13
Business Analyst Posts	-	-	(78)	(78)
Burrowbeck Solar PV	-	(6)	(3)	3
VMU Ramp Replacement	-	-	(52)	(52)
NET REVENUE EXPENDITURE	**(208)**	**(2,376)**	**(299)**	**2,077**

Housing Revenue Account

At the end of the financial year, the Council owned 3,602 homes generating rental income of c.£16.7M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring-fenced account, the Housing Revenue Account (HRA). Full details of the HRA are included within these accounts.

The net overspend on the HRA was £0.694M resulting in a net deficit for 2024/25 of £0.598M (2023/24 £0.126M surplus), which has been transferred from the HRA unallocated reserve.

	£000
Repairs & Maintenance costs	(227)
Redevelopment project fees	200
Slippage on projects funded from reserves	448
Contribution to bad debts provision	(157)
Interest from Investments	40
Net pension adjustment re IAS19	216
Decreased use of Reserves	(171)
Net increase in Capital funded from Revenue	(995)
Other minor variances	(48)
	(694)

As at 31 March 2025, the HRA's unallocated reserve balance stands at £0.152M, £0.598M below the minimum recommended level for 2024/25 of £0.750M. Expenditure within the HRA is supported by a 30-year business plan and the Council is planning significant investment over a number of years to improve its social housing stock.

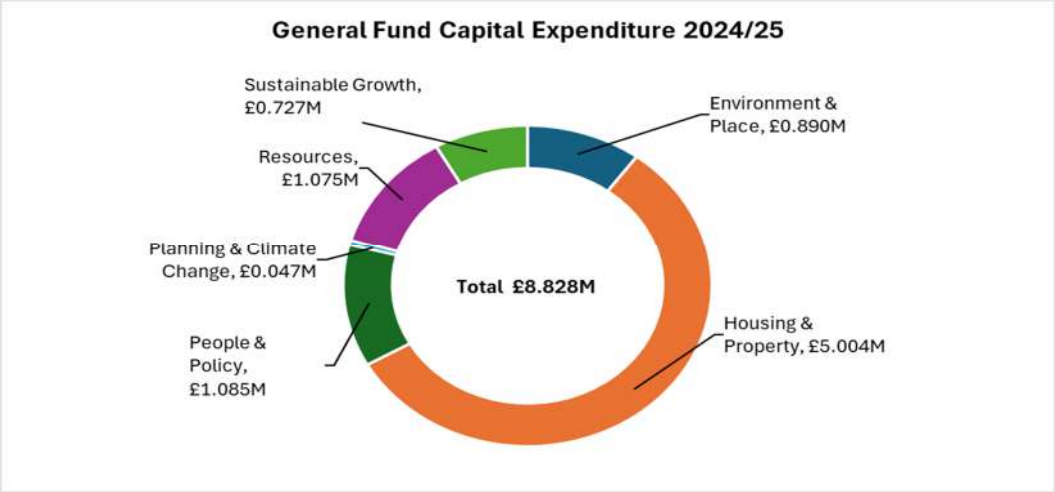
	Balance at 31 March 2024	Transfers Out	Transfers In	Balance at 31 March 2025
	£000	£000	£000	£000
HRA Reserves:				
Unallocated Balances	**750**	(598)	-	**152**
Earmarked Reserves:				
Hsg Mgt System Replacement	**974**	(252)	-	**722**
Flats Planned Maintenance	**405**	(122)	-	**283**
Sheltered Housing Reserves	**863**	(83)	196	**976**
Business Support Reserve	**582**	(582)	-	**-**
Other Reserves £100K and under	**-**	-	-	**-**
Total	**3,574**	**(1,637)**	**196**	**2,133**

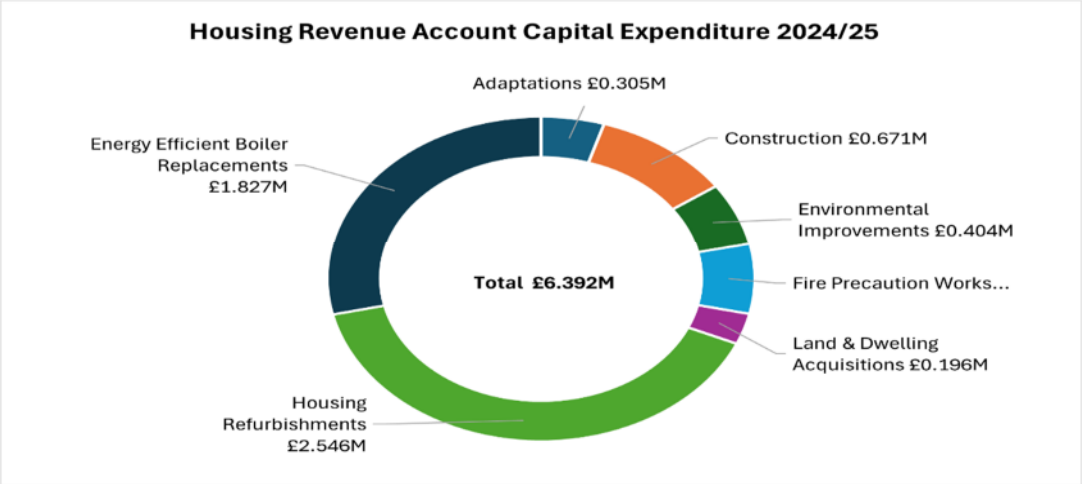
The financial health of the HRA is being carefully monitored and detailed plans developed including a review and assessment of the useful life of properties as part of the Quinquennial valuation due in 2026/27.

Capital Investment

In 2024/25 the Council spent £15.220M in total on capital schemes (£14.353M 2023/24). Total spend on the General Fund was £8.828M against a budget estimate £17.337M, with the HRA spending being £6.392M against a budget estimate of £7.105M.

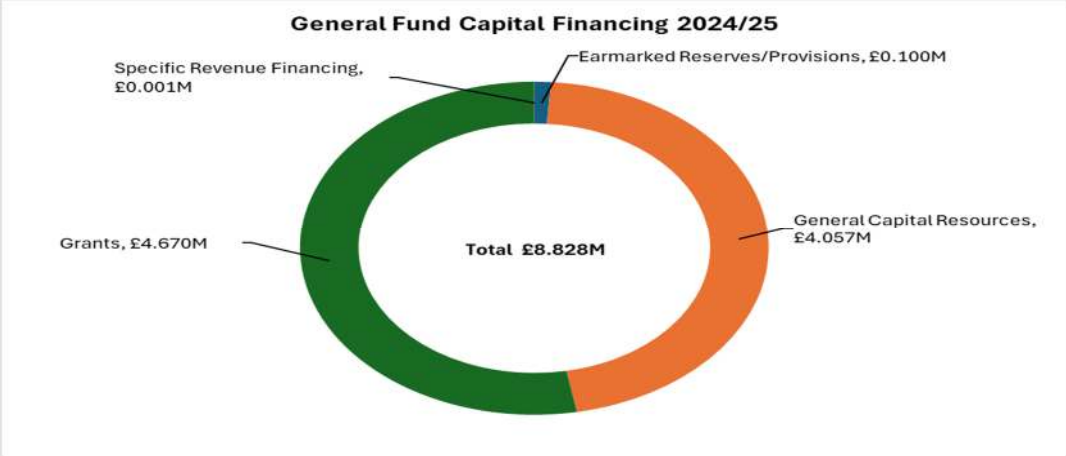
The charts below summarise expenditure:





This expenditure is financed from a combination of capital receipts, grant funding and the Council's own internal financial resources. The Council can borrow money for capital purposes provided it can demonstrate it is able to meet certain criteria linked to affordability, sustainability and prudence, as determined by the Prudential Code Framework.

The chart below summarises how this capital investment was financed:



More details of the Council's Revenue, Capital and Treasury Management Outturns will be reported to Cabinet & Council at the earliest opportunity. Browse Meetings, 2025 - Lancaster City Council

Treasury Management

The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council on 28th February 2024. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

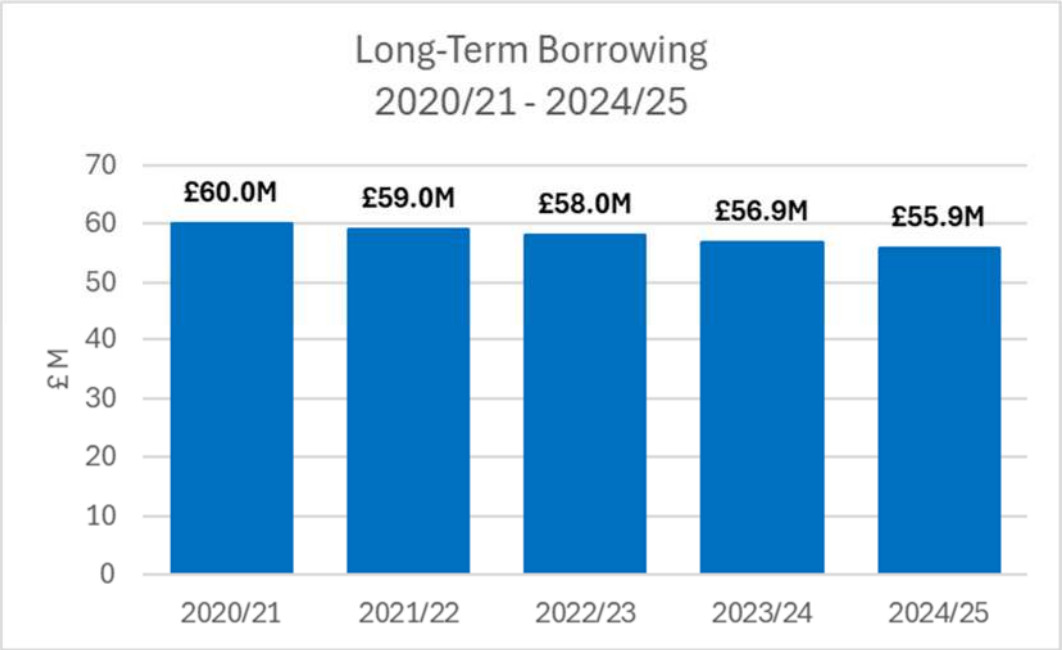
Investments

In 2024/25 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested reduced to £26.82M (£32.42M 2023/24) with short term investments on 31 March 2025 (all held in the balance sheet as cash and cash equivalents) totalling £14.60M (£10.50M 2023/24). The overall return on investments was £1.336M at an average interest rate of 4.98% (£1.608 and 4.90% 2023/24).

Borrowing

The Council undertook no short-term borrowing in 2024/25 (£0M 2023/24).

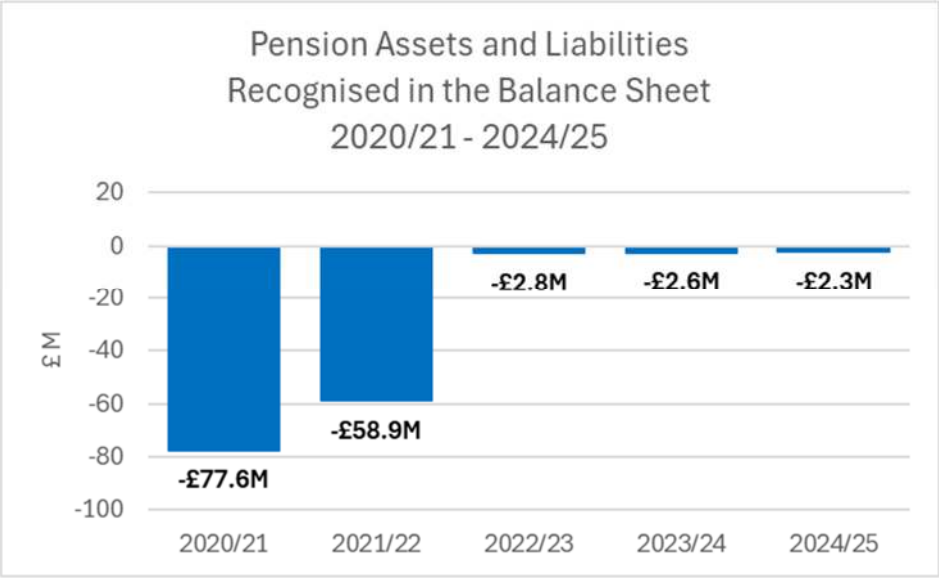
Total long-term debt at 31 March 2025 amounted to £55.89M (£56.92M 2023/24) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months. The table below provides historic analysis of the levels of long-term borrowing.



In determining its Council Tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2025 the Councils CFR was £97.854M (£98.579M 2023/24), a decrease of £0.725M. The amount of MRP charged in 2024/25 totalled £3.953M (GF £2.912M HRA £1.041M (£3.702M 2023/24).

Pension Fund

In accordance with accounting practice, the Council must show the present surplus or deficit position for its share of the Pension Fund. The Local Government Pension Scheme administered by Lancashire County Council underwent a full valuation during 2022. Given the financial instabilities over the recent years the Council's share of the surplus or deficit has fluctuated wildly. The movement in net liabilities is attributable to several changes to the assumptions applied by the actuary, Mercer Ltd, over the financial year. The Council's share of the Pension Fund has increased by £26.7M from a surplus position of £44.7M in 2023/24 to a surplus of £71.4M this year. However, the impact of the asset ceiling results in a deficit of £2.6M in 2023/24 and £2.3M in 2024/25.



The figure is very much an estimate and will not be realised immediately, or all at once. It relates to the actuary's estimated pensions payable to current scheme members on their normal retirement dates. The position represents a snapshot as at the end of the financial year, based on prevailing market and other economic conditions and assumptions. As such, it may fluctuate considerably from one year to the next.

Under the International Accounting Standard (IAS 19) the Council must disclose the lower of the actuarial valuation or Asset Ceiling calculation.

IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. At the time of finalising the financial statements, we have not received details of the Actuaries calculation of the Council's Asset Ceiling.

In line with the Council's accounting policies, the amounts relating to 2024/25 are offset against the pension liability on the Balance Sheet. These amounts were then reflected in the pension reserve in the years to which they related. For further details see Note 41 Defined Benefit Pension Schemes.

Local Taxation

Collection Fund
The Collection Fund accounts for all the Council Tax and Business Rates income for the district with the Council acting as billing authority. Income is collected by the Council (Council Tax £99.505M (£93.578M 2023/24) and Business Rates £69.994M (£63.824M 2023/24)) and redistributed to the Council's General Fund, Central Government, Lancashire County Council, Lancashire Combined Fire Authority and the Police and Crime Commissioner for Lancashire.

Council Tax
Council Tax is the largest single revenue stream used to support the Council's revenue budget. In 2024/25 Council Tax was increased by 2.99% the maximum amount allowable by the Government to £256.63 for a Band D equivalent property.

On 31 March 2025 there was an in-year surplus of £1.560M (surplus £0.763M 2023/24) in relation to Council Tax. This represents the actual tax base being higher than estimated. As the Council retains approximately 13% of any surplus this would mean a potential credit of £0.201M against the 2025/26 revenue budget relating to movements in 2024/25.

Business Rates
The Council also benefited from £4.056M (£4.001M for 2023/24) of rating income from renewable energy schemes within the district. Such income currently falls outside of the main rate retention scheme, and so the Council retains the full benefit from it.

Appeals arising from challenges to the 2017 and 2023 valuation lists have increased by £0.021M. The provision is calculated using both analysis of historical data and external professional advice with the Councils "share" of the increase amounting to £0.008M.

The Council is not a member of the Lancashire Business Rates Pool. Given the nature of the scheme and the significant risk of high value appeals and loss of income from unplanned outages at the Heysham Power Stations that would have fallen on the Council we will continue to benefit from the protection of the current Safety Net arrangements put in place by the Government.

Collection Rates
The table below shows the in-year collection rates for both Council Tax and Business Rates

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax	96.4%	95.9%	94.6%	94.1%	95.0%	94.4%	94.2%
Business Rates	98.4%	98.9%	97.2%	98.3%	98.0%	98.4%	98.9%

POLITICAL STRUCTURE IN 2024/25

Lancaster City Council is made up of 61 democratically elected councillors. Councillors are responsible for taking decisions about the provision of important public services such as planning, housing, waste and recycling, street cleaning, leisure and culture.

Lancaster City Council is currently under no overall control, meaning that no single political group achieves a majority of seats.

Group	Seats
Labour	23
Green	20
Liberal Democrat	7

Conservative	5
Morecambe Bay Independents	3
Non-aligned Independent Member	3
Vacant	0
Total	**61**

Councillor Phil Black resigned as Leader on 13 November 2024. Caroline Jackson was elected Leader on 24 November 2024 until May 2025, then in May 2025 she was re-appointed until the next scheduled elections in May 2027. As Leader of the Council appoints Cabinet Members for various portfolios and the delegation of executive functions.

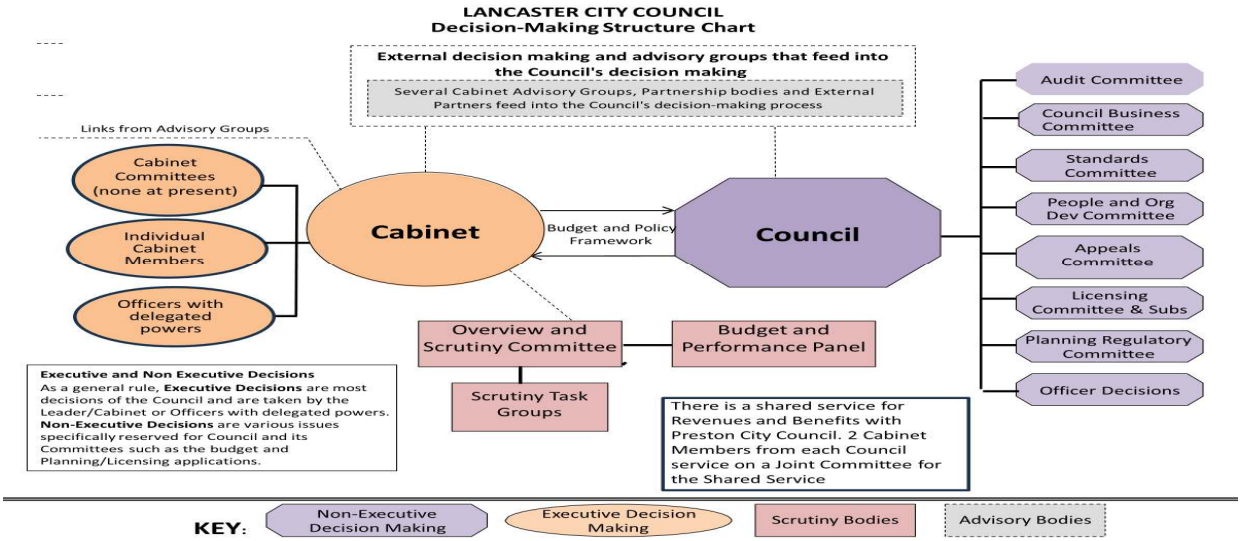
All Councillors undertake mandatory induction training as a feature of the Councils' approach to governance. Mandatory induction training includes:

- Equalities
- Promoting and maintaining high standards of conduct
- Information governance and General Data Protection Regulation (GDPR)
- Safeguarding/child sexual exploitation
- Local government finance
- Any specific training required for being appointed to particular staffing or regulatory committees

The Lancaster District is represented by 2 MP's, Cat Smith (Lancaster & Fleetwood) and Lizzi Collinge (Morecambe & Luneside).

DECISION MAKING PROCESSES

Whilst decision making processes have some complexity and detail, the flow chart below outlines the process:



OFFICER LEADERSHIP AND MANAGEMENT

The Councils strategic and operational management is structured so that there is clarity of responsibility between Chief Officers. Our Organisational Structure below details Chief Officer Leadership and Management responsibilities:

RISK MANAGEMENT

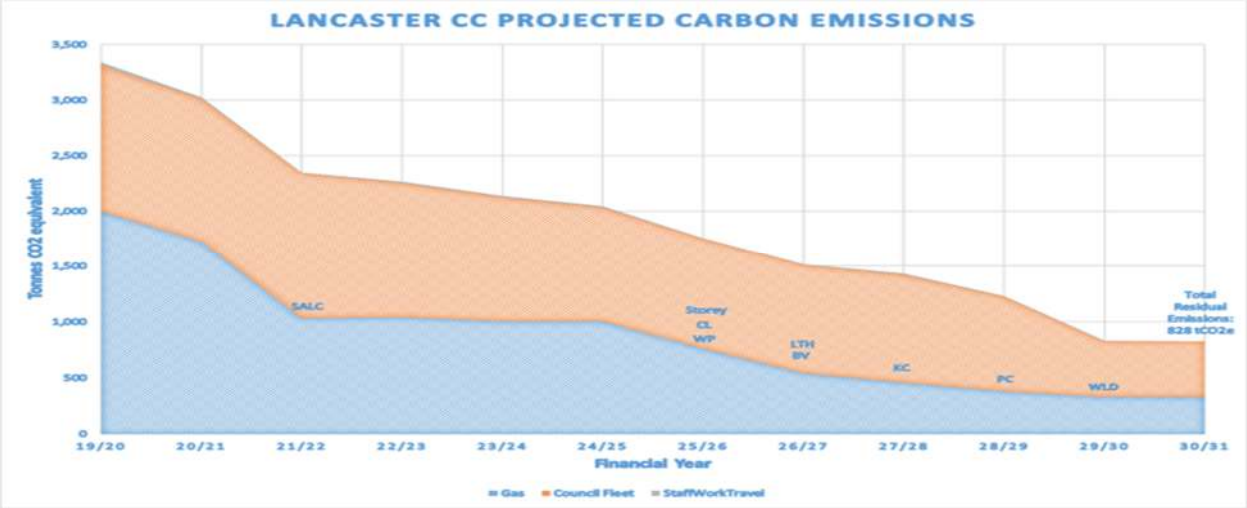
Risk management is a key element of the council's Governance Framework. Effective and efficient risk management is critical to the success of the council, which is why in March 2024, the Council's risk management policy was updated, and new procedures introduced to ensure strategic risks are reviewed at least quarterly. The new approach to risk management which we now have in place draws on best practice from the institute of risk management (IRM) and HMT Orange Book: Management of Risk, Principles and Concepts. It will enable the Council to make better informed decisions which are vital to successful transformational change and support a culture of well-measured risk taking throughout the Council's business. All strategic risks are reviewed quarterly by Leadership Team and have been mapped to the Council Plan 24-27. These risks are then shared with Audit Committee, Budget and Performance Panel and Cabinet.

STRATEGIC AND TRANSFORMATIONAL INITIATIVES

The Council is also engaged in a number of significant initiatives which will have a long-term positive impact on the district:

Meeting the Net Zero Challenge: Burrow Beck

Despite rapid decarbonisation efforts and significant investment, the council will not be able to be fully eliminate energy associated CO2e emissions by 2030. This leaves insetting via renewable energy generation to ensure the Council reaches net zero by 2030 for its energy related emissions. There is significant potential to include renewable energy generation to not only inset emissions but also to generate a revenue stream for the Council using underutilised land. Locating renewable generation in strategic areas where direct wire is a future potential, only strengthens the revenue potential. Renewable energy generation sites also offer co-benefits such as delivery of biodiversity net gain and acting as demonstrator projects for good practice.



Burrow Beck Solar Farm is a £4M project comprising of over 10,000 solar panels across 6.6 hectares of underutilised land adjacent to Scotforth Road in Lancaster. The site is currently waiting for planning permission. The solar farm will generate 4 GWh of renewable energy each year. This is 80% of the council's current electricity demand from the general fund assets. This provides the much needed CO2e inset of ~800 t(CO2)e needed for helping to reach net zero 2030 and not contributing as an organisation to global heating. The sale-to-grid model also will deliver a revenue stream helping to diversify the council's portfolio. The site is currently modified grassland which is not species rich. We have scoped to include biodiversity net gain improvements on the site which provides potential for capital receipts from BNG credits. There is also potential to continue grazing the site but using conservation grazing strategies. This means the council is able to support commitments under both the climate and ecological emergency declarations on one site.

Eden Project North

In November 2024 Eden Project Morecambe was successful in being in contract for £50M in the second round of the UK Government's Levelling Up Fund. The funding allows the project to move into its next phases of final design and delivery and begin the process of finalising the remaining funds required from private and philanthropic sources identified as part of the bidding process. The City Council is the Accountable Body for the use of the Government's LUF award.

The multi-million-pound project will deliver a world class internationally recognised cultural destination and tourism experience drawing visitors from a national and international stage. The attraction will combine

indoor and outdoor experiences, connecting people with the natural environment of Morecambe Bay whilst also enhancing well-being. Initial estimates suggest that, once up and running, the Eden Project Morecambe could attract between 500,000 and one million visitors a year. This will not only provide a catalyst for the new vision and regeneration of Morecambe but will also contribute significantly to the local and regional visitor economies.

Regeneration of the Mainway estate

MyMainway is an exciting and ambitious project to improve the Mainway estate in Lancaster.

Built back in the 1960s, and refurbished in the 1990s, the 257 council homes on Mainway are reaching the point where they need significant investment to address maintenance issues and make them safe and secure for the future. In July 2022, Social housing specialists Place Capital Group (PCG) were commissioned to lead on a detailed high-level masterplan of the site.

Phase one will include redevelopment of the Skerton High School site, which the Council acquired from Lancashire County Council, and will see the building of approximately 135 new homes to rent. Planning permission for this alongside community space and improved playing provision was granted in December 2024. Since then, work has been ongoing to determine the best route forward for delivery alongside discussion with Homes England following recent social and affordable housing funding announcements.

Canal Quarter

The Canal Quarter masterplan was formally adopted by full council in July 2023.

The aim of the masterplan is to bring back into use many of Lancaster's important buildings and derelict sites to create a vibrant, sustainable, and active place which is integrated with the city centre and the Lancaster Canal.

It envisages the creation of a new sustainable mixed-use neighbourhood with approximately 580 new homes that cater for families and individuals. It is also seen as a focus for arts and cultural activities.

It is envisaged that the delivery of the whole master plan will take around 10 years, with the target of starting the delivery of the initial phases in early 2026 with Nelson Street housing scheme.

The Council is also working with the third party land owners to bring forward their sites.

Local Government Reorganisation

In March 2025, the 15 Lancashire Council's worked together to produce a response to the governments proposal for the unitarisation of the two-tier areas to unlock efficiencies and create more sustainable councils. A single proposal for Lancashire is yet to be agreed.

To date, the following options have been identified:

- A single unitary
- Variations on two unitaries
- Variations on three unitaries
- Variations on four unitaries
- Variations on five unitaries

Officer led groups across all Councils, each focussing on different work areas have been established, to create a detailed response to government for the 28th November 2025 deadline.

MEDIUM TERM FINANCIAL STRATEGY AND SUSTAINABILITY

General Fund

The Medium-Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces. It consists on a number of interlinked documents and strategies including: -

- The Council Plan 2024-2027
- Current and future budgetary projections
- The Capital Strategy and accompanying and Capital Programme
- Flexible Use of Capital Receipts Policy
- Treasury Management Strategy
- Reserves Policy and Forecasts
- Risk Management Policy

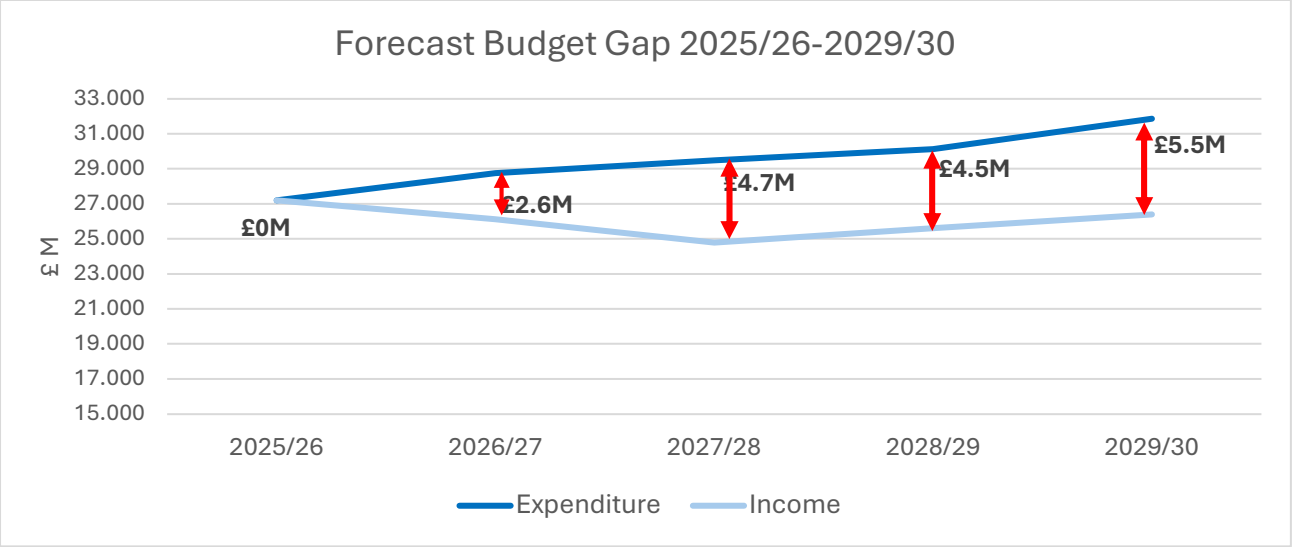
The Council's 5 year Medium-Term Financial Strategy (MTFS) was approved in February 2025 and outlined the budget requirements over the medium to long-term, alongside the Council's strategic priorities and budget setting principles. Due to the unprecedented financial challenges, the MTFS sets out how the Council will continue to strategically manage and transition the Councils financial recovery.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments.

Despite this significant level of uncertainty, based on current assumptions, the General Fund continues to face a significant and widening gap between its spending requirements and the level of resources it estimates to receive, with the underlying need to reduce the net cost base exceeding £5.4M by 2029/30 if the Council is to remain sustainable in the medium term.

The tables below outline the forecast budgetary position for 2025/26 to 2029/30 in line with the MTFS presented to Council 28th February 2024.

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Revenue Budget (Estimate 26 February 2025)	27.201	28.749	29.489	30.118	31.873
Budget Gap (Incremental)	0.000	2.633	4.699	4.513	5.480
Percentage of Net Revenue Budget (Incremental)	0%	9%	16%	15%	17%



Although there are many variables contained within the calculation of the deficits, funding purely from the Council's reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit.

The Council's forecast level of reserves is impacted by historic as well as current decisions.

The table below provide details of our current forecast level of reserves including the impact of funding the forecast deficit from reserves.

	2024/25 £'M	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Unallocated Reserve	(10.028)	(10.531)	(10.434)	(10.434)	(10.434)	(10.434)
Other Non-Ring-Fenced Reserves	(1.582)	(1.503)	(1.540)	(1.576)	(1.613)	(1.649)
Business Rates Retention Reserve	(12.660)	(12.790)	(12.190)	(11.690)	(11.690)	(11.690)
Renewals Reserve	(1.922)	(2.376)	(2.868)	(3.360)	(3.851)	(4.343)
Forecast Cumulative Deficit Funded From Reserves	0.000	0.000	2.633	7.132	11.645	17.125
Balance carried forward	**(26.192)**	**(27.200)**	**(24.399)**	**(19.928)**	**(15.943)**	**(10.991)**
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
Available Balances	**(21.192)**	**(22.200)**	**(19.399)**	**(14.928)**	**(10.943)**	**(5.991)**

Whilst addressing the financial challenges in the forthcoming years the Council will continue to maintain the balance between these challenges and ensuring that our limited resources are directed towards the Council's strategic priorities. This has already involved us having to take difficult and unpalatable decisions in terms of which services we can continue to provide, whilst minimising the impact on services most needed by local residents and businesses.

The Councils longer-term approach to closing the funding gap is through prudent management of its cost base involving the increased use of technology, more effective use of its assets and continuing service reviews. As well as through economic growth and measured investment in areas such as Canal Quarter, Frontierland, Mainway Housing development as well as positioning ourselves to maximise the benefits arising from the Eden Project.

The delivery of these benefits from economic development cannot however be realised in the short to medium term and will not directly contribute towards the required reductions in the net cost base in the Medium-Term Financial Strategy.

In order to deliver the level of savings required over the period of the Medium-Term Financial Strategy, we will continue to adopt a range of options, but given the scale of the financial challenge, we have little choice but to face some difficult decisions about the size and scope of the essential services we can continue to provide. We will need to review and revisit our investment priorities, and will be forced to look closely at the services we provide and will inevitably have to stop some of these to balance the books.

ACCOUNTING POLICY CHANGES

This set of Accounts is prepared under International Financial Reporting Standards (IFRS) as set out in the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The IFRS requires that accounting policies be applied retrospectively.

Accounting policies are defined by the Code of Practice as "the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements". The starting premise is that accounting policies prescribed by the Code should be followed but need not be applied if the effect of applying them is not material. Changes in accounting policies are only permitted if the change is required by the Code or where the change results in the financial statements providing more reliable and relevant information.

The accounting policies have been reviewed for ongoing compliance with IFRS and where approved by the Council's Audit Committee 19 March 2025. The Council adopted IFRS 16 (Leases) with the changes reflected in Accounting Policy 1.16 Leases and Note 38 of the Statement of Accounts

EXPLANATION OF ACCOUNTING STATEMENTS

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" and other reserves. The Surplus or (Deficit) on the Provision of Services shows the true economic cost of providing the Council's services, more detail of which is shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Housing Revenue Account for rent setting purposes, and the General Fund for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfer to or from earmarked reserves undertaken by the Council. The Council's reserves total £36.379M (£35.153M 2023/24).

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services in the year for which the Council is responsible. It demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Cost-of-Service analysis is by Directorate and reflects the structure used for setting the 2024/25 budget. The deficit on the provision of services totalled £8.658M (£9.523M deficit 2023/24)

Balance Sheet

This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in operations, and summarises information on fixed assets held. The Council's Net Worth is £283.963M (£279.707M 2023/24)

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. This statement shows an increase in cash and cash equivalents to £15.449M (£10.787M 2023/24).

Expenditure and Funding Analysis (Included in the Notes to the Accounts)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Supplementary Financial Statements

Housing Revenue Account Income and Expenditure Account

This is prepared on the same accounting basis as the main Comprehensive Income and Expenditure Account mentioned above. It reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how these are met by rents and other income.

Collection Fund
This shows the transactions of the Council as a charging authority in relation to Non-Domestic (Business) Rates and Council Tax. It illustrates the way in which these have been distributed to precepting authorities (such as Central Government, Lancashire County Council, Fire and Police Authorities) and the Council's own General Fund.

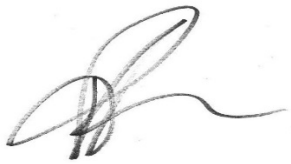
With regards to Business Rates, a Business Rates Retention Scheme is in operation. The main aim of the scheme is to give councils a greater incentive to grow businesses in the district. It does, however, also increase the financial risk due to non-collection, the outcome of appeals, and the volatility of the NNDR tax base.

Group Accounts
This statement consolidates any material interests the Council may have in subsidiary and associated companies within one set of accounts.

In May 2021, the Council formed two Local Authority Trading Companies, More Homes For The Bay (Investments) and More Homes For The Bay (Developments). The companies are currently not trading and do not hold any assets and as such, there are no Group Accounts included in the Statement.

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

FURTHER INFORMATION
Further information about the accounts is available on request from the Chief Finance Officer, Town Hall, Dalton Square, Lancaster LA1 1TH. In addition, local electors have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website.



Paul Thompson CPFA, LLB (Hons)
Chief Finance Officer
(Section 151 Officer)

Independent Auditor's Report to Members of Lancaster City Council

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Annual Governance Statement 2024/2025

INTRODUCTION AND ACKNOWLEDGEMENT OF RESPONSIBILITY

Lancaster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used efficiently, effectively and economically.

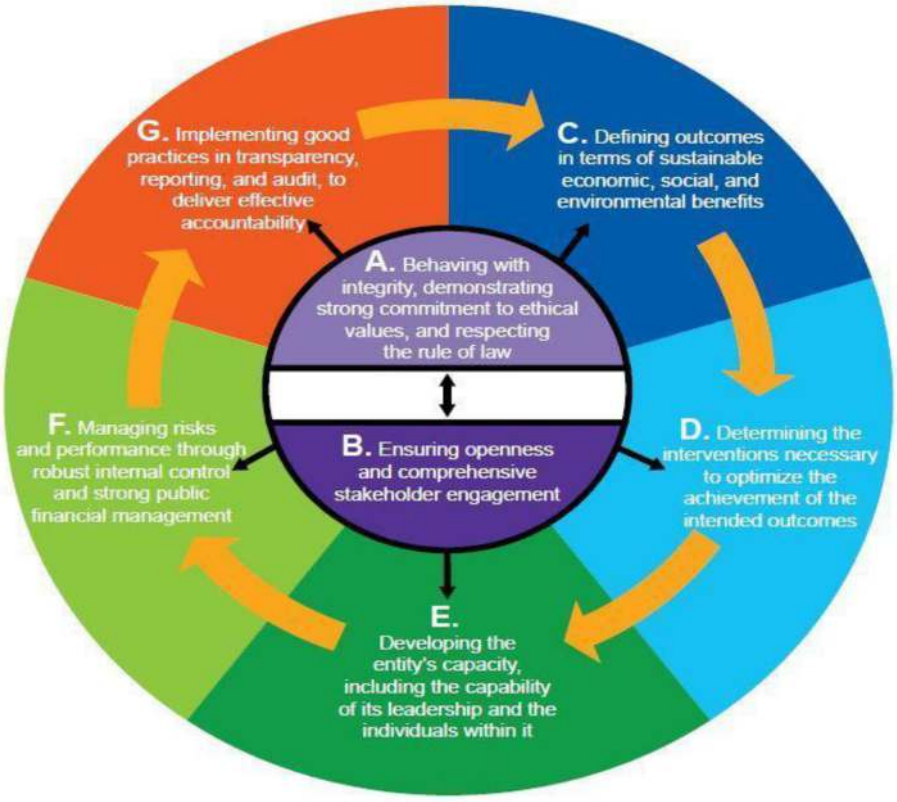
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

The Accounts and Audit Regulations (2015), require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

The Council has adopted a Code of Corporate Governance (approved in November 2022). The preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework). The Framework contains seven core interlinked principles detailed in table 1 below

Table 1. Principles for Delivering Good Governance in Local Government



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.

The Council has also had regard to the recent addendum to the Framework (Delivering good governance in local government: Framework) dated May 2025 when producing this Annual Governance Statement.

Key elements of the Council's governance framework are summarised below.

Table 2. Overview of the key elements of the Council's Governance Framework

The Council, Cabinet and Leader • Provide leadership, develop strategy, and set policy • Engage with and support the Council's communities and neighbourhoods to thrive and succeed	Scrutiny and Review • The Overview and Scrutiny Committee reviews Council policy and can scrutinise and challenge decisions • The Budget and Performance panel reviews operational and financial performance • The Audit Committee reviews internal control, fraud, risk management and governance
Decision Making • Meetings are held in public • Agendas, minutes and decisions are recorded on the Council's website	Risk Management • Risk management strategy ensures proper management of risks • Risk registers identify both strategic and operational risk
Paid Service and Statutory Officers • The Head of Paid Service is the Chief Executive who is responsible for all Council staff and leading an effective corporate management team of Chief Officers to deliver the strategies within the policy framework set by Elected Members • The Council's Section 151 Officer is responsible for safeguarding the Council's financial position and ensuring value for money • The Chief Officer (Governance) is the Council's Monitoring Officer, who is responsible for ensuring legality and promoting high standards of public conduct	

HOW WE COMPLY WITH THE CIPFA / SOLACE FRAMEWORK

Set out below is how the Council has specifically complied with the seven core principles set out in the CIPFA / SOLACE framework during 2024/25.

Table 3: Summary of Compliance against the Local Code of Corporate Governance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Compliance Overview	The following key policies, procedures, and practices remained in place and were applied throughout the year :- • Code of Conduct for both members and staff • The Council's 'values and behaviours framework' • The Council Housing service has agreed staff and manager Charters. • Registers of interest policies for both staff and members

	• The Council has a corporate complaints handling policy and housing complaints policy • The Council has a publishable Complaints self-assessment for both the Housing Ombudsman and the Local Government and Social Care Ombudsman on our website. Our self-assessments and annual reports are reported annually to June Cabinet for a publishable Cabinet statement in line with Ombudsman requirements • Council and Committee minutes showing any declarations made at meetings are viewable on each Councillor's record on the website • An electronic Gifts and Hospitality register for both staff and Members • Both Standards and Overview and Scrutiny Committees • There are policies and procedures in place for dealing with unacceptable behaviours for both officers and Members • Effective monitoring and review of counter fraud policies are in place and are monitored and reviewed annually by the Corporate Enquiry Team to ensure they are applied consistently • A 'Raising Concerns' Policy (updated February 2025) is in place and sits with the Council's Monitoring Officer • The Council complies with CIPFA's Role of the Chief Financial Officer and the role of the Head of Audit in Local Government (provided by MIAA) • Training is provided for regulatory committees on a regular basis • Compliance with specific legislation, law or guidance is documented in decision making documents • Council housing produces an annual self-assessment for Regulator of Social Housing Consumer Standards. This has been presented to the established Council Housing Advisory Group, but will also be presented more formally to other Committees through 2025/26, following the development of a dedicated Council Housing Assurance Framework • Council Housing have an adopted Breaches Policy which outlines the steps which should be taken and when referrals to the Regulator of Social Housing should be made should there be a breach of required standards • The Constitution includes terms of references, defines decision making powers and describes roles and functions • The Constitution is regularly reviewed and kept up to date

Principle B: Ensuring openness and comprehensive stakeholder engagement	
Compliance Overview	The following key policies, procedures, and practices remained in place and were applied throughout the year :- • The Council's Council Plan is published to all staff, elected members, partners and the community. The Council Plan 2024-27 was adopted in December 2023 • An annual 'Narrative Report' is published and accompanies the Statement of Accounts • The Section 151 Officer publishes annual accounts within statutory deadlines to the community to report on the organisation's activities, achievements and its financial position and performance • The Council publishes information in accordance with the Local Government Transparency Code 2015 and continues to monitor effective compliance with the Code

	• An Overview and Scrutiny and Budget and Performance Panel report is published annually • The Council publishes all key decisions on its website • The Council live-streams Full Council meetings • A Freedom of Information publication scheme is in place • Standardised report pro-formas for decision making are in place and a published timetable of reporting deadlines for committees is published • The Council ensures that appropriate consultation and engagement takes place • The Council publishes all current and closed consultations on its website • Customer feedback forms are in place in key outlets e.g. Salt Ayre Leisure Centre • The Council has subscribed to the Engagement HQ Platform, Keep Connected. The platform is an easy and secure way for the public to participate in projects (https://keepconnected.lancaster.gov.uk) • Participative democracy (the continuing use of the Lancaster District People's Jury and the Placemaking with Young Adults Engagement Programme) has been used to inform the Council's strategy for dealing with climate change and this approach continues to be developed • Council Housing have an established Tenant Voice group which meets bi-monthly. Throughout 2024-25 additional engagement and scrutiny groups for Council Housing have been supported such as the Council Housing Advisory Group, Block Voice and Tenant Scrutiny Group – which through the past year have reviewed our block cleaning and are finalising a report to be published on our website. Council Housing also have agreed Tenant Voice Strategy 2024-27 and Resident Engagement Strategy: A Commitment to Building Safety, which detail our approach to resident engagement • The Council Housing Service in line with Regulatory requirements undertake an annual Tenant Satisfaction Survey the details of which are published on our website alongside the accompanying action plan • Housing Options have bi-monthly stakeholders meetings with stakeholders through homeless advisory group/homelessness forum • The Council has a Community Connector team whose role is to engage and connect with partners, communities and elected members • The Council's Public Realm team have engagement & development officers who support communities and groups in regard to co design and management of public open spaces • During the process of review and subsequent adoption of the Climate Emergency Local Plan, the Council held a series of engagement events with statutory consultees, parish councils, local interest groups and residents. A similar approach is being taken to the current Local Plan, which is at an early stage of evidence gathering. One (live) example is the call for young people aged 18-30 to participate in a series of engagement events called 'WALKshops' in Lancaster, Morecambe and Carnforth regarding placemaking. The Council are seeking to engage in lively discussion regarding sustainable infrastructure, vibrant neighbourhoods, or more green spaces • During the year virtual meetings and events for stakeholders and residents were held. Officers have been able to arrange meetings via Microsoft Teams when concerns arise, increasing the Council's partnership working

	• The Council has several communication guidance documents in place e.g. the Intranet Policy, the Plain English and Style Guide, recently updated Media and Social Media Guidelines, and corporate identity policy • The Council complies with publication dates for reports and the 'forthcoming decisions list' (forward plan) • Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team • The Budget and Performance Panel was fully consulted in relation to the Council's budget • The Council's vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders • Online publication of Councillors' interest in accordance with the Localism Act 2011 • The Council has reviewed its procurement processes and procedures to ensure compliance with the Procurement Act 2023 and has up-to-date systems and processes in place to ensure compliance with its procurement obligations. This includes the use of the Government's central digital platform and ensuring social value is achieved via the use of Social Value Portal • A cross-party working group has been established by full council to work through issues of local government reorganisation with appropriate terms of reference being set

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits	
Compliance Overview	The following key policies, procedures, and practices remained in place and were applied throughout the year :- • Corporate key performance indicators (revised as and when appropriate) are reported quarterly to Cabinet and the Budget and Performance Panel • A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements • There are effective arrangements in place to deal with failure in service delivery via the Council's corporate complaints procedure • The Medium-Term Financial Plan, Revenue Budget and Capital Programme are designed to deliver the strategic priorities • The Council has a capital programme of works • The Council has an approved Capital Investment Strategy • Individual capital projects are equality impact assessed • All key decisions are required to consider (where applicable) the impact on Climate, Equality, Wellbeing & Social Value, Health & Safety and Community Safety. This includes consideration of fair access to services • The Council has an adopted local plan which remains up-to-date i.e. it was adopted within the last five years (July 2020) • The Council's Climate Emergency Local Plan Review (CELPR) which sought to strengthen local planning policies regarding climate mitigation and adaptation has concluded. Following the formal Examination by the Government's Planning Inspectorate, the CELPR was found soundly prepared, and the Plan was adopted by Council in January 2025 • The Council continues to make good progress regarding assembling an evidence base for its new Local Plan (which will eventually replace the

	one adopted in 2020). Details of progress are reported on the Council's Local Plan Policy Hub webpages. In April 2025, Cabinet approved the timetable for the formal stages of the Local Plan. The 30-month formal part of the plan-making process will commence on 1 January 2026 • Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers. • The Council declared a climate emergency in January 2019. Since then, it has developed several workstreams aimed at ensuring that its own activities have a net zero carbon impact by 2030. To support the wider ambition of decarbonising the whole district, the Council worked with Energy Systems Catapult (via external funding) to produce a Local Area Energy Plan (LAEP). The LAEP has since been adopted by the Council (October 2024) and it identifies the most cost-effective pathways to net zero for the Lancaster District • Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision • The Council is compiling a comprehensive overview of its processes and procedures, and a structured review programme, to ensure that they remain fit for purpose

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
Compliance Overview	The key arrangements for managing performance and delivery, to inform interventions, continued to operate throughout the year. These included • Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based • Member and Officer briefings took place for more complex areas of decision making • The Medium Term Financial Strategy (MTFS), Revenue Estimates and Capital Programme are configured to meet the requirements of the Council Plan and Ambitions document and are published annually. They are key documents for forecasting budget requirements and planning ahead • The MTFS sets out the framework for corporately managing the Council's resources in the years ahead • Corporate Key Performance Indicators are in place and are reported quarterly to Cabinet and the Budget and Performance Panel • Both Capital and Revenue bids consider 'social value'. • Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making • The Council considers public surveys, demographic information and public health reports when developing the Council Plan

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Compliance Overview	The key arrangements for building our capacity and capability continued to operate throughout the year. Leadership forums, including Wider Leadership Forum were maintained :-

	• The Council is an active member of both the Local Government Association and District Council Network and has senior Members and Chief Executive in national representative roles • The Council is member of APSE and regularly benchmarks several key Council services e.g. Street Cleansing, Council Housing repairs and maintenance, Internal Audit, Waste Management, Pest Control and Leisure • The Council has received both blue and green flag status for its clean beaches and parks and open spaces • The Leader, Chief Executive and Section 151 Officer regularly attend Lancashire Leaders, Lancashire Chief Executives and Lancashire Chief Finance Officer meetings • The Chief Executive is responsible and accountable to the Authority for all aspects of operational management and has regular meetings/1-1's with the Leader, Cabinet and the Senior Leadership Team • The Senior Leadership Team meet regularly with portfolio holders and Cabinet as a whole • The Section 151 Officer is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control and attends Senior Leadership Team meetings on invitation • There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a Protocol for Officer and Member relations • All new members receive a full corporate induction, ongoing support and role-specific training • An Accreditation review for Investors in People was carried out in summer 2023, resulting in an upgrade to Silver (Established) accreditation (valid for 3 years) • An induction programme is provided for all new staff and Members • The Council has several policies and incentives to support the Health and Wellbeing agenda e.g. Agile Working, Absence Management, discounted gym membership and the Cycle to Work Scheme • A new annual conversation framework was co-designed in early 2023 and launched from April 2023 • The Council is compiling a comprehensive overview of its processes and procedures, and a structured review programme, to ensure that they remain fit for purpose

Principle F: Managing risks and performance through robust internal control and strong financial management	
Compliance Review	The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied through the year for the Council. Examples of these include :- • The Council has a Risk Management Policy which was updated in March 2023 and further refreshed in March 2024 to include details on risk appetite • All services have Information asset registers and privacy notices are now in place for most of the Council's service areas

	• The Council has an Overview and Scrutiny Committee and a Budget and Performance Panel which have been set clear roles and responsibilities • Key Performance Indicators are reported quarterly to Cabinet and the Budget and Performance Panel and a 'Narrative Report' is published within the Statement of Accounts • Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based • There is a calendar of dates for submitting, publishing and distributing timely reports to the Council's committees • The Council has an effective Internal Audit Service and all current Audit reviews are conducted under the Auditing Practices Board Guidelines and in line with Public Sector Internal Audit Standards (PSIAS) • An Audit Committee is in place, which is independent of the Executive and the Overview and Scrutiny function • The Head of Internal Audit and Assurance (Louise Cobain of MIAA) is Consultative Committee of Accountancy Bodies (CCAB), Chartered Public Finance Accountant (CPFA) 2005 qualified and also holds a Chartered Management Institute Level 5 Leadership and Management Programme (2018) • The implementation of internal audit report recommendations is monitored by the Council's Head of Internal Audit and Audit Service and Assurance (provided by MIAA) and the Audit Committee. MIAA has External Quality Accreditation (which is required every five years). This was undertaken in 2020 by CIPFA which confirms MIAA's full compliance with the Public Sector Internal Audit Standards. MIAA also undertakes annual self-assessments against standards which again confirms full compliance • The Council has several counter-fraud policies in place which assist against fighting fraud and corruption • The Council has a Anti Money Laundering Policy in place which is reviewed by the Audit Committee. A revised Anti Money Laundering Policy was approved by Audit Committee in March 2023 • The Council has an 'Anti Money Laundering Reporting Officer' • The Council's Annual Governance Statement is prepared in compliance with CIPFA's 'delivering good governance in Local Government' • The Council uses an on-line e-learning portal to promote the General Data Protection Regulations (GDPR) and information security which is mandatory for all new starters • The Council has a designated Data Protection Officer and continues to work towards ensuring it is fully compliant with GDPR. Progress is being made on a recent DP Audit and Action Plan. The Information Governance Framework has been implemented but there are still areas for improvement including the consent process and contract management. These works are being progressed • Secure arrangements are in place for the transfer of sensitive data (SFTP, Sharepoint Link and encryption tools available within Office 365) • The Council has both a records management policy and a confidential waste policy in place. The records management and retention policy was last updated February 2023 and the retention schedule, attached to the records management policy, is currently being improved

	• Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications • Budget monitoring reports are issued to budget holders on a regular basis

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Compliance Review	The Council endeavours always to be open and transparent. The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied throughout the year for the Council and can be accessed here :- • The Council endeavours to publishes information in accordance with the Local Government Transparency Code 2015 • Each year we publish information on our website outlining how we spend Council Tax income. • A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements • The Council's website is comprehensive, accurate and user friendly • The Council has an on-line Planning Application Policy • Annual presentations are delivered for elected Members concerning the Council's finances as part of the production of the Revenue Estimates, the Capital Programme and the update of the MTFS • An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion • The Council ensures that there is a process in place for the follow up of audit recommendations • The Council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2019) • In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed annually • The Audit Committee members are able to have private and confidential discussions with the Head of Internal Audit and Assurance. This is safeguarded by the functions and responsibilities of the Audit Committee in the Council's Constitution • In accordance with the Public Sector Internal Audit Standards (PSIASs) the Head of Audit & Assurance developed a risk based Internal Audit Plan (2023/2024). This was approved by Audit Committee 22nd March 2023 • The Council has a RIPA Policy in place and officers who use social media to carry out surveillance have received relevant training. The RIPA Policy was reviewed and agreed by the Audit Committee in March 2025 • The Council's Monitoring Officer has been trained as a RIPA Authoriser (training took place in January 2025) as per the Investigatory Powers Commissioner's recommendations • Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules. The Contract Procedure Rules were updated in January 2025

Financial Management Code

The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. The implementation of the FM Code is mandatory from 2021-22, and the Council has assessed compliance with the Code, against each of the seven standards. This concluded that the current working practice and noted planned improvements (subject to works set out in the table below) will meet the expectations of the Code of Practice against each of the standards :-

- Responsibilities of the Chief Finance Officer and Leadership Team.
- Governance and Financial Management Style.
- Long to Medium Term Financial Management.
- The Annual Budget.
- Stakeholder Engagement and Business Plans.
- Monitoring Financial Performance; and
- External Financial Reporting

Table 4 – Financial Management Standards

RAG	Description	Number of Financial Management Standards				Movement
		21/22	22/23	23/24	24/25	
GREEN	Compliance is being demonstrated.	7	8	11	12	+1
AMBER	Minor to Moderate improvements are required to demonstrate full compliance.	8	9	6	5	-1
RED	Moderate to Significant improvements are required to demonstrate full compliance.	2	0	0	0	0
Total		**17**	**17**	**17**	**17**	**0**

Standard	Action Required	Responsible Officer	Timescale
Responsibilities of the Leadership Team and Chief Financial officer (CFO)	Increased use of benchmarking data and peer review for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.	Senior Leadership Team	Responsibilities of the Leadership Team and Chief Financial Officer (CFO)
Governance and Financial Management Style	Further embedding of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	Governance and Financial Management Style
Long to Medium Term Financial Management	Further work will be required as part of the 2026/27 budget setting process to address the significant forecast deficits	Chief Finance Officer	Long to Medium Term Financial Management

	and minimise the use of reserves, in both the General Fund and HRA Each lead portfolio member to be more involved in developing and setting the budget for their service areas. As part of the process to address the structural deficit service plans will need to reflect how the services and the Council will be financially sustainable		

REVIEW OF EFFECTIVENESS

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Council who have responsibility for the development and maintenance of the governance environment and by Internal Audit's annual report.

Issues arising from the review of the effectiveness of our governance framework are monitored by the Office of the Chief Executive and the Council's Audit Committee.

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

Internal Audit Assurance

One of the key assurances the Council receives is the Internal Audit Annual Report. In this report, the Internal Audit Service gives an opinion on the Council's internal control, risk management and governance framework.

The 2024/2025 Internal Audit Annual Report and Head of Internal Audit Opinion recognises that like other organisations across the public sector, the Council is facing a number of challenging issues and wider organisational factors particularly with regards to changes in the political landscape, financial challenges and increasing collaboration across organisations. The Head of Internal Audit also recognises that the Council has directed Internal Audit into known risk areas, thereby effectively utilizing internal audit resource.

The overall opinion of the Head of Audit, as detailed in the report is that:

"…for the period 1st April 2024 to 31st March 2025 **provides Limited Assurance, that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation's objectives at risk.**

Context: This opinion is provided in the context that the Council like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to changes in the political landscape, financial challenges and increasing collaboration across organisations.

In considering the overall opinion, we do acknowledge that the Council has directed Internal Audit

into known risk areas, thereby effectively utilising internal audit resource. There is oversight of key action plans by the council's leadership team, specifically relating to the critical and high risk rated actions arising from the Procurement review. The council have put in place a number of measures following the review to address the control weaknesses identified and are continuing to focus upon the remaining areas.

Moving forward, the Council is committed to strengthening of its control framework with a continuing focus on action plans overseen by the Chief Executive."

As part of the Shared Revenues & Benefits Service Agreement, Lancaster City and Preston City Council have completed the internal audit reviews of Housing Benefits Overpayments (by Lancaster City Councils internal auditors) and National Non-Domestic Rates (by Preston City Council internal auditors).

The Council is making progress with its purchasing process review and making changes to strengthen control in this area.

External Audit Assurance 2020/21 – 2022/23

The Council's external auditors, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Like other Council's across the country, we have been significantly impacted by the crisis in the public sector audit sector and the resulting audit backlog. This resulted in the External Auditor's opinions for the 2019/20 – 2022/23 financial statements being delayed for a number of years. To address this backlog, the Department for Levelling Up, Housing & Communities published deadlines for outstanding issues to be resolved. This approach was re-confirmed in July 2024

Financial Years Statements	Audit Deadline
All years up to and including 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

The Audits of the 2019/20 - 2022/23 Financial Statements have now been concluded, and the External Auditors, Deloittes issued unmodified opinions for both 2019/20 and 2020/21. In line with the backstop arrangements disclaimed opinions were issued for 2021/22 and 2022/23. The following Value for Money (VfM) Risk Assessment and Conclusions supporting Deloittes opinions.

Financial Year	Risk Assessment	Conclusion
2020/21	No risk of significant weakness	No significant weakness identified
2021/22	No risk of significant weakness	No significant weakness identified
2022/23	No risk of significant weakness	No significant weakness identified

There were a small number of other improvement recommendations made, many of which the Council have already actioned and will continue to implement over the coming year.

A copy of the audited financial statements was published on the Council's website ahead of the 13th December 2024 backstop deadline.

External Audit Assurance 2023/2024

KPMG have been appointed as the Council's External Auditors for the 5-year period 2023/24 to 2028/29. Given the volume of work outstanding from previous years and the changes to the backstop dates resulting in both Deloitte and KPMG requiring significant officer support over the same period meeting the February 2025 backstop deadline was always going to be a challenge. Priority was given to finalising the outstanding audit work to enable Deloitte to issue their opinions and also to the statutory work of the Council around budget production, setting of Council Tax etc. Regrettably **we did not achieve the deadline**, and a note has been published on the Council's website Statement of Accounts - Lancaster City Council

All outstanding issues relating to the 2023/24 audit have been provided and we are awaiting confirmation from KPMG of their timescale for issuing the disclaimed audit opinion.

Outstanding Objections and Audit Certificates

The Council has been subject to a number of longstanding objections to the Council's Financial Statements, which has had a considerable impact on both the Audit Opinions and Certification.
The objection to the 2019/20 Financial Statements was concluded June 2021, and audit certificate from Deloitte.

2020/21 to 2022/23

The outcome of the objections was formally communicated to the objector by Deloitte in February 2025. The communication outlined in detail the External Auditor's considerations and conclusion against each of the grounds for objection and confirms that for a number of reasons none have been upheld. Section 28 (3) (b) of the Local Audit & Accountability Act 2014 allows the objector 21 days from the date of receipt to appeal against the decision to the court. It is understood that the objector has communicated a desire to exercise this right to Deloitte.

Until the issue of the objections is finally resolved the External Auditor will not be able to issue the Audit Certificates and formally closed the 2020/21 to 2022/23 audits.

2023/24

The objections appear to be similar in nature to those received in previous years and to assist KPMG have been cross referenced to the findings from Deloitte. However, KPMG will need to form their own view of the validity of the objections which will impact on their ability to issue the audit certificate and conclude the 2023/24 audit.

A review of key performance indicators

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2024/25 is set out in the table below.

Indicator	Performance in 2024/25
Formal reports issued by the Section 151 Officer or Monitoring Officer	No formal reports have been issued by the Section 151 Officer or the Monitoring Officer.
Number of data incidents reported to the Data Protection Officer (DPO)	45 incidents were reported to the DPO in 2024/25

Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of 45 reported to the DPO, none (0) were reported to the ICO.
Outcomes from Standards Committee or Monitoring Officer investigations	Nine (9) breaches of the code of conduct were reported to the Monitoring Officer. Matters were either discontinued on screening and finding of no breach by the Monitoring Officer or resolved by local resolution by the Monitoring Officer
Proven frauds carried out by councillors or members of staff	There have been no proven frauds carried out by Councillors or members of staff in 2024/25. Allegations of fraud have been made and are under investigation in accordance with the Council's policies.
Local Government Ombudsman (LGO) referrals upheld	10 referrals have been made to the LGO in 2024/25. One of these is currently being investigated and we await the outcome. Four referrals to the Housing Ombudsman were made in 2023/24. One referral was investigated and upheld with a finding of maladministration. And two others are currently under review by the Housing Ombudsman, we are awaiting their decision. Remedies included an apology, review of complaint handling failures, compensation and demonstration of improvement.

GOVERNANCE ISSUES AND SIGNIFICANT CHALLENGES

Issues Identified in Prior Years

Information Governance (IG) was identified as a governance issue in 2019/20 and commented on during previous Governance reviews. Further commentary on the progress to address this is provided below.

Significant Governance Issues

Information Governance

The Council's Information Governance Team continues to work on compliance with the General Data Protection Regulations which came into force on the 25 May 2018. Our Internal Audit carried out a review of IG policy and processes in May 2020. Internal Audit recommendations, at this time, recognised that significant progress has been made in some areas. However, there were still a number of areas that required immediate attention, therefore only 'limited' assurance was provided.

A follow up review has been undertaken by Internal Audit with a final report being issued in June 2023. The report notes that "there has been some progress made to implement the recommendations from the original report". However, there are still issues around the Council's Information Asset Registers and recorded legal bases for the collection of Sensitive Personal Data. The IG Team are working in conjunction with all of the Council's departments to get these issues resolved.

Whilst some recommendations have been implemented, there are still a number of issues to be addressed. The June 2023 report identified eight main areas that require immediate attention and continues to provide 'Limited Assurance' in respect of Data Protection: Policy and Processes.

IG have formulated an Action Plan against the recommendations of Internal Audit. The plan shows progress in a number of key areas and identifies issues yet to be resolved and further steps to be taken. The Senior

Leadership Team are taking this matter seriously and is putting in place governance and resource measures to ensure that Internal Auditors' recommendations are tackled as a matter of priority – with the main areas requiring immediate attention being dealt with first.

Other Governance Issues

The 2023 AGS referred to a number of other governance issues which were identified following annual governance meeting with key officers. Audit Committee were last updated on the progress of these at their meeting on 19th March 2025. The actions which remain outstanding are all underway, or there is a plan for when the actions will start. The outstanding actions and their timescales are:

- Policy Review – this is an ongoing task to compile a comprehensive list of Council policies and procedures with a structured programme of required review dates for all policies. Progress in completing the programme and reviews to be monitored and reported review of all Council policies.
- Information on Website – there is a project in place to replace the website software. The content will be reviewed as part of this. The work has recently commenced and it's likely that we will have a new website by the end of the financial year. The content will be revised in sections, rather than all being updated by this time next year.
- Review of Festival Market Management – our internal auditors carried out a review during 2024/25. The agreed actions are due to be completed by the end of 2025.

Further Governance issues around contract management have been added to the Action Plan. Concerns with contracts relates to issues around storage of contracts, management of contracts and oversight of KPIs.

The Audit Committee will be provided with regular progress updates.

Significant Challenges for 2024/25 and Beyond

Purchasing

The use of procurement cards for purchasing is an issue. Problems identified include issues with appropriate spending, payment processing, training, systems and procedures and monitoring of procurement cards.

Internal audit and officers have undertaken a thorough review of procurement card spending. The number of cards has been reduced from 140 to 90. Further training has been given to card holders and authorisers. Issues with officer spending have been and continue to be investigated and addressed. Further monitoring of card transactions has been introduced.

The number of procurement cards, the level of authorised spend and category of spend is currently under review. It is expected that the number of procurement cards will be further reduced.

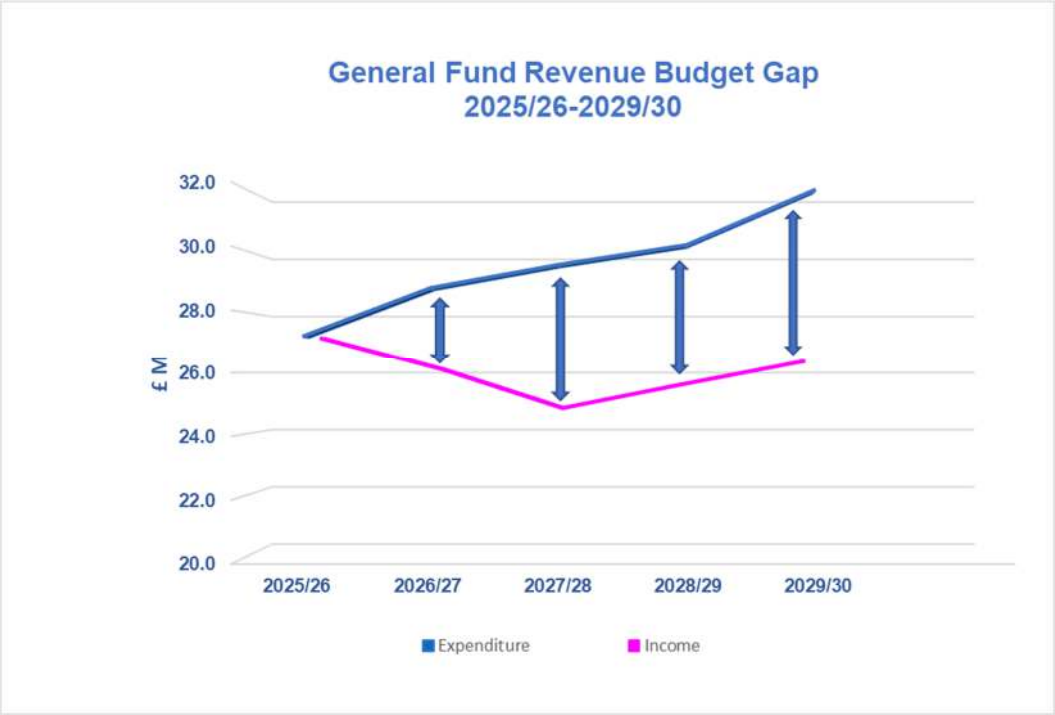
The number of purchases via purchasing card has been reduced by 14.73% between financial periods 2023/24 and 2024/25 as the Council moves away from frequent use of procurement cards. Spending on purchase cards has also reduced by 20% between the financial period 2023/24 to 2024/25. The use of procurement cards and spending on the cards is expected to fall further as the numbers of cards are further reviewed and as the Council purchasing practices change.

The Council has also commenced a wider review of its spending with a view to procuring preferred suppliers for goods and services. This to further to safeguard the Council's spending, and to secure cost savings.

Financial Sustainability

Similar to other Councils across the country we continue to face unprecedented levels of financial and economic uncertainty in terms of Local Government funding. This, and specific local issues such as those surrounding temporary postponement of decommissioning plans for Heysham power station, do hamper the degree of confidence which forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months. As a result, balancing the budgets in the short and medium term represents a significant challenge and has resulted in some difficult and unpalatable decisions having to be made to address future budget gaps.

General Fund Budget Gap



Cumulative Deficit as Percentage of Revenue Budget

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Net Revenue Budget	27.201	28.749	29.489	30.118	31.873
Budget Gap (Incremental)	0.000	2.633	4.699	4.513	5.480
% of Net Revenue Budget (Incremental)	0%	9%	16%	15%	17%
Budget Gap (Cumulative)	0.000	2.633	7.332	11.845	17.325
% of Net Revenue Budget (Cumulative)	0%	9%	25%	39%	54%

The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term. It is imperative that the Council's OBR process continues, and this will be fundamental in driving down budget gaps from 2026/27 and beyond and in realising financial sustainability.

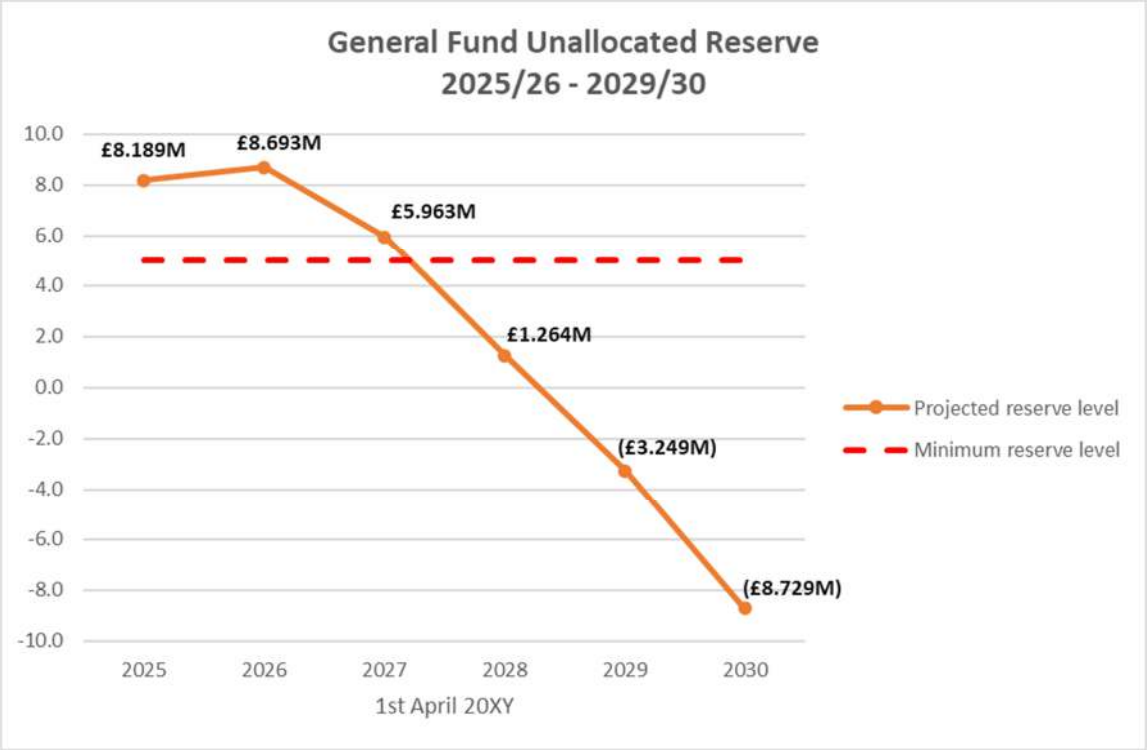
Reserves & Balances

A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the MTFS.

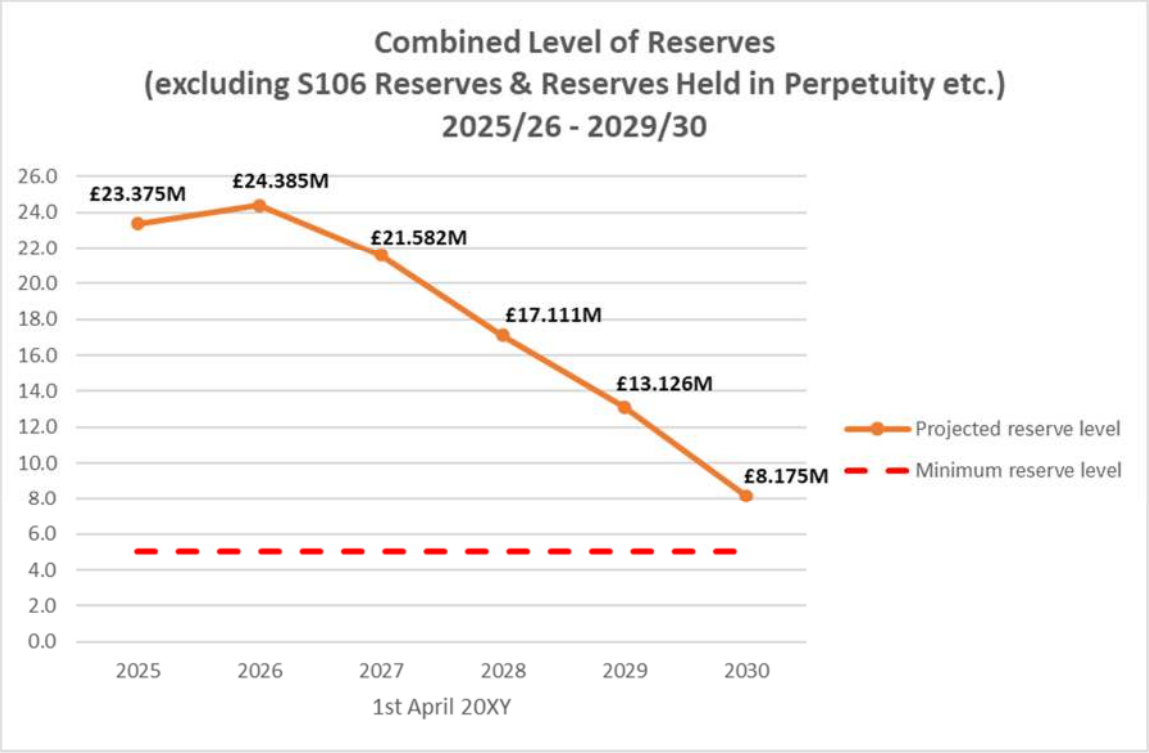
By their nature reserves are finite and, within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

In accordance with the s151 Officers' advice the minimum level of General Fund unallocated reserve is £5M and £0.750M for the HRA

The graph below provides details of our current forecast level of General Fund Balances including the impact of funding the forecast deficit from this reserve.



The graph below provides details of our current forecast level of all available Council reserves. The analysis excludes a number of essentially ring-fenced reserves such as s106, reserves held in perpetuity, revenue grants unapplied & elections. It does include reserves such as Business Retention and Renewals Reserves. These reserves are held for specific purposes, particularly the Business Rates Retention Reserve which is a mandated reserve. Its purpose is to manage the risk of fluctuations in business rates income, including changes in the Council's appeals provision and movements in forecast prior year surpluses or deficits. Whilst the transfers can be made to the general fund it is required to be maintained at a prudent level to manage the risks with business rates and not to support ongoing budget deficits. The graph below is used to underline the seriousness of the current situation against the Council's entire resources, not only the general fund.



The Council's Housing Revenue Account continues to face unprecedented levels of financial and economic uncertainty in terms of Government rent setting restrictions as well as the current and changing landscape around social housing regulation. Expectations on service delivery continues to increase coupled with a challenging financial picture.

Of particular note linked to regulation are:

- The introduction of Tenant Satisfaction Measures during 2023/24. This year is the second year of data collection of which we have seen improved satisfaction across the board, whilst recognising there is more work to do – these results are formally reported to the Regulator during 2024. Tenant Satisfaction Measures - Lancaster City Council)
- The mandatory registration of high-rise buildings was completed in 2023 with safety case files compiled at the end of March 2024 – call-in of these files is awaited,
- The ongoing Government-led professionalisation of the housing sector review – currently awaiting further details,
- The ongoing Government-led implementation of Awaab's Law (linked with property condition against Housing Health and Safety Rating System hazards) – currently awaiting further details, as well as awaiting further details of an anticipated new Decent Homes Standard,
- Ofsted-style inspections from the Regulator being introduced from April 2024, on a four-yearly cycle, now coming to the end of the first year,
- Housing Ombudsman Spotlight reports into poor sector performance and accompanying self-assessments, and
- A renewed focus on the customer complaints process through the introduction of a joint complaints code with the Local Government and Social Care Ombudsman, and mandatory submission of self-assessments and annual reports. (Self-assessment and performance information can be found here: Complaints - Lancaster City Council)

All of these, together with other routine operational pressures have placed significant financial stress on the Council's Housing Revenue Account (HRA). As a result, the level of reserves within the HRA 30 Year Business Plan has dipped below the s151 Officer recommended minimum levels and is expected to do so for 12-18 months, as work to reverse this decline takes effect. However, these reserve forecasts do not include the impact of any future projects and as such careful monitoring of expenditure and the impact on reserve levels will be paramount going forward.

Progress from last year's AGS

The Council has made further progress with regard to Risk Management. Some consultancy work was commissioned to help us build in the 'three lines of defence' model to our risk management approach and provide suggestions on how to further improve our risk management processes. As a result, we will be moving from a 4 x 4 to a 5 x 5 (impact and likelihood) risk matrix to enable us to differentiate between risk severity and concentrate our efforts on managing the highest scoring risks. As part of this exercise, the Council's risk appetite for different risk categories will be re-visited, having adopted it in January 2024.

Two of the recommendations from the 2023/24 audit are still outstanding, as they will be addressed when the risk matrix is updated and the 'three lines of defence' model implemented.

The Council took part in an LGA Corporate Peer Challenge in April 2024. This challenge, in the form of a review of the council's corporate functions, was independently undertaken by the Local Government Association (LGA).

A positive feedback report was subsequently published. The overriding view of the peer challenge was that over the last two years the Council has undergone a period of rapid improvement, is making real improvements for people and place, and is well-placed for the future to deliver on the needs of its communities. Following the review the Council produced a plan for addressing recommendations made. A further review was undertaken in January 2025 by the AGA. The review found that the plan for addressing the recommendations of the Peer Challenge had been acted upon and that 85% of the recommendations were on track and progressing well. Praise was given for the Council's approach to community wealth building, economic resilience, and environmental sustainability.

Forward look on Governance

The Government's Local government reorganisation is a significant change that the Council is currently working on and will continue to address over the coming years. Current and new practices and procedures need to be looked at in light of future change and good governance is needed to ensure that reorganisation is smooth and efficient and works well for Lancashire. A cross-party group has been established to consider proposals on reorganisation and to oversee this work.

A lot of work has been undertaken within 2023/24 and 2024/25 in getting the Council prepared for the changes under the Procurement Act 2023. The Act came into force on 24 February 2025. The Council has overhauled its template documentation, guidance and procedures and is in a good position to meet its obligations under the 2023 Act. It has also amended its Contract Procedure Rules. Looking to the future, further work is needed on the Council's procurement policy, strategy and social value.

Council housing produces an annual self-assessment for Regulator of Social Housing Consumer Standards. This will be presented formally to relevant Committees through 2025/26, following the development of a dedicated Council Housing Assurance Framework.

The Council has asked Internal Audit to focus on areas of known weakness. There are several outstanding audit actions that need to be completed. This will be a priority for the Council over the next financial year.

REVIEWING AND REPORTING ARRANGEMENTS

The CIPFA/SOLACE guidance recommends that authorities should undertake annual reviews of their governance arrangements to ensure continuing compliance with best practice as set out in the framework.

This year the Annual Governance Statement for 2024/25 has been produced with the help and engagement with all key officers, who have the most appropriate knowledge, expertise and levels of seniority providing information and key evidence to support how the organisation has complied with the principles set out in guidance.

As well as demonstrating how the Council is meeting each of the principles, it is also an opportunity to identify any issues or gaps that could lead to a weaker governance structure.

The AGS is submitted for consideration by the Leader and Chief Executive who then sign to certify they are aware of the governance issues within the Council and of the measures that are required to improve the controls around the Council's governance framework.

CERTIFICATION

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this Statement, and to further enhance our governance arrangements to enable delivery of our Corporate Plan.

Signed on behalf of Lancaster City Council:

Councillor Caroline Jackson
Leader of Lancaster City Council

Mark Davies
Chief Executive of Lancaster City Council

Date: 2nd June 2025

Statement of Responsibilities for the Statement of Accounts

1 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. In line with statute, this is the Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the audited Statement of Accounts.

2 The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required respectively to present fairly the financial position of the Council and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

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.

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.

3 Section 151 Officer Certificate

I certify that the Statement of Accounts give a true and fair view of the financial position of the authority as at 31 March 2025 and the income and expenditure for the year then ended.

Paul Thompson LLB (Hons) CPFA Date: 30 June 2025
Chief Finance Officer and Section 151 Officer

4 Audit Committee Chairman's Certificate

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was considered and approved by Audit Committee

Cllr Paul Stubbins Date:

Statement of Accounts
Movement in Reserves Statement

The Movement in Reserves Statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

- the increase or decrease in the net worth of the Authority as a result of incurring expenses and generating income
- the increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets
- movements between reserves to increase or reduce the resources available to the Council according to statutory provisions.

2024/25	General Fund Balance £000	General Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves Restated £000
Balance at 31/03/2024	**10,326**	**17,040**	**750**	**2,823**	**779**	**3,332**	**103**	**35,153**	**244,554**	**279,707**
Movements in 2024/25										
Total Comprehensive Income and Expenditure	(3,018)	-	(5,640)	-	-	-	-	(8,658)	12,914	4,256
Adjustments between accounting & funding basis under regulations (Note 8)	4,391		4,200		543	747		9,881	(9,881)	-
Net Increase/(Decrease) before transfers to earmarked reserves	1,373	-	(1,440)	-	543	747	-	1,223	3,033	4,256
Transfers (to)/from earmarked reserves (Note 9)	(1,672)	1,672	842	(842)	-	3	-	3	(3)	-
Increase/(Decrease) in 2024/25	**(299)**	**1,672**	**(598)**	**(842)**	**543**	**750**	**-**	**1,226**	3,030	**4,256**
Balance at 31/03/2025	**10,027**	**18,712**	**152**	**1,981**	**1,322**	**4,082**	**103**	**36,379**	**247,584**	**283,963**

2023/24	General Fund Balance £000	General Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31/03/2023	**11,677**	**13,075**	**624**	**8,253**	**121**	**2,389**	**103**	**36,242**	**222,751**	**258,993**
Movements in 2023/24										
Total Comprehensive Income and Expenditure	(3,808)	-	(5,715)	-	-	-	-	(9,523)	30,237	20,714
Adjustments between accounting & funding basis under regulations (Note 8)	6,422	-	411	-	658	940	-	8,431	(8,431)	-
Net Increase/(Decrease) before transfers to earmarked reserves	2,614	-	(5,304)	-	658	940	-	(1,092)	21,806	20,714
Transfers (to)/from earmarked reserves (Note 9)	(3,965)	3,965	5,430	(5,430)	-	3	-	3	(3)	-
Increase/(Decrease) in 2023/24	**(1,351)**	**3,965**	**126**	**(5,430)**	**658**	**943**	**-**	**(1,089)**	21,803	**20,714**
Balance at 31/03/2024	**10,326**	**17,040**	**750**	**2,823**	**779**	**3,332**	**103**	**35,153**	**244,554**	**279,707**

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) records all of the Council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs. As the Council does not have any equity in the Balance Sheet, these gains and losses should reconcile to the overall movement in net worth.
The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES.

The CIES has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

2023/24					2024/25		
Gross Exp £000	**Gross Inc** £000	**NET** £000		***NOTES***	**Gross Exp** £000	**Gross Inc** £000	**NET** £000
			Continuing Operations:				
22,210	(10,494)	11,716	Environment & Place		21,410	(10,984)	10,426
2,293	(687)	1,606	Governance		2,834	(1,277)	1,557
12,832	(8,947)	3,885	Housing & Property		14,772	(9,145)	5,627
23,137	(17,977)	5,160	Housing Revenue Account		24,562	(19,511)	5,051
4,741	(1,413)	3,328	People & Policy		5,399	(3,019)	2,380
3,054	(1,602)	1,452	Planning & Climate Change		4,159	(1,637)	2,522
31,028	(27,112)	3,916	Resources		31,036	(26,516)	4,520
8,472	(6,995)	1,477	Sustainable Growth		7,566	(6,731)	835
5,680	(2,815)	2,865	Corporate Accounts		3,937	(1,560)	2,377
113,447	**(78,042)**	**35,405**	**Cost of Services**		**115,675**	**(80,380)**	**35,295**
3,049	(1,592)	1,457	Other Operating Expenditure	*10*	4,013	(2,710)	1,303
13,899	(11,696)	2,203	Financing and Investment Income and Expenditure	*11*	14,715	(12,741)	1,974
		-	(Surplus) / Deficit on discontinued operations	*29*			-
21,380	(50,922)	(29,542)	Taxation and Non Specific Grant Income and Expenditure	*12*	22,511	(52,425)	(29,914)
		9,523	**(Surplus)/Deficit on Provision of Services**				**8,658**
		(30,063)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets				(12,682)
		(174)	Re-measurement of the net defined benefit liability/(asset)	*41*			(232)
		(30,237)	**Other Comprehensive Income and Expenditure**				**(12,914)**
		(20,714)	**Comprehensive Income and Expenditure**				**(4,256)**

The net income of £4.256M in year corresponds to the movement between years in net worth on the Balance Sheet.

Balance Sheet

The Balance Sheet summarises the Council's financial position as at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As the Council does not have equity, the bottom half is comprised of reserves that reflect the Council's net worth, falling into two categories:

- Usable Reserves, which include the revenue and capital resources available to meet future expenditure (e.g. the General Fund Balance and the Capital Receipts Reserve), and
- Unusable Reserves, which include:
  - unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve)
  - adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pension Reserve).

31 March 2024 £000		NOTES	31 March 2025 £000
294,267	Property, Plant & Equipment	13	297,984
9,518	Heritage Assets	14	9,518
40,922	Investment Property	15	39,067
-	Intangible Assets	16	-
-	Assets Held for Sale	21	679
93	Long Term Debtors	17	90
344,800	**Long Term Assets**		**347,338**
-	Short Term Investments	17	-
869	Inventories	18	825
20,982	Short Term Debtors	19	20,552
10,784	Cash & Cash Equivalents	20	15,449
32,635	**Current Assets**		**36,826**
-	Bank Overdraft	20	-
(1,041)	Short Term Borrowing	17	(1,042)
(32,999)	Short Term Creditors	22	(36,542)
(34,040)	**Current Liabilities**		**(37,584)**
(169)	Long Term Creditors	17	(240)
(3,977)	Provisions	23	(4,209)
(56,919)	Long Term Borrowing	17	(55,893)
(2,623)	Other Long Term Liabilities	41	(2,275)
(63,688)	**Long Term Liabilities**		**(62,617)**
279,707	**Net Assets**		**283,963**
35,153	Usable Reserves	24	36,379
244,554	Unusable Reserves	25	247,584
279,707	**Total Reserves**		**283,963**

The net movement between years is £4.256M and corresponds to the balance on the Comprehensive Income and Expenditure Statement.

Cash Flow Statement

The Cash Flow Statement summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year. It separates the flows into:

- those that have occurred as a result of the Council's operations
- those arising from the Council's investing activities (including cash flows related to non-current assets), and
- those attributable to financing decisions.

2023/24 £000		NOTES	2024/25 £000
Cash (Out) / In			Cash (Out) / In
(9,523)	Net surplus or (deficit) on the provision of services		(8,658)
16,447	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	*26*	24,621
(6,030)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	*26*	(8,119)
894	**Net cash flows from Operating Activities**		**7,844**
(4,884)	Investing Activities	*27*	(2,225)
(9,477)	Financing Activities	*28*	(954)
(13,467)	**Net increase or (decrease) in cash and cash equivalents**		**4,665**
24,251	Cash and cash equivalents at the beginning of the reporting period		10,784
10,784	**Cash and cash equivalents at the end of the reporting period**		**15,449**

Notes to the Accounts

The notes to the accounts have three significant roles:

- presenting information about the basis of preparation of the financial statements and the specific accounting policies used
- disclosing the information required by the Code that is not presented elsewhere in the financial statements
- providing information that is not provided elsewhere in the financial statements but is relevant to an understanding of any of them.

A list of the notes provided is as follows:

Note 1 Accounting Policies
Note 2 Accounting Standards that have been issued but have not yet been adopted
Note 3 Critical Judgements in Applying Accounting Policies
Note 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
Note 5 Events After the Reporting Period
Note 6 Expenditure and Funding Analysis
Note 7 Expenditure and Income Analysed by Nature
Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations
Note 9 Transfers to/from Earmarked Reserves
Note 10 Other Operating Income and Expenditure
Note 11 Financing and Investment Income and Expenditure
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Note 26 Cash Flow Statement - Operating Activities
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Note 43 Contingent Assets
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Note 45 Group Accounts
Note 46 Prior Year Restatement

1. ACCOUNTING POLICIES

1.1 Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position on 31 March 2025. The accounts of the Council have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), taking account of the supplementary guidance notes issued by CIPFA on the application of the Code to local authorities, supported by International Financial Reporting Standards (IFRS).

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

Unless otherwise stated the convention used in this document is to round to amounts to the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

1.2 Revenue Recognition and Accruals of Income and Expenditure

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Interest receivable on investments is accounted for as income based on 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.
- 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 receivable on investments and payable on borrowings is accounted for respectively as income and 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.

1.2 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. This category includes cash on call and 3

months or less term deposit and instant access money market funds.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and conditions on the Council's financial position or financial performance. Where a change 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.

1.4 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement which is calculated on a prudent basis in accordance with statutory guidance. This contribution is known as the minimum revenue provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council Tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

<u>Accounting for Council Tax and NDR</u>

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or

determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.6 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, as employees can carry this forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

The Local Government Pension Scheme

Generally, employees of the Council are members of the Local Government Pension Scheme, which is administered on our behalf by Lancashire County Council. It is accounted for as a defined benefits scheme.

Defined benefit scheme - the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

The liabilities of the Lancashire Pension Fund attributable to the 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, etc. and projections of projected earnings for current employees.

The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. Liabilities are discounted to their value at current prices using a discount rate.

The assets of Lancashire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

Quoted securities	Current bid price
Unquoted securities	Professional estimate
Unitised securities	Current bid price

Property Market value

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

Component	Description	Treatment
Service Costs		
Current service costs	Measures the future service cost to the employer estimated to have been generated in the year.	Charged to the comprehensive income and expenditure statement to the services for which employees worked.
Past service costs	The increase in liabilities as a result of a current year scheme amendment or curtailment whose effect relates to years of service earned in earlier years.	Charged to comprehensive income and expenditure statement as part of non-distributed costs.
Interest costs	The expected increase in the present value of liabilities as members of the plan are one year closer to receiving their pension. The provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.	Charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement.
Re-measurements		
Return on plan assets	This is a measure of the return on the investment assets held by the plan for the year.	Charged to the pensions reserve as other comprehensive income and expenditure.
Actuarial gains and losses	These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have been changed.	Charged to the pensions reserve as other comprehensive income and expenditure.
Contributions		
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities.	These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to the pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners on any such amounts payable but unpaid at the year-end. The negative balance that arises 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 that are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards or retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any member of staff 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.

1.7 Events after the Balance Sheet Date

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. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured by fair value and are carried at their 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 effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and 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/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost.
- Fair value through other comprehensive income (FVOCI), and.
- Fair value through profit or loss (FVPL).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They 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 Council, this means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest and 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 derecognition 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 Council also holds investments with the objective of collecting contractual cash flows and selling assets in order to meet long term investments requirements while ensuring the Council is not subject to a high degree of credit risk. These assets are measured at FVOCI.

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 these financial assets held by the Council, this means that the amount presented in the balance sheet is the fair value of the financial instrument and the interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments –discounted cash flow analysis.

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 authority 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.

Any changes in the fair value of the assets are charged to other comprehensive income and expenditure in the comprehensive income and expenditure statement and balanced by an entry in the financial instrument's revaluation reserve.

Any gains or losses that arise on the derecognition of the asset are credited or debited 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)

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value 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.

Expected credit loss model
The 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.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. 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 based on 12-month expected losses.

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

1.10 Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are 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 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.

1.11 Business Improvement Districts

Business Improvement District (BID) schemes apply to Lancaster City Centre and Morecambe Town Centre. The Scheme is funded by a BID levy paid by non-domestic ratepayers. The Council collects the levy in respect of the BID and pays this across to Lancaster BID Ltd and Morecambe BID Ltd CIC as managing bodies for the Scheme.

1.12 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 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 £10,000 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 it is not considered to be 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 Council's holding.

The Council has a detailed acquisitions and disposal policy, further information on which can be obtained from the Council. Disposals will not be made with the principal aim of generating funds. It is considered that the collection has a long-term purpose and, therefore, there is a strong presumption against disposal. If any items are thought to be appropriate for rationalisation, the Museums Association Code of Practice for the review of collections is followed. This is a lengthy process that allows for efforts to find an alternative home/location for an item before any consideration of final disposal is made.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services (which is the case in practice).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment.

1.14 Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is shown in the accounts at the latest replacement cost net of provision for obsolescence / reduction in value, as an estimation of the net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement dated. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Leases

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

The Council as Lessee

Initial Measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options. Lease liabilities are initially measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

• fixed payments, including in-substance fixed payments
• variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
• amounts expected to be payable under a residual value guarantee
• the exercise price under a purchase option that the Council is reasonably certain to exercise
• lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
• penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

Right-of-use assets are measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

Right-of-use assets are subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

• assets held under non-commercial leases
• leases where rent reviews do not necessarily reflect market conditions
• leases with terms of more than five years that do not have any provision for rent reviews
• leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties. The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

• there is a change in future lease payments arising from a change in index or rate
• there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
• the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
• there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in

the income statement.

Low value and short lease exemption
As permitted by the Code of Practice On Local Authority Accounting, the Council excludes leases:
• for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
• with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease Expenditure
Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straightline depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The Council as Lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance Leases
Where the 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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:
• a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
• finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Charges are made on a straight-line

basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.17 Overheads and Support Services

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

1.18 Property, Plant and Equipment (excluding infrastructure)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for the administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

See accounting policy 1.21 for details of the Council's infrastructure assets policy

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant or 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 an expense when it is incurred.

Componentisation

Where a property, plant and equipment asset have major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Measurement

Assets are initially measured 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.

Assets that are being constructed by the Council will initially be recognised at cost. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The costs of assets acquired other than by purchase are deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially by fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until the conditions are satisfied, the gain is held in the Donated Assets Account. 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 basis:

Category	Measurement Basis
Community assets	Depreciated historical cost
Dwellings	Current value, determined using the basis of existing use value for social housing (EUV-SH)
Operational Property, Plant and Equipment	Current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost which is used as an estimate of current value
Surplus assets	Fair value – highest and best
All other assets	Existing use value

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

Where non-property assets that have short useful lives or low values (or both), depreciated historic cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly (but as a minimum every three years) to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- 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(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 01 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Valuations are provided as at 1st April and are undertaken internally by Lancaster City Council's Property Service department in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).

1.19 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 an 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 by:

- 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.20 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over the time of their useful lives.

Depreciation is calculated on the following basis:

Category	Method and period over which assets depreciated
Land	Not depreciated
Council Dwellings	Straight-line allocation on a componentised bases over the useful life of the property as estimated by the Valuer; (5 - 80 years)
Other buildings	Straight-line allocation on a componentised bases over the useful life of the property as estimated by the Valuer; (5 - 40 years)
Vehicles, plant and equipment	Straight-line allocation over 10 to 15 years depending on the type of asset;
Community Assets	Not depreciated
Assets under construction	Not depreciated
Assets held for sale	Not depreciated
Heritage assets	Not depreciated

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 the historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continual use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. 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; 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.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment or Assets Held for Sale) 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 disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under the separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Infrastructure Assets

Infrastructure assets include sea and river defences, footways, cycleways and footbridges and street improvement works.

Recognition

Expenditure on the acquisition of infrastructure assets is capitalised on an accruals basis, if 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

Infrastructure assets are measured on a depreciated historical cost basis. However, for opening balances for infrastructure assets held under the accounting rules that applied before 1 April 1994 this is a modified form of historical cost with expenditure that was incurred before this date only included to the extent that it had not been financed before the end of the 1993/94 financial year.

Where material impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various infrastructure assets are assessed using industry standards where applicable as follows:

Asset Type	**Useful Life**

Sea & River Defences	40 years
Environmental Improvement Works	40 years
Street Furniture, lighting & landscaping	40 years
Footways & Cycleways	20 years

Disposal and derecognition

When a component of an infrastructure asset is disposed of or decommissioned, the carrying amount of the component 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 disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal.

The written-off amounts of disposals are not a charge against council tax, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

1.22 Minimum Revenue Provision

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual 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).

1.23 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the 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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an 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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not

wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.24 Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant notes.

1.25 Revenue Expenditure Funded from Capital under Statute

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

1.26 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.27 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the amount that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability; or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability

1.28 Group Accounts

The Council has two wholly owned subsidiary companies, which are currently not trading. Once a

trading these will be consolidated into the Co
uncil'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.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2025 for 2024/25).

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and are therefore required to be disclosed:

The following standards have been issued/amended but are not yet adopted. These are not considered to have a material impact on the council's accounts.

- IFRS 17 Insurance Contracts. This standard replaces IFRS 4 Insurance Contracts and specifies the approach to identifying, quantifying and reporting on insurance contracts.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates.
- Changes to the measurement of non-investment assets including adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Asset

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 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:

Property Plant & Equipment
The Council's non-current assets within its general fund are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors. The council carries out a rolling programme that ensures all Plant, Property and Equipment required to be measured at fair value is revalued within a three-year cycle. All assets reviewed had a valuation date of 1 April 2024. Any material changes after the valuation date have been accounted for.

Council Dwellings
The Council's Housing Stock is valued on the balance sheet at Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards January 2014. Council dwellings are formally revalued every 5 years in accordance with MHCLG's the "Beacon Principal" with desktop reviews in the intervening years.

Investment Properties
The Council has reviewed all assets in accordance with the accounting policy for investment properties confirming they are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property, such as regeneration.

Provisions
The Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties and legal claims that may result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases, experience in previous years or in other local authorities.

4 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 considering 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 Balance Sheet on 31 March 2025 for which there is a significant risk of material adjustment in the next financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment Valuations	The Code prescribes the detailed bases for measuring the different classes of property, plant and equipment (PPE). Valuations are undertaken by qualified valuers in accordance with Royal Institute of Chartered Surveyors Guidance on the basis of a three year rolling programme. HRA assets are revalued at least every five years on a rolling programme, while investment properties are revalued on an annual basis. A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long-term implications would be incorporated into our financial strategy. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council's internal valuers.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. This would not impact real GF or HRA balances. Sensitivity analysis detailing movement in valuations is provided in the table below.
Property, plant and equipment Depreciation	Assets are depreciated over their assessed useful lives, considering assumptions about the level of repairs and maintenance that will be undertaken. The current economic climate makes it uncertain that current spending on repairs and maintenance can be sustained, bringing into doubt the useful lives of its assets will be incurred in relation to individual assets. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. However, due to capital regulations, there would be no impact on the general fund balance.	If the useful economic life (UEL) of assets is reduced, depreciation will increase and the carrying value of assets will decrease. Had the Council assumed a UEL of one year less in 2024/25 for all assets with a UEL of 20 years or more, depreciation charges would have been higher.

Fair Value Measurements	When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. 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.	The significant unobservable inputs used in the fair value measurement include management assumptions about rent growth, vacancy levels (for investment properties) and discount rates. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Note 15.
Pensions Liability	Estimation of the liability to pay pensions within the Local Government Pension Scheme depends on a number of complex judgements relating to: the rate for discounting scheme liabilities; the rate at which salaries are projected to increase; changes in retirement ages and mortality rates; and expected returns on pension fund assets. A firm of actuaries is engaged by the Lancashire County Pension Fund to provide all the authorities within that fund with expert advice about the assumptions to be applied in calculating the IAS19 figures for accounting purposes.	Several factors can impact on the valuation of the scheme liability. A sensitivity analysis of the factors is set out in more detail in Note 41 of these financial statements.
Provision for Business Rate Appeals	Since the introduction of the Business Rates Retention Scheme from 01 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2023/24 and earlier financial years in proportion to their share. The Authority has made a provision, based on the best estimate of the amount that businesses have been overcharged up to 31 March 2025. The estimate has been calculated using data provided by an external software provider who utilises the Valuation Office Agency (VOA) ratings list of appeals and its own extensive property list and historic rating information.	An increase in the estimated settlement rate of 10% would have the effect of adding to the provision needed.
Debtors / Arrears	The level of required bad debt provision/ credit losses is based on various assumptions and estimates, such as the national and local economic outlook and previous collection rates. Given the current economic climate, there is some uncertainty as to whether collection rates will be sustained and therefore as to the required level of bad debt provision.	If collection rates were to deteriorate, then the level of bad debt provisions would need to be increased.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts were authorised for issue by the Chief Finance Officer on 30 June 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been agreed that there are no non-adjusting events after the Balance Sheet date.

6 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis demonstrates how the Council has used available funding for the year (i.e. government grants, rents, Council Tax and Business Rates) in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the Council has allocated this expenditure for decision making purposes between the Council's Executive Management Teams. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2023/24				2024/25		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
			Continuing Operations:			
9,068	(2,648)	11,716	Environment & Place	7,907	(2,519)	10,426
1,620	14	1,606	Governance	1,596	39	1,557
2,194	(1,691)	3,885	Housing & Property	3,434	(2,193)	5,627
(3,940)	(9,100)	5,160	Housing Revenue Account	(6,524)	(11,575)	5,051
3,351	23	3,328	People & Policy	2,415	35	2,380
1,455	3	1,452	Planning & Climate Change	2,550	28	2,522
3,605	(311)	3,916	Resources	4,262	(258)	4,520
(482)	(1,959)	1,477	Sustainable Growth	(1,047)	(1,882)	835
2,742	(123)	2,865	Corporate Accounts	1,868	(509)	2,377
19,613	**(15,792)**	**35,405**	**Net Cost of Services**	**16,461**	**(18,834)**	**35,295**
(16,923)	8,959	(25,882)	Other Income and Expenditure	(16,394)	10,243	(26,637)
2,690	**(6,833)**	**9,523**	**(Surplus) or Deficit**	**67**	**(8,591)**	**8,658**
33,629			Opening General Fund & HRA Balances & Reserves	30,939		
(2,690)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(67)		
30,939			**Closing General Fund and HRA Balance & Reserves at 31/3/2025**	**30,872**		

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments between Funding and Accounting Basis 2024/25				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	**Total Adjustments**
	£000	£000	£000	**£000**
Environment & Place	(2,796)	306	(29)	**(2,519)**
Governance	-	41	(1)	**40**
Housing & Property	(2,257)	76	(11)	**(2,192)**
Housing Revenue Account	(11,715)	155	(16)	**(11,576)**
People & Policy	(9)	45	(2)	**34**
Planning & Climate Changes	(34)	67	(5)	**28**
Resources	(295)	48	(11)	**(258)**
Sustainable Growth	(1,923)	38	3	**(1,882)**
Corporate Accounts	-	(509)	-	**(509)**
Net Cost of Services	**(19,029)**	**267**	**(72)**	**(18,834)**
Other income and expenditure from the Expenditure and Funding Analysis	10,903	(152)	(508)	**10,243**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(8,126)**	**115**	**(580)**	**(8,591)**

Adjustments between Funding and Accounting Basis 2023/24				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	**Total Adjustments**
	£000	£000	£000	**£000**
Environment & Place	(2,759)	111	-	**(2,648)**
Governance	-	14	-	**14**
Housing & Property	(1,715)	28	(4)	**(1,691)**
Housing Revenue Account	(9,153)	55	(2)	**(9,100)**
People & Policy	-	21	2	**23**
Planning & Climate Changes	(14)	20	(3)	**3**
Resources	(329)	18	-	**(311)**
Sustainable Growth	(1,981)	18	4	**(1,959)**
Corporate Accounts	-	(123)	-	**(123)**
Net Cost of Services	**(15,951)**	**162**	**(4)**	**(15,792)**
Other income and expenditure from the Expenditure and Funding Analysis	11,598	(168)	(2,471)	**8,959**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,353)**	**(6)**	**(2,475)**	**(6,833)**

Adjustments for Capital Purposes - this column adds in depreciation, impairment, 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 and Expenditure 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 *IAS19 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 CIES.

Other Differences
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.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR 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 forwards in future Surpluses or Deficits on the Collection Fund.

7 EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2023/24 £000	2024/25 £000
Employee benefits expenses	32,115	31,317
Other services expenses	77,321	76,125
Support service recharges	1,379	1,364
Depreciation, amortisation, impairment	17,184	20,062
Interest payments	2,820	2,793
Precepts and levies	3,435	2,849
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	(557)	(364)
Total Expenditure	**133,697**	**134,146**
Fees, charges and other service income	(55,706)	(55,900)
Interest and investment income	(789)	(975)
Net Income from council tax, non domestic rates, district rate income	(21,737)	(21,710)
Government grants and contributions	(45,942)	(46,903)
Total Income	**(124,174)**	**(125,489)**
(Surplus) or Deficit on the Provision of Services	**9,523**	**8,658**

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	2023/24 Comparative Figures						2024/25					
	Usable Reserves						Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Earmarked Reserves £000	Capital Grants Unapplied £000	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Earmarked Reserves £000	Capital Grants Unapplied £000
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)	(54)	49	-	-	-	-	(36)	152	-	-	-	-
Financial instruments (transferred to the Financial instruments Adjustments Account)	-	-	-	-	-	-	-	-	-	-	-	-
Council tax and NDR (transfers to or from Collection Fund)	(2,471)	-	-	-	-	-	(508)	-	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	-	(2)	-	-	-	-	(57)	(16)	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,687)	(9,209)					(8,231)	(11,677)	-	-	-	-
Total Adjustments to Revenue Resources	**(9,212)**	**(9,162)**	**-**	**-**	**-**	**-**	**(8,832)**	**(11,541)**	**-**	**-**	**-**	**-**
Adjustments between Revenue and Capital Resources												
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	474	1,038	(1,512)	-	-	-	1,651	1,004	(2,655)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(21)	21	-	-	-	-	(20)	20	-	-	-
Payments to the government housing receipts pool funded by a transfer from the Capital Receipts Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		4,769	-	(4,769)	-	-	-	5,315	-	(5,314)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,660	1,041	-	-	-	-	2,912	1,041	-	-	-	-
Use of the Capital Receipts Reserve to finance revenue expenditure (flexible use of capital receipts)	(477)	-	477	-	-	-	(222)	-	222	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	132	1,924	-	-	-	-	100	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	**2,790**	**8,751**	**(1,014)**	**(4,769)**	**-**	**-**	**4,441**	**7,340**	**(2,413)**	**(5,314)**	**-**	**-**
Adjustments to Capital Resources												
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	74	-	-	-	-	-	1,666		-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,111	-	-	-	-	-	4,772	-	-
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total Adjustments to Capital Resources	**-**	**-**	**74**	**4,111**	**-**	**-**	**-**	**-**	**1,666**	**4,772**	**-**	**-**
Total Adjustments	**(6,422)**	**(411)**	**(940)**	**(658)**	**-**	**-**	**(4,391)**	**(4,201)**	**(747)**	**(542)**	**-**	**-**

9 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2024/25.

	Balance at 31 March 2023	Transfers Out	Transfers In	Balance at 31 March 2024	Transfers Out	Transfers In	Balance at 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Corporate Property Reserve	314	-	-	314	-	-	314
Covid 19 Support Reserve	10	-	-	10	-	-	10
Other Commuted Sums	1,266	(38)	265	1,493	(53)	324	1,764
Restructuring Reserve	521	(70)	-	451	-	-	451
Renewals	1,062	(127)	495	1,430	-	492	1,922
Capital Support	73	-	-	73	-	-	73
Corporate Priorities (Budget Support)	421	(116)	150	455	(187)	-	268
Invest to Save Reserve	302	(38)	-	264	(101)	-	163
Lancaster District Hardship Fund	241	(135)	-	106	(45)	-	61
Business Rates Retention Reserve	7,472	(1,633)	5,474	11,313	-	1,347	12,660
Welfare Reforms Reserve	325	-	-	325	-	-	325
Homelessness Support	110	-	-	110	-	-	110
Revenue Grants Unapplied	642	(202)	-	440	(175)	-	265
Other Reserves £100K and under	316	(162)	102	256	(14)	85	327
Total	13,075	(2,522)	6,486	17,040	(575)	2,248	18,713
HRA:							
Hsg Mgt System Replacement	444	(70)	600	974	(252)	-	722
Flats Planned Maintenance	788	(416)	33	405	(122)	-	283
Sheltered Housing Reserves	1,113	(584)	334	863	(83)	196	976
Business Support Reserve	5,869	(5,287)	-	582	(582)	-	-
Other Reserves £100K and under	39	(39)		-	-	-	-
Total	8,253	(6,396)	967	2,824	(1,039)	196	1,981

General Fund Earmarked Reserves

Corporate Property
To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for).

Open Spaces Commuted Sums
This reserve receives all sums paid to the Council from third parties for the maintenance of open spaces adopted by the City Council.

Other Commuted Sums
This reserve receives all sums paid to the Council from third parties.

Restructuring
To fund the costs associated with early termination of staff/pay and grading review.

Renewals
Contributions are made into the fund to provide for the renewal of facilities and infrastructure needed for service delivery, such as vehicles, plant and equipment.

Capital Support
To cover contractual liabilities on West End properties and to provide cover for any revenue costs arising through shortfalls in capital financing.

Corporate Priorities (Budget Support)
To provide resources to help finance capacity/feasibility/review and other development work in support of the overhaul of the Council's corporate planning and budgeting arrangements, including any transformation or modernisation plans etc.

Covid-19 Support Reserve
Established to provide support to businesses and vulnerable people in response to the Covid-19 Pandemic

Elections
Established to manage the cost of Elections.

Economic Growth
To support economic growth activities in the district.

Homelessness Support
To hold unspent homelessness grant monies.

Investment Property Maintenance and Voids
Established to set aside a % of gross rents on newly acquired investment properties to cover maintenance and voids.

Invest to Save
The reserve has been established to finance any Invest to Save initiatives.

Business Rates Retention
This reserve has been established to support the budget in the event that Business Rates Income does not reach budgeted levels.

Welfare Reforms
To help manage the cost pressures of any welfare reforms (in particular, localisation of Council Tax support).

Morecambe Area Action Plan (MAAP)
To support implementation of the MAAP.

Museums Acquisitions
Established to hold funds to finance acquisitions across the museums in the district.

Planning Fee Income
To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).

Revenue Grants Unapplied
This reserve holds the revenue grants income which have no claw-back conditions attached and are yet to be applied to matching expenditure.

<u>Housing Revenue Account Earmarked Reserves</u>

Housing Management System Replacement
Established to fund future major IT systems replacement.

Flats – Planned Maintenance Reserve
Established to smooth the costs of major revenue and capital works to flats funded from Service Charge.

Sheltered Housing Reserves
To fund purchases of equipment for sheltered schemes and to smooth the costs of major revenue and

capital works to flats funded from Service Charges.

Business Support Reserve
To support existing commitments over the lifetime of the 30-year business plan, and secondly to help fund any new build, subject to viability.

10 OTHER OPERATING INCOME & EXPENDITURE

The Council's various income streams have been assessed and classified in line with Chapter 2 of the 2024/25 Code of Practice and revenue has been recognised accordingly, with specific consideration given to:

- implied or stated contractual terms for exchange transactions.
- obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange.
- the significance of the income stream to the Council.

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until the conditions have been satisfied.

Other operating expenditure reported includes all levies payable, total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales within the Housing Revenue Account and gains/losses generated from in year disposals of non-current assets.

	2023/24 £000	2024/25 £000
Parish council precepts	2,014	1,667
Payments to the Government Housing Capital Receipts Pool	-	-
(Gains)/losses on the disposal of non-current assets	(557)	(364)
	1,457	**1,303**

11 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio. The Council's net rental income on the properties it holds purely for investment purposes is also included. It also includes the interest element of the pension fund liability.

	2023/24 £000	2024/25 £000
Interest payable and similar charges	2,820	2,793
Pensions interest cost and expected return on pensions	168	152
Interest receivable and similar income	(1,607)	(1,384)
Income and expenditure in relation to investment properties and changes in their fair value	821	412
Other investment income and expenditure	1	1
	2,203	**1,974**

12 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

This note consolidates all non-specific grants and contributions receivable that cannot be identified with individual service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of Council Tax and business rates used to fund in-year service activities.

	2023/24 £000	2024/25 £000
Council tax income	(12,533)	(12,664)
Non domestic rates	(7,783)	(7,864)
Non-ringfenced government grants:		
Section 31 Grant	(5,782)	(5,802)
Covid 19 emergency funding, new burdens & Miscellaneous grants	(134)	(95)
New Homes Bonus	(188)	(10)
Revenue Support Grant	(406)	(433)
Services Grant	(232)	(33)
Lower Tier Services Grant	-	-
Funding Guarantee	(606)	(1,195)
Capital grants and contributions	(1,878)	(1,818)
	(29,542)	**(29,914)**

13 PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost/Valuation							
Balance as at 1 April 2024	**162,475**	**82,919**	**31,811**	**8,719**	**2,251**	**677**	**288,852**
Additions	5,680	2,252	1,708	28	375	671	**10,714**
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	5,288	2,835	-	-	9	-	**8,132**
Revaluation Increases/(Decreases) Recognised on the Surplus/Deficit on the Provision of Services	(5,717)	254	-	-	(536)	-	**(5,999)**
Derecognition - Disposals	(847)	-	(477)	-	(136)	-	**(1,460)**
Assets Reclassified (to)/from Assets Held for Sale	-	-	-	-	(679)	-	**(679)**
Other Transfers	-	-	422	-	679	(421)	**680**
Balance as at 31 March 2025	**166,879**	**88,260**	**33,464**	**8,747**	**1,963**	**927**	**300,240**
Accumulated Depreciation and Impairment							
Balance as at 1 April 2024	**(4,764)**	**(5,733)**	**(19,958)**	**(54)**	**(30)**	**-**	**(30,539)**
Depreciation Charge	(5,315)	(3,647)	(2,428)	(5)	(31)	-	**(11,426)**
Depreciation on Revaluations Written Back Recognised in the Revaluation Reserve	4,320	226	-	-	5	-	**4,551**
Depreciation on Revaluations Written Back Recognised in the Surplus/Deficit on Provision of Services	405	20	-	-	25	-	**450**
Derecognition - Disposals	49	-	477	-	-	-	**526**
Balance as at 31 March 2025	**(5,305)**	**(9,134)**	**(21,909)**	**(59)**	**(31)**	**-**	**(36,438)**
Net Book Value							
at 31 March 2024	**157,711**	**77,186**	**11,853**	**8,665**	**2,221**	**677**	**258,313**
at 31 March 2025	**161,574**	**79,126**	**11,555**	**8,688**	**1,932**	**927**	**263,802**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost/Valuation							
Balance as at 1 April 2023	**155,539**	**66,393**	**30,797**	**8,719**	**2,551**	**140**	**264,139**
Additions	4,621	4,049	1,801	-	233	631	**11,335**
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	7,671	12,073	-	-	(4)	-	**19,740**
Revaluation Increases/(Decreases) Recognised on the Surplus/Deficit on the Provision of Services	(4,554)	1,376	-	-	(233)	(136)	**(3,547)**
Derecognition - Disposals	(760)	-	(787)	-	(296)		**(1,843)**
Assets Reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	**-**
Other Transfers	(42)	(972)	-	-	-	42	**(972)**
Balance as at 31 March 2024	**162,475**	**82,919**	**31,811**	**8,719**	**2,251**	**677**	**288,852**
Accumulated Depreciation and Impairment							
Balance as at 1 April 2023	**(4,309)**	**(8,712)**	**(18,492)**	**(49)**	**(88)**	**-**	**(31,650)**
Depreciation Charge	(4,769)	(3,475)	(2,231)	(5)	(54)	-	**(10,534)**
Depreciation on Revaluations Written Back Recognised in the Revaluation Reserve	4,105	6,130	-	-	88	-	**10,323**
Depreciation on Revaluations Written Back Recognised in the Surplus/Deficit on Provision of Services	170	324	-	-	-	-	**494**
Derecognition - Disposals	39	-	765	-	24	-	**828**
Balance as at 31 March 2024	**(4,764)**	**(5,733)**	**(19,958)**	**(54)**	**(30)**	**-**	**(30,539)**
Net Book Value							
at 31 March 2023	**151,230**	**57,681**	**12,305**	**8,670**	**2,463**	**140**	**232,489**
at 31 March 2024	**157,711**	**77,186**	**11,853**	**8,665**	**2,221**	**677**	**258,313**

Infrastructure Assets

Movements on Balances	**2023/24 £000**	**2024/25 £000**
Opening Net Book Value	**37,941**	**35,954**
Additions	13	**479**
De-recognition	-	**-**
Disposal	-	**(444)**
Other Transfers	-	**-**
Depreciation	(2,000)	**(2,001)**
Depreciation on Disposals	-	**194**
Closing Net Book Value	**35,954**	**34,182**

Total Property Plant & Equipment	**2023/24 £000**	**2024/25 £000**
Infrastructure Assets	35,954	**34,182**
Other PPE Assets	258,313	**263,802**
Total PPE Assets	**294,267**	**297,984**

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosue 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 postion to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M (England) of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: depreciated on a componentised basis, ranging from 5 – 80 years;
- Other Land and Buildings: 5 - 40 years;
- Vehicles, Plant, Furniture and Equipment: 5 -15 years;
- Infrastructure: 10 - 40 years.

Capital Commitments
At 31 March 2025, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 anticipated to cost £2.586M. Similar commitments at 31 March 2024 were £2.865M. The major commitments are:

- Burrow Beck Solar £0.975M
- Property Decarbonisation Scheme £0.313M
- Local Full Fibre Network £0.209M
- White Lund Depot Offices £0.155M
- HRA Capital Works £0.682M

Revaluations
The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every three years, with Investment property being revalued annually. All valuations were carried out internally by professionally qualified valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors by the Council's Property Services Team. Carrying values of vehicles, plant, furniture and equipment are based on depreciated cost.

The significant assumptions applied in estimating the fair values are:

- Values are given as at 01 April for the given year.
- Existing Use Market values are used except where items are of a specialist nature when depreciated historic cost is used as a proxy, or for investment properties where the highest and best consideration is used.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	-	11,555	-	11,555
Valued at current value as at:					
31 March 2025	161,574	18,982		1,932	182,488
31 March 2024	-	55,104	-	-	55,104
31 March 2023	-	5,040	-	-	5,040
31 March 2022	-	-	-	-	-
31 March 2021	-	-	-	-	-
Total Cost or Valuation	**161,574**	**79,126**	**11,555**	**1,932**	**254,187**

14 HERITAGE ASSETS

Reconciliation of transactions and carrying value of Heritage Assets held by the Council.

	2023/24 £000	2024/25 £000
Opening Balance		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	9,518	**9,518**
Disposals	-	-
Revaluations	-	-
Closing Balance		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	8,400
Public Art Works	100	100
Art Collection	185	185
	9,518	**9,518**

Civic Regalia and other donated assets
There are over 80 pieces of civic regalia and other donated assets, with some of the more valuable items including the mayoral chains, and the Lancaster and Morecambe maces. In addition to these are numerous items of silverware, china and glassware. The majority of these items are held at Lancaster Town Hall and can be viewed at the annual Heritage Open Day held every September in addition to any guided town hall tours that may be held throughout the year.

Museums' Collections
The Council owns over 3,500 items which are either on display or stored at the Maritime, Cottage and City museums in Lancaster. Some of the more valuable items include paintings of Sir Richard Owen dating back to the early 1800's, in addition to a Roman cavalry tombstone circa 80 AD which was discovered in an archaeological dig at Aldcliffe Road in 2005. The museum collections account for 90% of the value represented on the balance sheet.

The paintings in the museum collection were valued by Bonhams on 28 March 2019. The medals in the collection were valued by Chris Dixon during 2018/19. The remainder of the collection was valued for insurance purposes by the Museums' Curator, Carolyn Dalton during 2018/19. Carolyn holds an MA in Museums Studies together with a BA (Hons) in History and has 27 years' experience working as a curator at a variety of Councils in addition to Lancaster. These include Doncaster, Poole and Norfolk Councils.

Public Artwork
The Council has commissioned numerous pieces of public art as part of the Tern and River Lune Millennium Park projects. The most famous and valuable of these is the Eric Morecambe statue which was sculpted by Graham Ibbeson and unveiled by HM Queen in July 1999, and is one of the centre pieces of the Tern project in Morecambe.

Art Collection
The Council also owns over 50 pieces of artwork, the majority of which are held in the Ashton Memorial at Williamson Park. In addition, several pieces of artwork are on display at Lancaster Town Hall in various meeting and function rooms.

Further details of the nature and scale of the collections is available on the Council's website within the 'History of Lancaster Town Hall' and Williamson Park sections, as well as via the county council museums service website.

The Council is not actively seeking material additions to the collections; material additions would need to be considered on a case by case basis as part of the wider capital programme. The museums partnership makes additions in accordance with its development policy although these have been below de-minimis for recognition as non-current assets in recent years.

The records in relation to both the museum catalogues and town hall collections are in development; there is not currently a full listing of all heritage assets and their current values available. As such, the insurance valuations have been used as a proxy for the value of the collections.

The Council also owns the Queen Victoria monument in Dalton Square and various items of ornate wooden furniture held in Lancaster Town Hall such as the oak Gillow table in the Mayor's parlour. Valuations for these items have not been obtained as the Council does not deem it currently necessary to do so.

15 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2023/24	2024/25
	£000	£000
Rental income from investment property	(2,975)	(3,088)
Direct operating expenses arising from investment property	1,653	3,642
Net (gain)/loss	**(1,322)**	**554**

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 carry out repairs, maintenance or enhancement.

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

	2023/24	2024/25
	£000	£000
Balance as at 1 April	**40,763**	**40,922**
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent Expenditure	(6)	337
Disposals:	-	(1,143)
Net gains/losses from fair value adjustments	(807)	(370)
Transfers:		
- to/from Property, Plant & Equipment	972	(679)
Other changes	-	-
Balance as at 31 March	**40,922**	**39,067**

Fair Value Hierarchy
Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2025 are as follows:

2024/25	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2025
Recurring fair value measurements using:	£000	£000	£000	£000
Office	-	-	4,194	4,194
Retail	-	3,087	2,254	5,341
Agriculture & Allotments	-	3	31	34
Commercial Land	-	6,890	2,076	8,966
Commercial Buildings	-	9,745	1,929	11,674
Mixed Commercial	-	-	8,858	8,858
Total	**-**	**19,725**	**19,342**	**39,067**

2023/24	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2024
Recurring fair value measurements using:	£000	£000	£000	£000
Office	-	-	5,038	5,038
Retail	-	3,438	2,738	6,176
Agriculture & Allotments	-	3	31	34
Commercial Land	-	6,888	1,974	8,862
Commercial Buildings	-	9,771	1,953	11,724
Mixed Commercial	-	-	9,088	9,088
Total	**-**	**20,100**	**20,822**	**40,922**

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the Commercial Land has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

The remainder of the Investment Properties located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs etc.

The properties are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

As a response to COVID-19, the valuations of investment properties are reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. Refer to Note 4 for further details.

Highest and best use of Investment Properties

With the exception of a piece of Commercial Land at Burrow Beck Lancaster, the highest and best use of the properties is their current use.

If the land was to be sold it has a potential alternative use as a solar farm. It has, therefore, been valued at £6.9M which is deemed to be the highest and best use value.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Reconciliation of Fair Value Measurement (using Significant Unobservable Inputs) categorised within Level 3 of the Fair Value Hierarchy

	2024/25 £000
Balance as at 1 April	**20,822**
Transfers in	-
Transfers out	(679)
Total gains/losses for the period included in Surplus or Deficit on the Provision of Services resulting from changes in fair value	52
Additions	290
Disposals	(1,143)
Balance as at 31 March	**19,342**

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

16 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is 5 years.

Key software licenses are held for the Salt Ayre income Management system, Local Land and Property Gazetteer, Housing Rents and Repairs system, Cash Receipting system, National Non Domestic Rating system, Asset Management system, PC based software and Customer Relationship Management system.

	2023/24	2024/25
	£000	£000
Balance at start of year:		
- Gross carrying amounts	934	934
- Accumulated amortisation	(932)	(934)
Net carrying amount at start of year	**2**	**-**
Additions:		
- Purchases	-	-
Assets reclassified as held for sale	-	-
Revaluation increases or decreases	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-
Amortisation for the period	(2)	-
Net carrying amount at the end of year	**-**	**-**
Comprising:		
- Gross carrying amounts	934	934
- Accumulated amortisation	(934)	(934)
Balance as at 31 March	**-**	**-**

In line with the Code, intangible assets are carried at amortised cost.

17 FINANCIAL INSTRUMENTS

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cash flow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).
Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.
Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The value of debtors and creditors reported in the table opposite are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 19 and 22 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The following categories of financial instrument are carried in the Balance Sheet:

	Non Current		Current	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£000	£000	£000	£000
Investments				
Amortised Cost	-	-	-	-
Fair value through profit or loss	-	-	-	-
Fair value through other comprehensive income - designated equity instruments	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
Total investments	**-**	**-**	**-**	**-**
Debtors				
Amortised Cost	93	90	20,982	20,552
Fair value through profit or loss	-	-	-	-
Fair value through other comprehensive income - designated equity instruments	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
Total Debtors	**93**	**90**	**20,982**	**20,552**
Bank account	-	-	10,784	15,449
Total assets	**93**	**90**	**31,766**	**36,001**
Borrowings				
Amortised Cost	(56,919)	(55,877)	(1,041)	(1,041)
Fair value through profit or loss				
Lease liabilities	-	(16)	-	(1)
Total borrowings	**(56,919)**	**(55,893)**	**(1,041)**	**(1,042)**
Creditors				
Amortised Cost	(169)	(240)	(32,999)	(36,542)
Fair value through profit or loss				
Total Creditors	**(169)**	**(240)**	**(32,999)**	**(36,542)**
Bank (Overdraft) / Cash in Hand	-	-	-	-
Total liabilities	**(57,088)**	**(56,133)**	**(34,040)**	**(37,584)**

Income, Expenses, Gains and Losses

	2023/24					2024/25				
	Financial Assets measured at amortised cost £000	Financial Assests measured at Fair value through profit or loss £000	Financial Assets:Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Liabilities measured at Fair value through profit or loss £000	Financial Assets:Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest payable	2,820	-	-	-	2,820	2,793	-	-	-	2,793
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**2,820**	**-**	**-**	**-**	**2,820**	**2,793**	**-**	**-**	**-**	**2,793**
Interest income	(1,607)	-	-	-	(1,607)	(1,384)	-	-	-	(1,384)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains and derecognition	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	**(1,607)**	**-**	**-**	**-**	**(1,607)**	**(1,384)**	**-**	**-**	**-**	**(1,384)**
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-
Net (gain)/loss for the year	**1,213**	**-**	**-**	**-**	**1,213**	**1,409**	**-**	**-**	**-**	**1,409**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Carrying values are assumed to be equal to the fair value of short term assets and liabilities held. The value of long term creditors is reviewed at each balance sheet date based on the current values outstanding and best estimates of amounts required to settle liabilities of uncertain timing or amount. PWLB loans are the only financial instrument where the fair value is judged to be different from the carrying amount. The fair value is calculated based on premature repayment rates between 5.01% and 5.06%.

	31 March 2024		31 March 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	90,959	99,441	93,477	95,730
Long-term creditors & provisions	4,146	4,146	4,449	4,449
Total	**95,105**	**103,587**	**97,926**	**100,179**

The fair value of the liabilities is greater (a larger liability) than the carrying amount because the current repayment rates are below that of the Council's existing debt. The fair value adjustment is estimated using the early repayment premia that would be applicable at the balance sheet date.

	31 March 2024		31 March 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	31,766	31,766	36,001	36,001
Long-term debtors *	93	93	90	90
Total	**31,859**	**31,859**	**36,091**	**36,091**

The amortised cost of assets is judged as a fair measure of their fair value, the vast majority of these being current assets.

18 INVENTORIES

	Consumable Stores		Maintenance Materials		Items for Resale		Total	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Balance as at 1 April	-	-	842	809	115	60	**957**	**869**
Purchases	-	-	1,382	1,412	282	471	**1,664**	**1,883**
Recognised as an expense in the year	-	-	(1,415)	(1,469)	(326)	(458)	**(1,741)**	**(1,927)**
Written off balances	-	-	-	-	(11)	-	**(11)**	**-**
Reversals of write-offs in previous years	-	-	-	-	-	-	**-**	**-**
Balance as at 31 March	**-**	**-**	**809**	**752**	**60**	**73**	**869**	**825**

19 SHORT TERM DEBTORS

	31 March 2024 £000	31 March 2025 £000
Council Taxpayers	1,691	1,836
Central Government Bodies	3,759	2,912
Housing Rents	285	248
Other Local Authorities	11,589	10,186
Commercial Ratepayers	543	713
Other Entities and Individuals	3,115	4,657
	20,982	**20,552**

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up purely of the Council's bank current account balance. Investment balances are at their lowest at the year end and so any residual balances in short notice deposit accounts are assumed to be investing activities and not in support of short-term cash management.

	31 March 2024 £000	31 March 2025 £000
Bank current account	-	-
Investments < 3 months	10,784	15,449
	10,784	**15,449**

21 ASSETS HELD FOR SALE

	Current		Non Current	
	2023/24	2024/25	2023/24	2024/25
	£000	£000	£000	£000
Balance as at 1 April	-	-	-	-
Assets newly declassified as held for sale:				
- Property, plant and equipment	-	-	-	679
Impairment losses	-	-	-	-
Balance as at 31 March	-	-	-	**679**

22 SHORT TERM CREDITORS

	31 March 2024	31 March 2025
	£000	£000
Council Taxpayers	(305)	(338)
Central Government Bodies	(19,210)	(22,134)
Housing Rents	(496)	(684)
Other Local Authorities	(3,669)	(3,049)
Commercial Ratepayers	(171)	(474)
Other Entities and Individuals	(9,148)	(9,863)
	(32,999)	**(36,542)**

23 PROVISIONS

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event that will probably require 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 that the 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.

	Insurance	Business Rate Appeals	Back Pay	Total
	£000	£000	£000	£000
Balance as at 1 April 2024	**(468)**	**(3,460)**	**(49)**	**(3,977)**
Contribution to Provision	(193)	-	-	**(193)**
Amounts Paid	(30)	(9)	-	**(39)**
Balance as at 31 March 2025	**(691)**	**(3,469)**	**(49)**	**(4,209)**

Insurance Provision

The closing balance on the provision is in respect of outstanding insurance claims to be settled by the Council. The Council provides an element of self-insurance whereby it pays varying levels of excess depending upon the type of insurance policy. The balance on the provision is assessed throughout the year to ensure it is sufficient to meet all anticipated claims.

Business Rates

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated based on experience and analysis of the appeals listing from the VOA together with external advice.

The Business Rates (NNDR) appeals provides cover for the Council's share of estimated liabilities arising as a result of ratepayers appealing to the Valuation Office against the rateable values for their property; where successful, they will receive a refund backdated to the date the appeal was lodged.

Back Pay

A Back Pay provision was established in 2018/19, following a ruling by the Employment Appeal Tribunal in 2017/18 requiring employers to include overtime in the calculation for holiday pay. Some amounts are still outstanding.

24 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in the following tables. These include revenue and capital reserves available to meet future expenditure.

	31 March 2024 £000	31 March 2025 £000
General Fund Balance	10,327	10,028
HRA Balance	750	152
HRA Business Plan Reserve	582	-
Housing Mgt System Replacement Reserve	974	722
Flats Planned Maintenance	405	283
Major Repairs Reserve	779	1,322
Sheltered Equipment	299	276
Sheltered Planned Maintenance	284	372
Sheltered Support Grant Maintenance	280	328
Renewals Reserve	1,171	1,635
Other Commuted Sums	1,493	1,764
Corporate Property Reserve	314	314
Restructuring Reserve	451	451
Welfare Reforms Reserve	325	325
Invest to Save Reserve	264	163
Capital Grants Unapplied	102	102
Capital Receipts Unapplied	3,332	4,082
Business Rates Retention Reserve	11,313	12,660
Revenue Grants Unapplied	440	265
Corporate Priorities (Budget Support) Reserve	455	268
Homelessness Support Reserve	111	111
Car Parks Reserve	135	147
Lancaster District Hardship Fund	106	-
Investment Property Maintenance & Voids Reserve	-	119
Other Reserves under £100K	461	490
Total usable reserves	**35,153**	**36,379**

25 UNUSABLE RESERVES

	31 March 2024 £000	31 March 2025 £000
Revaluation Reserve	128,467	133,824
Financial Instruments Adjustment Account	(143)	(143)
Capital Adjustment Account	117,754	115,660
Pensions Reserve	(2,623)	(2,275)
Deferred Credits	-	-
Accumulated Absences Account	(231)	(304)
Collection Fund Adjustment Account	1,330	822
Total unusable reserves	**244,554**	**247,584**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 Reserve contains only revaluation gains accumulated since 01 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.

	2023/24 £000	2024/25 £000
Balance as at 1 April	**104,783**	**128,467**
Upwards revaluation of assets	30,724	13,828
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(661)	(1,146)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	30,063	12,682
Difference between fair value depreciation and historical cost depreciation.	(5,757)	(6,401)
Accumulated gains on assets sold or scrapped	(622)	(924)
Amount written off to the Capital Adjustment Account	(6,379)	(7,325)
Balance as at 31 March	**128,467**	**133,824**

Capital Adjustment Account

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 amortisation 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 contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 01 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2023/24 £000	2024/25 £000
Balance as at 1 April	**117,331**	**117,754**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non current assets	(12,528)	(13,420)
- Revaluation gains/(losses) on Property, Plant and Equipment	(3,053)	(5,549)
- Amortisation of Intangible Assets	(2)	-
- Revenue Expenditure funded from Capital under statute.	(3,010)	(3,688)
- HRA self financing payment.	1,041	1,041
- 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	(1,014)	(2,327)
Sub total	98,765	93,811
Adjusting amounts written out of the Revaluation Reserve	6,379	7,325
Write down long-term loan debtor by principal repaid in year	(3)	(3)
Net written out amount of the cost of non current assets consumed in the year.	105,141	101,133
Capital financing applied in the year:		
- Use of Capital Receipts Reserve	74	1,666
- Use of the Major Repairs Reserve	4,111	4,772
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement (including those in respect of donated assets)	4,519	5,464
- Application of grants to capital financing from the Capital Grants Unapplied Account.	-	-
- Statutory provision for the financing of capital investment charged against General Fund and HRA balances	2,660	2,912
- Capital expenditure charged against the General Fund and HRA balances	2,056	100
Sub total	118,561	116,047
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure statement	(807)	(387)
Balance as at 31 March	**117,754**	**115,660**

Financial Instruments Adjustment Account (FIAA)

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 benefitting from gains in line with statutory provisions. The Council uses the Account to manage premiums and discounts paid on the early redemption of loans. Premiums and discounts are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund and HRA balance to the FIAA in the Movement in Reserves Statement. Over time, the expense and income are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2023/24 £000	2024/25 £000
Balance as at 1 April	**(143)**	**(143)**
Premiums and discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements	-	-
Balance as at 31 March	**(143)**	**(143)**

Pensions Reserve

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, and changing assumptions and investment returns on any resources set aside to meet such costs. However, statutory arrangements require pensions to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2023/24	2024/25
	£000	£000
Balance as at 1 April	**(2,792)**	**(2,623)**
Actuarial gains or (losses) on pensions assets and liabilities	11,916	24,295
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(4,241)	(4,414)
Employer's pension contribution and direct payments to pensioners payable in the year	4,236	4,530
Adjustment for Asset Ceiling	(11,742)	(24,063)
Balance as at 31 March	**(2,623)**	**(2,275)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2023/24	2024/25
	£000	£000
Balance as at 1 April	3,801	1,330
Amount by which council tax and business rates income credited to Comprehensive Income and Expenditure statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(2,471)	(508)
Balance as at 31 March	**1,330**	**822**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement and flexible working hours credits 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.

	2023/24 £000	2024/25 £000
Balance as at 1 April	**(229)**	**(231)**
Settlement or cancellation of accrual made at the end of the preceding year	229	231
Amounts accrued at the end of the current year	(231)	(304)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(2)**	**(73)**
Balance as at 31 March	**(231)**	**(304)**

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2023/24 £000	2024/25 £000
Interest received	1,642	1,526
Interest paid	(2,820)	(2,793)

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

	2023/24 £000	2024/25 £000
Depreciation	12,528	13,420
Impairment & downward valuations	3,059	5,572
Amortisation	2	-
Increase/(decrease) in creditors	1,581	2,646
(Increase)/decrease in debtors	(1,850)	125
(Increase)/decrease in inventories	88	44
Movement in pension liability	5	(116)
Carrying amount of non-current assets and assets held for sale sold or derecognised	1,014	2,327
Other non- cash items charged to the net surplus of deficit on the provision of services	20	603
	16,447	**24,621**

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

	2023/24 £000	2024/25 £000
Proceeds from short-term and long-term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,512)	(2,655)
Any other items for which the cash effects are investing or financing cash flows	(4,518)	(5,464)
	(6,030)	**(8,119)**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2023/24 £000	2024/25 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(11,187)	(11,619)
Purchase of short-term and long-term investments	-	-
Receipts from sale of Property, Plant and Equipment, investment property and intangible assets	357	1,016
Other payments from investing activities	1,512	2,655
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	4,434	5,723
Net cash flows from investing activities	**(4,884)**	**(2,225)**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2023/24 £000	2024/25 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Repayment of short-term and long-term borrowing	(1,041)	(1,041)
Cash receipts of long and short term borrowing	-	-
Other payments for financing activities	(8,436)	87
Net cash flows from financing activities	**(9,477)**	**(954)**

29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2024/25

30 TRADING OPERATIONS

Trading services cover undertakings with the public or with other third parties, and include such activities as garden waste collection, trade waste collection, markets and the letting of commercial properties and industrial units. Details of these trading areas and their respective (surpluses) or deficits for the last five years is shown in the following table.

	2020/21	2021/22	2022/23	2023/24	2024/25
Trade Waste					
Turnover	(1,190)	(1,538)	(1,649)	(1,899)	(1,950)
Expenditure	983	1,052	1,023	1,158	1,201
(Surplus)/Deficit	(207)	(486)	(626)	(741)	(749)
Garden Waste					
Turnover	(961)	(992)	(989)	(1,024)	(1,123)
Expenditure	1,165	1,268	1,487	1,490	1,491
(Surplus)/Deficit	204	276	498	466	368
Markets					
Turnover	(117)	(359)	(389)	(401)	(424)
Expenditure	315	365	409	352	348
(Surplus)/Deficit	198	6	20	(49)	(76)
Commercial Properties / Industrial Units					
Turnover	(1,601)	(2,487)	(3,017)	(2,640)	(2,998)
Expenditure	538	878	1,902	1,493	3,423
(Surplus)/Deficit	(1,063)	(1,609)	(1,115)	(1,147)	425
Consolidated					
Turnover	**(3,869)**	**(5,376)**	**(6,044)**	**(5,964)**	**(6,495)**
Expenditure	**3,001**	**3,563**	**4,821**	**4,493**	**6,463**
(Surplus)/Deficit	**(868)**	**(1,813)**	**(1,223)**	**(1,471)**	**(32)**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement and form an integral part of the Council's services to the public. No costs are recharged to the Net Operating Expenditure of Continuing Operations but are included within Financing and Investment Income and Expenditure.

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Net (surplus)/deficit on trading operations	(868)	(1,813)	(1,223)	(1,471)	(32)
Trading expenditure and income included within Surplus or Deficit on the Provision of Services	-	-	-	-	-
Net (surplus)/deficit	**(868)**	**(1,813)**	**(1,223)**	**(1,471)**	**(32)**

31 AGENCY SERVICES

The Council provides highways grounds maintenance for Lancashire County Council for which it is reimbursed subject to defined limits. The net deficit represents the amount by which the Council contributes to the agency.

	2023/24 £000	2024/25 £000
Expenditure on agency arrangement	251	260
Income on agency arrangement	(172)	(187)
Net deficit arising on agency arrangements	**79**	**73**

32 MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2023/24 £000	2024/25 £000
Basic Allowances	253	266
Special Responsibility Allowances	92	94
Expenses	2	1
Total	**347**	**361**

33 OFFICERS' REMUNERATION

The remuneration of senior employees, defined as those who are members of the Executive Team, those holding statutory posts, or those whose remuneration is £50,000 or more per year, was as set out below.

	Salary, Fees and allowances	*Expenses & Benefits in Kind*	*Compensation for Loss of Office*	***Total Remuneration (excluding pension contributions)***	*Employer Pension contribution*	***Total Remuneration (including pension contributions)***
2024/25	£000	£000	£000	£000	£000	£000
Chief Executive	131			**131**	17	**148**
Chief Officer - Resources (S151)	86			**86**	14	**100**
Chief Officer - Governance (Monitor Off)	86			**86**	14	**100**
Chief Officer - People and Policy	78	7		**85**	12	**97**
Chief Officer - Environment & Place	78			**78**	13	**91**
Chief Officer - Housing & Property	78			**78**	13	**91**
Chief Officer - Sustainable Growth	76			**76**	13	**89**
Chief Officer - Planning & Climate Change	76			**76**	13	**89**
Accountancy Manager	60			**60**	10	**70**
Council Housing Manager	57			**57**	10	**67**
Senior Solicitor	58			**58**	9	**67**
Repairs and Maintenance Manager	57			**57**	9	**66**
Principal Housing Options Manager	52			**52**	9	**61**
ICT Operations Manager	54			**54**	9	**63**
Service Mgr-Planning & Housing Strategy	54			**54**	9	**63**
Service Manager - Development Management	54			**54**	9	**63**
Regeneration Service Manager	53			**53**	8	**61**
Lawyer (Criminal)	53			**53**	8	**61**
Lawyer (Civil)	53			**53**	8	**61**
Museums Development Manager	53			**53**	8	**61**
Service Lead - Energy and Sustainability	53			**53**	8	**61**
National Landscape Manager	52			**52**	8	**60**
Information Governance Manager	52			**52**	8	**60**
Projects and Performance Manager	52			**52**	8	**60**
Home Improvement Agency Manager	52			**52**	8	**60**
Public Realm Operations Manager	51	1		**52**	8	**60**
Senior HR Business Partner	51			**51**	8	**59**
Estates Surveyor	48			**48**	8	**56**
Commercial Protection Manager	50			**50**	8	**58**
Housing Development Manager	50			**50**	8	**58**
Operations Manager (Waste and Recycling)	50			**50**	8	**58**
Planning Applications Manager	50			**50**	8	**58**
Environmental Protection Manager	50			**50**	8	**58**
Facilities Manager	49			**49**	8	**57**
Asset Manager	49			**49**	8	**57**
Licensing Manager	49			**49**	8	**57**
Community Housing Manager	49			**49**	8	**57**
Housing Systems Manager	45			**45**	8	**53**
Senior EHO (Food)	47	1		**48**	8	**56**
Waste and Recycling Supervisor	44			**44**	7	**51**
Principal Conservation Officer	48			**48**	8	**56**
Principal Planning Policy Officer	48			**48**	8	**56**
Principal Planning Policy Officer	48			**48**	8	**56**
Housing Adaptions Manager	48			**48**	8	**56**
Senior Project Manager	48			**48**	8	**56**
Technical Manager	48			**48**	8	**56**
Principal Housing Strategy Officer	48			**48**	8	**56**
Principal Democratic Support Officer	48			**48**	8	**56**
HR Business Partner	48			**48**	8	**56**
Communications & Media Relations Manager	48			**48**	8	**56**
Arboricultural Officer	48			**48**	8	**56**
Customer Services Manager	48			**48**	8	**56**
Elections Manager	48			**48**	8	**56**
Exchequer Services Manager	48			**48**	8	**56**
Principal Democratic Support Officer	48			**48**	8	**56**
Project Engineer	48			**48**	8	**56**
Public Realm Improvement Lead	48			**48**	8	**56**
Responsive Repairs Manager	48			**48**	8	**56**
Service Support Manager	48			**48**	8	**56**
Property and Contracts Solicitor	47			**47**	8	**55**
Operations Manager	46			**46**	8	**54**
Solutions Architect	45			**45**	7	**52**
Community Health & Animal Welfare Manager	43	1		**44**	8	**52**
Technical Officer	45	1		**46**	7	**53**
Solutions Architect	44			**44**	7	**51**
Strategic Policy Partnerships Mgr	45			**45**	7	**52**
Projects and Security Manager	45			**45**	7	**52**
Senior EHO (F)	45			**45**	7	**52**
Compliance Officer	41			**41**	7	**48**
Economy and Skills Manager (UKSPF)	45			**45**	7	**52**
Operations Manager	45			**45**	7	**52**
Public Realm Supervisor - Car Parking	45			**45**	7	**52**
Technical Officer	45			**45**	7	**52**
Housing Manager	45			**45**	7	**52**
ICT Support & Capacity Manager	44			**44**	7	**51**
Planned Maintenance Mgr / Stores Mgr	45			**45**	6	**51**
Workforce Dev and HR Systems Officer	44			**44**	7	**51**
Museum Manager	43	1		**44**	7	**51**
Data & Business Architect	44			**44**	7	**51**
Resilience and Community Safety Officer	44			**44**	7	**51**
Regeneration and Development Project Mgr	44			**44**	7	**51**
Regeneration Officer	44			**44**	7	**51**

	Salary, Fees and allowances	Expenses & Benefits in Kind	Compensation for Loss of Office	Total Remuneration (excluding pension contributions)	Employer Pension contribution	Total Remuneration (including pension contributions)
2023/24	£000	£000	£000	£000	£000	£000
Chief Executive	128			**128**	21	**149**
Deputy Director Communities & the Environment	73		39	**112**	14	**126**
Head of Community Involvement & Leisure	102			**102**	13	**115**
Chief Officer Resources (S151)	83			**83**	14	**97**
Chief Officer Governance	83			**83**	14	**97**
Chief Officer Housing & Property	75			**75**	12	**87**
Chief Officer Planning & Climate Change	75			**75**	12	**87**
Chief Officer Sustainable Growth	74			**74**	12	**86**
Chief Officer Environment & Place	74			**74**	12	**86**
Chief Officer People & Policy	74			**74**	12	**86**
Head of Public Protection	72			**72**	12	**84**
Engagement Manager	64			**64**	11	**75**
Accountancy Manager	56			**56**	9	**65**
Neighbourhoods & Support Services Manager	58			**58**	9	**67**
Principal Housing Options Manager	57			**57**	9	**66**
Senior Solicitor	56			**56**	9	**65**
Repairs & Maintenance Manager	55			**55**	9	**64**
Culture & Heritage Manager	55			**55**	9	**64**
Digital Transformation Lead	55			**55**	9	**64**
Leisure General Manager	55			**55**	9	**64**
ICT Operations Manager	53			**53**	9	**62**
Principal Accountant	53			**53**	9	**62**
Service Manager - Planning & Housing Strategy	53			**53**	8	**61**
Service Manager - Development Management	53			**53**	8	**61**
Licensing Manager	52			**52**	9	**61**
Regeneration Service Manager	52			**52**	8	**60**
Service Lead Energy & Sustainability	52			**52**	8	**60**
Lawyer (Criminal)	51			**51**	8	**59**
Museums Development Manager	51			**51**	8	**59**
Lawyer (Civil)	51			**51**	8	**59**
Property and Contracts Solicitor	51			**51**	8	**59**
Public Realm Operations Manager	50			**50**	8	**58**
National Landscape Manager	50			**50**	8	**58**
Projects and Performance Manager	50			**50**	8	**58**
Home Improvement Agency Manager	50			**50**	8	**58**
Community Hub and Performance Manager	50			**50**	8	**58**
Senior HR Business Partner	48			**48**	8	**56**
Housing Development Manager	48			**48**	8	**56**
Community Protection Team Leader	48			**48**	8	**56**
Operations Manager (Waste & Recycling)	48			**48**	8	**56**
Planning Applications Manager	47			**47**	8	**55**
Estates Surveyor	47			**47**	8	**55**
Senior EHO (Food)	47			**47**	8	**55**
Electrical Manager	47			**47**	8	**55**
Commercial Protection Manager	47			**47**	7	**54**
Principal Conservation Officer	47			**47**	7	**54**
Principal Democratic Support Officer	47			**47**	7	**54**
Principal Planning Policy Officer	47			**47**	7	**54**
Principal Housing Strategy Officer	47			**47**	7	**54**
Technical Manager	47			**47**	7	**54**
Principal Democratic Support Officer	47			**47**	7	**54**
Principal Planning Officer	47			**47**	7	**54**
Elections Manager	47			**47**	7	**54**
Exchequer Services Manager	47			**47**	7	**54**
Public Realm Improvement Lead	47			**47**	7	**54**
Community Housing Manager	47			**47**	7	**54**
Principal Planning Policy Officer	46			**46**	7	**53**
Facilities Manager	46			**46**	7	**53**
Asset Manager	46			**46**	7	**53**
HR Business Partner	46			**46**	7	**53**
Energy & Sustainability Project Manager	46			**46**	7	**53**
Housing Adaptions Manager	46			**46**	7	**53**
Operations Manager	46			**46**	7	**53**
Responsive Repairs Manager	46			**46**	7	**53**
Service Support Manager	46			**46**	7	**53**
Communications & Media Relations Manager	46			**46**	7	**53**
Customer Services Manager	46			**46**	7	**53**
Arboricultural Officer	46			**46**	7	**53**
Project Engineer	46			**46**	7	**53**
Planned Maintenance / Stores Manager	45			**45**	7	**52**

There were no other employees, who are not classed as senior officers, who received remuneration above £50,000 (excluding employer's pension contributions).

The numbers of exit packages with total costs (redundancy and pension strain) per band are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24 £	2024/25 £
£0 - £20,000	-	-	21	3	21	3	186,683	26,295
£20,001 - £40,000	-	-	6	1	6	1	172,719	28,954
£40,001 - £60,000	-	-	4	1	4	1	188,316	51,121
£60,001 - £80,000	-	-	1	-	1	-	65,047	-
£80,001 - £100,000	-	-	1	-	1	-	82,212	-
£100,001 - £150,000	-	-	2	-	2	-	237,635	-
£150,001 - £200,000	-	-	1	1	1	1	178,956	166,861
Total	**-**	**-**	**36**	**6**	**36**	**6**	**1,111,568**	**273,231**

Termination benefits are payable following a decision by the Council to terminate an officer's employment before their normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Entries 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.

34 EXTERNAL AUDIT COSTS

The following costs relate to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

	2023/24 £000	2024/25 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	40	120
Additional Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for previous years		35
Fees payable in respect of other services provided by external auditors for the year	41	41
Total	**81**	**196**

In 2024/25 KPMG performed the main audit and provided other services.

35 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25:

Credited to Taxation and Non Specific Grant Income	2023/24 £000	2024/25 £000
DLUHC	1,043	402
Environment Agency	-	86
Funding Guarantee	606	1,189
Homes & Communities Agency	-	-
Lancashire County Council	87	-
Leaseholder Contributions	650	794
UKSPF	-	353
New Burdens	64	20
New Homes Bonus	188	10
Revenue Support Grant	406	433
S31 Business Rates Grants	5,782	5,802
DEFRA	-	78
Services Grant	232	40
Other Grants Under £50K	168	179
Total	**9,226**	**9,386**

Credited to Services	2023/24 £000	2024/25 £000
Active Lives: Other Grants	67	53
Arnside & Silverdale AONB Grants	166	202
BEIS Heat Networks Delivery Unit Grant	63	7
Benefits DWP grant	883	547
COVID Clinically Extremely Vulnerable	-	-
COVID COMF	148	-
COVID Community Vaccine Champions	135	-
COVID Emergency Assistance Grant	1,720	1,548
DCLG Cyber Security Grant	-	-
DCLG EU Exit Grant	84	88
DCLG Housing Options	1,253	1,163
DCLG Local Council Tax Support Grant	-	-
DEFRA Farming in Protected Landscapes	191	251
DEFRA Port Health Authority	66	26
Discretionary Energy Rebate Scheme	-	-
Discretionary Housing Payments	184	138
DLUHC Changing Futures	445	246
DLUHC Changing Places Fund	-	-
DLUHC Emergency Incident	830	-
DLUHC Neighbourhood Planning Grant	74	27
DLUHC New Burdens - Voter ID Regulations	83	-
DLUHC Rural England Prosperity Fund	102	-
DLUHC Transformation Challenge Award	122	-
DLUHC UK Shared Prosperity Fund	1,500	3,599
Friends of Greaves Park	-	-
Parliamentary/European/Police/Individual Elections	-	624
Heritage England - Lancaster Heritage Action Zone	234	8
Homes & Communities Agency - Bailrigg Garden Village	-	-
Homes & Communities Agency - Next Steps Accommodation	80	88
Lancashire County Council - Economic Recovery & Growth	72	33
Lancashire County Council - Morecambe Sparkle	213	-
Lancashire County Council - Refugees	375	441
MHCLG (formerly DCLG) Disabled Facilities Grant	2,023	2,542
NNDR Administration: Government Grants	210	210
Rent Rebates - Council Housing: Government Grants	6,102	6,210
Standard Rent Allowances: Government Grants	18,346	18,166
Supporting People	597	565
Other Grants Under £50K	348	735
Total	**36,716**	**37,517**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	2023/24 £000	2024/25 £000
DEFRA Food Waste Strategy	-	1,462
DEFRA Electric Taxis Air Quality Grant	342	342
DFG Grant	1,431	1,586
DLUHC Brownfield Land Release Fund	3,435	3,033
DLUHC UK Shared Prosperity Fund	201	-
Environment Agency	1,663	1,578
Wyre Borough Council	-	179
Other Grants Under £50K	119	27
Total	**7,191**	**8,207**

36 RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or 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 – 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 bills, Housing Benefits). Grants received from government departments are set out in Note 7 on expenditure and income analysed by nature. Grant receipts outstanding at 31 March 2025 are contained within debtors Note 19.

Members
Members of the Council have direct control over the Council's financial and operating policies. Each Councillor has agreed to be bound by a code of conduct, requiring them to disclose certain personal interests on a register. Within 28 days of election, Councillors are legally required to inform the Council's Monitoring Officer of any pecuniary interests they have. If a Councillor is present at a meeting of the authority, or any committee, subcommittee, joint committee or joint subcommittee of the authority, and has a disclosable pecuniary interest then if that interest is not registered, they must disclose that interest to the meeting and notify the Council's Monitoring Officer to have that interest added to the register of interests.

The register of members' interests is open to public inspection as required by Section 29 of the Localism Act 2011. Copies of the Registration of Interest Forms completed by members are also available to view on the Council's website. Where a member has a disclosable pecuniary interest they are precluded from taking part in meetings or decisions related to their previously disclosed interest, unless an appropriate dispensation has been granted.

In respect of 2024/25 financial year a number of council members had a controlling interest in a company, partnership, trust or equity. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. The existence of the procedures described above ensures that the Council is able to both identify where a member has an interest and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the Council's constitutional arrangements. Members of the Council have

direct control over the Council's financial and operating policies.

The Council made a financial contribution to numerous organisations during 2024/25, most notably:

- Lancaster Citizens Advice Bureau
- The Dukes Playhouse
- Lancaster CVS

The total of members' allowances paid in 2024/25 is shown in Note 32. During 2024/25, some Councillors acted in a number of other capacities for related parties, namely being either employed by other local organisations or serving on the management boards of companies, schools and voluntary bodies.

Officers
Senior officer remuneration is disclosed in Note 33, and there are no other material transactions to disclose in respect of officers.

Members of the Families and Households of Members and Officers
There are no material transactions to disclose in respect of members of the families and households of Members and Officers.

Entities Controlled or Significantly Influenced by the Authority
None.

Mersey Internal Audit Agency (MIAA)
The Council has engaged Mersey Internal Audit Agency (MIAA) to carry out its Internal Audit and Assurance service

Associated Companies and Joint Venture Partners
In May 2021, the Council formed two Local Authority Trading Companies, Morehomes For The Bay (Investments) Ltd and Morehomes For The Bay (Developments) Ltd. The companies are currently not trading and do not hold any assets.

Partnership Working
During 2024/25 the Council continued to work both formally and informally in partnership with neighbouring authorities and other bodies. The main partnership operations were as follows:

Title of Partnership	Organisations Represented (alongside Lancaster City Council)
Revenues & Benefits Shared Services	Preston City Council
Corporate Enquiry Team	Preston City Council / Fylde Borough Council
Lancaster Business Improvement District	Lancashire County Council / NW Chamber of Commerce / Lancashire Constabulary / Local Businesses
Morecambe Business Improvement District	Lancashire County Council / NW Chamber of Commerce / Lancashire Constabulary / Local Businesses
Building Control Service Partnership	Urban Vision
Global Link	Lancashire County Council
Lancaster High Street Heritage Action Plan	Historic England / Lancashire County Council
Supported Temporary Accommodation	Calico
Rough Sleeper Floating Support	Calico-Acorn Group
Lancashire Home Energy Officers Group	All Lancashire Authorities with Blackpool as Accountable Body and Rhea Projects as Delivery Agent
Community Safety Partnership	Lancashire County Council / Lancashire Constabulary / Lancashire Fire & Rescue Service / Lancashire Police Authority / North Lancashire PCT / Youth Offending Team / Lancashire Probation Service
Community Development Partnership	Lancashire County Council / Ridge Community Centre (YMCA & EMUES CIC) / March Community Centre
Lancashire Parking Services	Lancashire County Council / Wyre Borough Council / South Ribble Borough Council
Changing Futures	Lancashire County Council / Blackburn with Darwen Council / The Well Communities CIC / Probation / Police / Lancashire Care NHS Foundation
Lapwing Housing Co-operative	Lapwing Housing Co-Operative
Eden Project Morecambe Steering Group	Eden Project / Lancashire County Council / Lancashire Enterprise Partnership / Lancaster University.
England's Historic Cities	Other historic cities in England; Carlisle / Durham / Lancaster / York / Chester / Lincoln / Stratford Upon Avon / Cambridge / Oxford / Bath / Greenwich / Sailsbury / Canterbury
Lancaster District Armed Forces Partnership	MOD / Lancashire Covenant Group / DWP / Lancashire Constabulary / Lancashire Fire Service / Bay Medical Group / Lancaster Medical Practice / University Hospitals of Morecambe Bay / Royal British Legion / SSAFA / RAF Association / First Light Trust / Morecambe Football Club and various support groups in the district
Lancaster District Strategic Partnership	Lancaster University / University of Cumbria / Lancaster District CVS / Lancaster Arts Partnership / Lancaster and Morecambe College / Lancaster District Chamber of Commerce / University Hospitals of Morecambe Bay / Lancashire and South Cumbria ICB / Lancashire County Council
Lancashire Strategic Flood Risk Partnership - Tactical Officers Group	Lancaster City Council / Lancashire County Council / Environment Agency / United Utilities
Northern Coastal Subgroup	Lancaster City Council / Lancashire County Council / EA / Sefton / West Lancashire / Wyre / Fylde / Blackpool / Westmorland & Furness / Cumberland / Natural England / MMO

Other Public Bodies

Precepts were raised for Lancashire County Council, Lancashire Police and Crime Commissioner, Lancashire Combined Fire Authority, and local Town and Parish Councils within the area.

Details of these are contained within the Collection Fund statements.

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2023/24 £000	2024/25 £000
Opening Capital Financing Requirement	**98,694**	**98,579**
Capital investment:		
Property, Plant and Equipment	11,116	10,819
Re-assessment of finance lease liability		16
Investment Properties	227	713
Intangible Assets	-	-
Reversal of Icelandic bank impairment		-
HRA self financing payment		-
Revenue Expenditure Funded from Capital Under Statute	3,010	3,688
Sources of financing:		
Capital Receipts	(75)	(1,666)
Government Grants and Other Contributions	(4,518)	(5,464)
Direct Revenue Contributions	(2,056)	(100)
Minimum Revenue Provision	(3,702)	(3,953)
Depreciation of HRA non dwellings	(6)	(6)
Major Repairs Reserve	(4,111)	(4,772)
Closing Capital Financing Requirement	**98,579**	**97,854**
Explanation of movements in year:		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(115)	(725)
Increase/(decrease) in Capital Financing Requirement	**(115)**	**(725)**

38 LEASES

Finance Leases

The Council adopted IFRS 16 from 1 April 2024, to recognise all right of use assets. IFRS 16 will mean that the majority of leases where the Council acts as lessee will come onto the balance sheet and lessor accounting is effectively unchanged. Right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in 2024/205 and not by adjusting prior year figures.

The PWLB incremental borrowing rate has been applied to lease liabilities as at 1 April 2024.

The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased plant, equipment, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability are now on the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2026 are exempt from the new arrangements.

As a lessee, the Council has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases.

The Council has decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The assets which IFRS 16 affected were already on the balance sheet historically. The effect of IFRS 16 on the balance sheet has therefore been to increase financial lease liabilities by £0.017M as at 31

March 2025.

	31 March 2024 £000	31 March 2025 £000
Right-of-use assets included within;		
Operational Land and Buildings	-	17
Total	**-**	**17**

Finance lease liabilities (net present value of minimum lease payments):	31 March 2024 £000	31 March 2025 £000
- Current	-	1
- Non-current	-	16
Finance costs payable in future years	-	19
Minimum lease payments	**-**	**36**

	Minimum lease payments		Finance cost	
	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000
Not later than 1 year	-	-	-	1
Later than 1 year and not later than 5 years	-	1	-	4
Later than 5 years	-	16	-	14
Minimum lease payments	**-**	**17**	**-**	**19**

Operating Leases

The Council does act as lessor for a number of operating leases on land and buildings in the district. The minimum future lease payments under these agreements are summarised below:

	Minimum lease payments	
	31 March 2024 £000	31 March 2025 £000
Not later than 1 year	1,731	1,539
Later than 1 year and not later than 5 years	5,860	4,991
Later than 5 years	4,941	3,079
Minimum lease payments	**12,532**	**9,609**

39 IMPAIRMENT LOSSES

During 2024/25 the Council has recognised impairment losses of £1.803M in relation to non-current asset valuations. This is largely due to a decline in market conditions affecting capital values, rental values and yields of investment properties.

40 TERMINATION BENEFITS

There were 6 terminations in 2024/25 totalling £273,231 (36 totalling £1,111,568 in 2023/24).

41 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment 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 employees earn their future entitlement.

The Council participates in one employment scheme, the Local Government Pension Scheme for civilian employees, administered by Lancashire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, those contributions being calculated at a level intended to balance the pensions liabilities with investment assets.

Virgin Media v NTL Pension Trustees

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. Lancaster City Council and the administering authority are monitoring developments in terms of whether there is expected to be any impact on LGPS Funds and will consider if there are any implications for the pension scheme. As a result, Lancaster City Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

Early Payment of 3 Years LGPS Deficit Lump Sum and Annual Contributions

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid, as well as the required percentage to be applied for on-going contributions and their value. As part of the 2019 Valuation, employers were offered the opportunity to make these payments in one discounted lump sum in 2020/21 rather than paying each year. The benefit to the Council was that the value of the lump sum was less than the on-going annual cost even after allowing for potential interest losses by prepaying and as a result the offer was taken up by the Council. This arrangement ended in 2022/23 and contributions are now made annually based on salaries.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of 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/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2023/24 £000	2024/25 £000
Cost of services:		
Current service cost	3,950	3,754
Past service cost	-	-
Administration expenses	136	135
Settlements and curtailments	123	508
Financing & Investment Income & Expenditure:		
Net Interest Cost	9,121	9,387
Interest on Asset Ceiling	1,629	2,318
Expected return on scheme assets	(10,718)	(11,688)
Total Post Employment Benefit Charged to Provision of Services	**4,241**	**4,414**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Actuarial gains and losses	(11,916)	(24,295)
Change in the effect of the asset ceiling	11,742	24,063
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**4,067**	**4,182**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for net Provision of Services for post employment benefits in accordance with the Code	(4,241)	(4,414)
Reversal of actuarial gains and losses recognised in other Comprehensive Income and Expenditure	11,916	24,295
Effect of Asset Ceiling	(11,742)	(24,063)
Net charge in relation to pension adjustments	**-**	**-**
Actual amount charged against Funds for pensions in the year - employers contributions	4,236	4,530
** Net Movement on Pension Fund Reserve*	*169*	*348*

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Funded Liabilities		Unfunded Liabilities	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Present value of the defined benefit obligation	193,381	170,544	2,623	2,275
Fair value of plan assets	(240,693)	(244,237)	-	-
Net liability arising from defined benefit obligation	**(47,312)**	**(73,693)**	**2,623**	**2,275**
Impact of Asset Ceiling	47,312	73,693	-	-
Net Surplus (-) / Deficit (+) recognised on the balance sheet	**-**	**-**	**2,623**	**2,275**

The Council's actuaries have determined that the fair value of its pension plan assets outweighed the present value of the plan obligations as at 31 March 2025 resulting in a pension plan asset. The figure is very much an estimate and will not be realised immediately or all at once. The position remains a snapshot as at the end of the financial year based on prevailing market and other economic conditions and assumptions. As such it may fluctuate considerably from one year to the next.

Under the International Audit Standard (IAS19) where a pension plan asset exists it is measured at the lower of

- the surplus in the defined benefit plan and,
- the asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Reconciliation of the Movements in the Fair Value of Scheme Assets:

	Local Government Pension Scheme	
	2023/24	2024/25
	£000	£000
Opening fair value of scheme assets	**224,277**	**240,693**
Interest income	10,718	11,688
Remeasurement gain/(loss)	7,810	(3,683)
Administration expenses	(136)	(135)
Employer contributions	4,236	4,530
Contributions by scheme participants	1,468	1,448
Benefits paid	(7,680)	(10,304)
Closing fair value of scheme assets	**240,693**	**244,237**

Reconciliation of change in effect of Asset Ceiling

	Asset Ceiling	
	2023/24	2024/25
	£000	£000
Asset Ceiling impact at beginning or period	**33,941**	**47,312**
Interest on surplus above asset ceiling	1,629	2,318
Change in asset ceiling (net of interest)	11,742	24,063
Lump sum pre-payment	-	-
Asset ceiling impact at end of period	**47,312**	**73,693**

Reconciliation of Present Value of the Scheme Liabilities:

	Funded Liabilities		Unfunded Liabilities	
	2023/24	2024/25	2023/24	2024/25
	£000	£000	£000	£000
Opening balance at 1 April	**190,336**	**193,381**	**2,792**	**2,623**
Current service cost	3,950	3,754	-	-
Interest cost	8,993	9,267	128	120
Contributions from scheme participants	1,468	1,448	-	-
Remeasurement (gains) and losses	(4,069)	(27,808)	(37)	(170)
Past service cost	-	-	-	-
Curtailments	123	508	-	-
Benefits paid	(7,420)	(10,006)	(260)	(298)
Closing balance at 31 March	**193,381**	**170,544**	**2,623**	**2,275**

Local Government Pension Scheme assets comprised:

	2023/24	2024/25
	£000	£000
Equities:	-	-
Financials	264	244
Bonds:	-	-
UK corporate	-	-
Overseas corporate	192	244
UK Fixed gilts	-	-
UK index linked	-	-
Overseas Fixed Interest	-	-
Property:	-	-
Offices	42	-
Offices/Warehouse	-	-
Industrial/Warehouse	1,256	1,465
Shops	806	488
Retail Warehouse	-	-
Shopping Centre	-	-
Multi let Commercial Building	989	977
Alternatives:	-	-
UK private equity	3,898	-
Overseas private equity	14,228	15,011
Infrastructure	36,400	32,455
Credit funds	35,595	39,236
Pooled Fixed Income	9,296	13,176
Indirect Property Funds	19,140	16,686
UK Pooled Equity Funds	728	3
Overseas Pooled Equity Funds	113,408	120,628
Cash:	-	-
Cash and cash equivalents	-	-
Cash accounts	4,450	3,111
Net current assets	-	513
Closing fair value of scheme assets	**240,692**	**244,237**

The estimation of the defined benefit obligations is sensitive to actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume the life expectancy increases or decreases for men or women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

		+0.5% p.a. discount rate	+0.25% p.a. inflation	+0.25% p.a. pay growth	+1 year life expectancy
	£000	£000	£000	£000	£000
Liabilities	172,819	161,399	178,828	173,897	176,451
Assets	(244,237)	(244,237)	(244,237)	(244,237)	(244,237)
Deficit/(Surplus)	(71,418)	(82,838)	(65,409)	(70,340)	(67,786)
Projected Service Cost for next year	2,724	2,313	2,949	2,724	2,793
Projected Net Interest Cost for next year	(4,257)	(5,344)	(3,901)	(4,187)	(4,039)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Lancashire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. The most recent valuation carried out was at 31 March 2022 which determines contribution rates effective from 01 April 2023 to 31 March 2026.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earning schemes to pay pensions and other benefits to certain public servants.

The Council anticipated paying £4.530M expected contributions to the scheme in 2024/25 (£4.236M in 2023/24).
The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2024/25, (17 years 2023/24).

42 CONTINGENT LIABILITIES

A contingent liability is a possible liability 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. Where a material loss can be estimated with reasonable accuracy a provision is accrued within the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, a contingent liability will be disclosed in a note to the Balance Sheet.

The following material contingent liabilities existed as at 31 March 2025:

Luneside East Regeneration Scheme – In assembling the land for this project, the Council used compulsory purchase order (CPO) powers to acquire the land. Protracted legal action ensued around the compulsory purchase and the valuation of compensation with the Land Tribunal making a final determination in October 2013.

Further claims/issues on this matter were determined with by the Court of Appeal in January 2016 and the Land Tribunal in December 2016. In January 2017, the Council was informed that the company concerned had been placed into Administration. The rights to the company's claim were assigned to a third party in October 2019 and a further claim for compensation under the Land Compensation Act 1961 was made. The further claim was unsuccessful and determined by Land Tribunal in November 2020. The Tribunal's decision was challenged. This was not upheld and permission to appeal, on various grounds, was sought from the Court of Appeal. This was refused by the Court of Appeal on 14 February 2022.

NNDR Appeals – The Council has made provision for NNDR appeals based on its best estimate of the actual liability as at 31 March 2025. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

43 CONTINGENT ASSETS

There are no material contingent assets as at 31 March 2025.

44 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management 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 the treasury management team, under policies approved by council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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 financial institutions unless they meet identified minimum credit criteria, as laid down by Standard and Poor, Moody's and Fitch. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

As per the 2024/25 approved Treasury Management Policy, the credit criteria in respect of financial assets held by the Council are as detailed in the following table:

- **Yellow (Y)** up to but less than 1 year
- ***Dark pink (Pi1)*** *liquid - Ultra-Short Dated Bond Funds with a credit score of 1.25*
- ***Light pink (Pi2)*** *liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5*
- ***Purple (P)*** *up to but less than 1 year*
- ***Blue (B)*** *up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)*
- ***Orange (O)*** *up to but less than 1 year*
- ***Red (R)*** *6 months*
- ***Green (G)*** *100 days*
- ***No colour (N/C)*** *not to be used*

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

	Colour (and long term rating where applicable)	Money Limit	Time Limit
Banks /UK Govt. backed instruments*	yellow	£12m	≤1 year
Banks	purple	£6m	≤1 year
Banks	orange	£6m	≤1 year
Banks – part nationalised	blue	£12m	≤1 year
Banks	red	£6m	≤6 mths
Banks	green	£3m	≤100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (for non-specified investments)	n/a	£1.5m	1 day
DMADF	UK sovereign rating	unlimited	≤6 months
Local authorities	n/a	£12m	≤1 year
	Fund rating**	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£6m	liquid
Money Market Funds LVNAV	AAA	£6m	liquid
Money Market Funds VNAV	AAA	£6m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£6m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	Light pink / AAA	£6m	liquid

The Council's maximum exposure to credit risk in relation to its investments of £14.6M cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, but not impossible, for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but for the £14.6M, there was no evidence at 31 March 2025 that this was likely to materialise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on past experience of default and non-collectability, adjusted to reflect current market conditions.

	Balance 31/03/25	Historical experience of default	Exposure at 31/03/25	Exposure at 31/03/24
	£000	%	£000	£000
	(a)	(b)	(a * b)	
AAA rated counterparties	-	0%	0%	0%
Trade debtors	4,657	Bad debt provision	3,507	2,630
Total	**4,657**		**3,507**	**2,630**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

With regard to other financial instruments, such as sundry debtors, the Council does not generally allow credit for customers, such that £3.2M of the £3.6M sundry debt balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31/03/24	31/03/25
	£000	£000
Current, < 28 Days	679	411
28-59 Days	303	363
60-91 Days	91	154
92-183 Days	427	293
184-364 Days	407	922
365+ Days	1,158	1,433
Total	**3,065**	**3,576**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above as well as through a cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All deposits in year were held on either instant access or terms of less than 6 months with the Debt Management Office (DMO) and part-nationalised banks.

	31/03/24	31/03/25
	£000	£000
Less than 1 Year	1,041	1,041
1-2 Years	1,041	1,041
3-5 Years	3,124	3,124
6-10 Years	5,207	5,202
11-20 Years	8,332	7,312
21-30 Years	23,915	23,915
More than 30 Years	15,300	15,300
Total	**57,960**	**56,935**

Market Risk

Interest Rate Risk
The Council has a small exposure to interest rate risk on its borrowings as all borrowings are taken at fixed interest rates and mostly over long periods.

The Council's investments held within instant access Call accounts are affected by movements in interest rates.

The prevailing bank rate at the balance sheet date was 4.5%. Had the prevailing rates been higher, it would have seen a corresponding increase in income. The overall rate of return on the Council's portfolio was 4.98%, an increase of 1% on interest rates during 2024/25 would have had the following marginal effect:

	Actual	+1%
	£000	£000
New or variable investments:		
Call accounts	1,384	1,662
Total	**1,384**	**1,662**

This highlights that investments are very sensitive, as an increase of 1% would result in a significant increase in returns.

45 GROUP ACCOUNTS

In May 2021, the Council formed two Local Authority Trading Companies, Morehomes For The Bay (Investments) Ltd and Morehomes For The Bay (Developments) Ltd. The companies are currently not trading and do not hold any assets and as such, there are no Group Accounts included in the Financial Statements.

Morehomes For The Bay (Investments) Ltd and Morehomes For The Bay (Developments) Ltd. The companies are currently not trading and do not hold any assets.

46 PRIOR YEAR RESTATEMENT

1. **Restructure**
   During 2024/25 a sub-service (Energy & Sustainability) moved from Environment & Place to Planning & Climate Change for management and reporting purposes. The income and expenditure of the sub-service is considered minor and therefore not material.

Housing Revenue Account

THE HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2023/24 £000		NOTES	2024/25 £000	£000
	Expenditure			
7,803	Repairs and maintenance		6,971	
5,676	Supervision and management		5,114	
454	Rent, rates, taxes and other charges		644	
9,144	Depreciation and impairment of non-current assets	***4&5***	11,679	
-	Debt management costs		-	
198	Movement in the allowance for bad debts	***8***	297	
-	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP	***9***	-	
23,275	**Total Expenditure**			**24,705**
	Income			
(15,304)	Dwelling rents		(16,751)	
(277)	Non-dwelling rents		(286)	
(2,415)	Charges for services and facilities		(2,451)	
(18)	Contributions towards expenditure		(61)	
(102)	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP		(105)	
(18,116)	**Total Income**			**(19,654)**
5,159	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**			**5,051**
-	HRA services' share of Corporate and Democratic Core			-
-	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services			-
5,159	**Net Cost for HRA Services**			**5,051**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(297)	Gain or Loss on sale of HRA non-current assets			(187)
1,688	Interest payable and similar charges			1,648
(192)	Interest and investment income			(81)
7	Pension interest cost and expected return on pension assets	***7***		3
(650)	Capital grants and contributions receivable			(794)
5,715	**(Surplus) or deficit for the year on HRA Services**			**5,640**

MOVEMENT ON THE HRA STATEMENT

The overall objective for the movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2023/24 £000		2024/25 £000
(624)	**Balance on the HRA at the end of the previous year**	**(750)**
5,715	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	5,640
(411)	Adjustments between accounting basis and funding basis under statute	(4,200)
5,304	**Net (increase) or decrease before transfers to or from reserves**	**1,440**
(5,430)	Transfers to or (from) reserves	(842)
(126)	**(Increase) or decrease in year on the HRA**	**598**
(750)	**Balance on the HRA at the end of the year**	**(152)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1 NUMBER AND VALUES OF DWELLINGS

As at 31 March 2025 the Council held the following number of dwellings, noting that during the year 15 properties were disposed of under the Right to Buy Scheme, one house was demolished and one house was acquired. Also, there was some minor re-classification of property types:

		2023/24	2024/25
Bedsits		84	84
1 Bedroom	Houses & Bungalows	651	650
	Flats & Maisonettes	547	547
2 Bedroom	Houses & Bungalows	471	469
	Flats & Maisonettes	658	655
3 Bedroom	Houses & Bungalows	1,108	1,098
	Flats & Maisonettes	8	8
4 or more bedroomed dwellings		90	91
TOTAL DWELLINGS		**3,617**	**3,602**

The Balance Sheet value of assets held in the Housing Revenue Account was as follows:

	Value as at 1 April 2024 £000	Value as at 31 March 2025 £000
Operational Assets:		
Council Dwellings	157,712	161,575
Other land and buildings	2,063	1,020
	159,775	**162,595**
Non-operational Assets	1,620	1,662
Assets Under Construction	255	926
TOTAL	**161,650**	**165,183**

Dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This basis was first introduced on 01 April 2001, following the introduction of Resource Accounting in the HRA, with values then being rebased annually, with periodic full revaluation exercises every 5 years, the fifth of which updated all values to 01 April 2020. This has resulted in a net increase in asset values of £9.820M in the year, which forms part of the net movement in asset values shown above. Non-dwelling assets were also revalued as at 01 April 2020.

The vacant possession value of dwellings held on 01 April 2024 was £406.149M. The difference between this and the EUV-SH valuation of £166.890M (i.e. the updated figure after the valuation exercise effective as of 01 April 2024 but before depreciation, disposals etc.) represents the economic cost to the Government of providing Council Housing at less than open market rents.

2 MOVEMENT ON THE MAJOR REPAIRS RESERVE

Movements on the Major Repairs Reserve for the year were as follows:

	2023/24 £000	2024/25 £000
Opening Balance 01 April	**121**	**779**
Transfer to HRA – Depreciation	4,117	4,778
Transfer to HRA - Depreciation Adjustment	(6)	(6)
Transfer to HRA - Additional Capital Financing	658	543
Capital Expenditure - Houses	(4,111)	(4,772)
Closing Balance 31 March	**779**	**1,322**

3 CAPITAL EXPENDITURE

Capital expenditure of £6.392M was incurred during the year relating to works on improvements to dwellings. This was financed as follows:

	2023/24 £000	2024/25 £000
Usable Capital Receipts	72	826
Earmarked Reserves	1,924	-
Majors Repairs Reserve	4,111	4,772
Grants and Contributions	650	794
Total Capital Financing	**6,757**	**6,392**

Capital receipts totalling £1.004M were received during the year from the following sources:

	2023/24 £000	2024/25 £000
Sale of dwellings	1,038	1,004
Other disposal receipts	-	-
Repayment of Principal on Mortgages	-	-
Total Capital Receipts	**1,038**	**1,004**

The above amounts are shown gross, before deducting administration fees. Previously under the Local Government and Housing Act 1989, 75% of council house sales were to be set aside for debt redemption, however the Local Government Act 2003 (section 11(2)(b)) now requires all or part of the receipt to be paid over to the Secretary of State (see below). The aim is to preserve and strengthen the principle of redistributing the spending power generated by the sale of such assets.

From 2022/23, local authorities have been permitted to retain the share of Right to Buy receipts that were previously returned to the Treasury. This can be used for replacement supply only.

4 DEPRECIATION

Total depreciation charges for the year were as follows:

	2023/24 £000	2024/25 £000
Council Dwellings	4,769	5,315
Other land and buildings	-	-
Non-operational Assets	6	6
Deferred Charges on Intangible Assets	-	-
TOTAL	**4,775**	**5,321**

5 IMPAIRMENT CHARGES

No impairment charges were made to the HRA for the financial year 2024/25. There was, however, a revaluation downwards of £5.524M in respect of non-enhancing capital expenditure on Council Housing stock. This was offset by £9.820M upward revaluation as a result of the full revaluation exercise.

6 INTANGIBLE ASSETS

No material charge was made during the year in respect of intangible assets.

7 CONTRIBUTIONS TO/FROM PENSIONS RESERVE

In accordance with the requirements of International Accounting Standard 19, the current service cost has been included within the Net Cost of Services and the net of the interest cost and the expected return on assets included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Movements in the HRA balance.

8 RENT ARREARS

Total arrears of rent at 31 March 2025 amounted to £0.437M (£0.490M for 2023/24). An amount of

£0.955M (£0.715M for 2023/24) was held as provision for bad debts; this covers rent arrears and all other debts outstanding to the Housing Revenue Account. The provision gives cover of 95% for arrears from former tenants and 25% for arrears from current tenants and leaseholders, in addition to 95% of other outstanding debts.

9 TRANSFERS TO/FROM GENERAL FUND AS DIRECTED BY SECRETARY OF STATE

There have been no transfers to or from the General Fund as directed by the Secretary of State.

10 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There are no exceptional or extraordinary items, and no prior year adjustments.

11 NOTES TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2023/24 £000	2024/25 £000
Adjustments between accounting basis and funding basis under statute		
Difference between interest payable and similar charges including amortisation of premiums & discounts determined in accordance with the Code & those determined in accordance with statute.	-	-
Difference between any other item of income & expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements.	(2)	(16)
Gain or loss on sale of HRA non-current assets.	297	187
HRA share of contributions to or from the Pension Reserve.	49	152
Capital Expenditure funded by the Housing Revenue Account	1,924	-
Transfer to/(from) Major Repairs Reserve	658	543
Transfer to/(from) the Capital Adjustment Account	(3,337)	(5,066)
	(411)	**(4,200)**
Transfers to or (from) reserves		
Transfer to/(from) Earmarked Reserves	(5,430)	(842)
	(5,841)	**(5,042)**

Collection Fund

The Collection Fund shows the transactions of the billing authority in relation to the collection of Council Tax and Non-Domestic Rates from local taxpayers, and its subsequent distribution to local authorities and the Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting Non-Domestic Rates and Council Tax belong to the bodies concerned (i.e. major preceptors, the billing authority and the Government). The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the Code. Income due from Council Tax and Business Ratepayers is recognised in full at 1 April i.e. the start of the financial year.

The Council's share of Council Tax and Business Rates income is reflected in the Comprehensive Income and Expenditure Statement on an agency basis in line with the Code. 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 statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

2023/24 Business Rates £000	2023/24 Council Tax £000		NOTES	2024/25 Business Rates £000	2024/25 Council Tax £000
		INCOME			
	(93,578)	Income from Council Tax	*1*		(99,506)
	(283)	Transfer for Transitional Relief S13A [1] [C}			-
(63,824)		Income from Business Ratepayers	*2*	(69,994)	
(2,299)		Transitional Protection Payments due from Central Government		(673)	
	(1,429)	Contributions towards previous year's estimated Collection Fund deficit			(1,051)
(66,123)	**(95,290)**	**TOTAL INCOME**		**(70,667)**	**(100,557)**
		EXPENDITURE			
		Precepts and Demands			
	67,050	Lancashire County Council			70,402
	12,624	Lancaster City Council (including parish precepts)	*3*		12,595
	10,706	Lancashire Police Authority			11,216
	3,503	Lancashire Fire Authority			3,608
31,301		Shares of non-domestic rating income to major preceptors and the billing authority	*2*	32,794	
31,301		Payments made to central government in respect of central share		32,794	
-		Transitional Protection Payments due to Central Government		-	
4,001		Renewable Energy Disregard		4,056	
210		Cost of Collection Allowance		210	
-	-	Write-offs of uncollectable amounts		-	-
208	644	Allowance for Impairment	*2*	117	1,176
(2,544)		Adjustment to Provision for alteration of lists & appeals		21	
9,048	-	Contribution towards previous year's estimated Collection Fund surplus		1,553	-
73,525	**94,527**	**TOTAL EXPENDITURE**		**71,545**	**98,997**
7,402	**(763)**	**(SURPLUS) / DEFICIT ON FUND**		**878**	**(1,560)**
		MOVEMENT ON THE FUND			
(10,000)	1,514	**Opening Balances**		(2,598)	751
(2,598)	751	**Closing Balances**		(1,720)	(809)
7,402	**(763)**	**TOTAL MOVEMENT ON FUND**		**878**	**(1,560)**

NOTES TO THE COLLECTION FUND

The following notes are intended to explain figures contained in the Collection Fund Statement.

1 COUNCIL TAX

Council Tax is charged based on the value of residential properties as determined by the VOA; these are classified into eight valuation bands estimating 01 April 1991 values for charging purposes. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lancashire County Council, Lancaster City Council, Lancashire Fire and Rescue Authority and the Police and Crime Commissioner for Lancashire for the forthcoming year and dividing this by the Council Tax base.

The Council Tax base represents the number of chargeable dwellings in each banding (i.e. the number of properties, adjusted for discounts etc.) multiplied by a set proportion to give the number of Band D equivalents. The estimated collection rate is then applied to the Band D equivalent total, to give the Council's Tax Base for that year. For 2024/25 the numbers are as follows:-

	Chargeable Dwellings	Band D Equivalents
Band A	16,729	9,205
Band B	14,182	9,852
Band C	11,431	9,230
Band D	6,309	5,907
Band E	4,014	4,684
Band F	2,038	2,858
Band G	820	1,322
Band H	49	96
Total	**55,572**	**43,154**
Collection Rate		*98.68%*
Council Tax Base		**42,583**

2 BUSINESS RATES

The Council collects National Non-Domestic Rates (NNDR) for its area based on rateable values set by the Valuation Office Agency (VOA), multiplied by a uniform business rate set by Central Government. For most businesses, this was set at 54.6p per £ for 2024/25 (51.2p for 2023/24) For local businesses with a rateable value of less than £51,000, a discount of 4.7p was allowed giving a rate of 49.9p per £. The total rateable value for the district at 31 March 2025 was £169,891,443 (£168,491,732 for 2023/24).

In 2013/14, the administration of NNDR changed following the introduction of the Business Rates Retention Scheme. This aims to give councils a greater incentive to grow businesses but also increases the financial risks associated with volatility, appeals and non-collection rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the total collectable rates due. For Lancaster City Council the local share is 40%. The remainder is distributed to Central Government (50%), Lancashire County Council (9%) and Lancashire Fire and Rescue Authority (1%).

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates, allowing for any top up amount to ensure that all authorities receive their baseline income. Tariffs payable to Government are used to finance such top ups to those authorities who do not achieve their targeted baseline funding. The tariff payable by the Council during 2024/25 was £21.457M (£20.436M in 2023/24).

In addition to tariffs, a 'safety net' is calculated at 92.5% of the baseline amount, which ensures that authorities are protected to this level of Business Rate income. For the Council no safety net was required for 2024/25. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and Small Business Rate Relief.

In addition to the local management of business rates, authorities are expected to finance appeals in respect of rateable values, as determined by the VOA. As such, authorities are required to make a provision for business rate appeals outstanding as at 31 March 2025. Appeals are charged and provided for in proportion to the precepting shares. The total provision as at 31 March 2025 has been estimated at £8.674M (£8.652M in 2023/24), the Council's share of which is £3.469M.

3 MAJOR PRECEPTORS

The major preceptors on the fund are set out in the following table, together with the distributed share of surpluses and deficits.

	Council Tax		Business Rates		Total
	Precept	Deficit Allocation	Precept	Surplus Allocation	
	£000	£000	£000	£000	£000
Lancashire County Council	70,402	(751)	5,903	140	75,694
Lancashire Police Authority	11,216	(120)	-	-	11,096
Lancashire Fire Authority	3,608	(39)	656	15	4,240
Lancaster City Council	12,595	(141)	26,235	621	39,310
	97,821	**(1,051)**	**32,794**	**776**	**130,340**

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- recognising
- selecting measurement bases for, and
- presenting

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

Acquired Operations

Acquired operations are those operations of the local authority that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or

(b) the actuarial assumptions have changed.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Class of Tangible Fixed Assets

The classes of tangible fixed assets required to be included in the accounting statements are:

Property, plant and equipment
Investment property
Assets held for sale

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Constructive Obligation

An obligation that derives from an authority's actions where:

(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and

(b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset
A contingent asset is 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 local authority's control.

Contingent Liability
A contingent liability is either:

(a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or

(b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and

(b) termination, or amendment to the terms, of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discontinued Operations
Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met: Operations not satisfying all these conditions are classified as continuing.

(a) The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
(b) The activities related to the operation have ceased permanently.
(c) The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
(d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period
(b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole, rather than individual balances.

Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to

the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all of the fair value of the leased asset.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories
Assets in the form of materials or supplies to be consumed in the production process, distributed in the provision of services, held for sale or distribution in the ordinary course of operations or in the process of production for sale or distribution.

Long-term Contracts
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Net Book Value
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Non-operational Assets
Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.

Operating Leases
A lease other than a finance lease.

Past Service Cost
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee

service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

(a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
(b) The accrued benefits for members in service on the valuation date.

Related Parties
Two or more parties are related parties when at any time during the financial period:

(i) one party has direct or indirect control of the other party, or
(ii) the parties are subject to common control from the same source, or
(iii) one party has significant influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

(i) central government
(ii) local authorities and other bodies precepting or levying demands on the Council Tax
(iii) its subsidiary and associated companies
(iv) its joint ventures and joint venture partners
(v) its members
(vi) its chief officers
(vii) its other key management personnel, and
(viii) its pension fund.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(i) members of the close family, or the same household, and
(ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

(i) the purchase, sale, lease, rental or hire of assets between related parties
(ii) the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund

(iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party
(iv) the provision of services to a related party, including the provision of pension fund administration services
(v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Residual value
The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement (re pension matters)
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to affect the settlement. Settlements include:

(a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
(b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
(c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

Tangible Fixed Assets
Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Useful Life
The period over which the local authority will derive benefits from the use of a fixed asset.

Vested Rights
In relation to a defined benefit scheme, these are:

(a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme
(b) for deferred pensioners, their preserved benefits
(c) for pensioners, pensions to which they are entitled