

DRAFT

Statement of Accounts

For the year ended 31 March 2026
(Subject to Audit)





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Statement of Accounts

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Narrative Report of the Chief Financial Officer

INTRODUCTION

As the Council's Chief Financial Officer (CFO) and statutory Section 151 Officer, I am pleased to present Lancaster City Council's Statement of Accounts for 2025/26. I am also required to prepare this narrative report to accompany the accounts.

This report, together with the notes that follow, explains the figures included in the Statement of Accounts and shows how the Council's resources have been used to deliver services. The Council must prepare its accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting, which represents "proper accounting practice" under section 21(2) of the Local Government Act 2003. The Code is based on International Financial Reporting Standards (IFRS) and adapts them to reflect the statutory local government finance framework. This is necessary because there are important differences between what IFRS requires to be included in the accounts and what legislation requires to be funded by local authorities and council taxpayers.

The Council continues to respond to ongoing economic challenges by regularly reviewing its Medium-Term Financial Strategy (MTFS). This ensures that forecasts for income, expenditure, future pressures and new developments remain robust and prudent. The MTFS sets out the key financial challenges facing the Council over the forecast period and provides updated budget gap estimates for 2027/28 to 2030/31. The Council will continue to adapt to maximise value for money for residents and reduce, where possible, the impact on front-line services.

The General Fund has reported an underspend of £2.151M which has been transferred to reserves. Whilst there are number of positive and negative movements underpinning this underspend, we have benefited particularly from higher interest rates and greater cash balances than predicted +£0.786M. There was also a continued underspend of £0.675M 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 £1.481M forecast for 2027/28 rising to £2.320M if not addressed. Although funding the deficit from reserves alone is not an option the Council's unallocated reserve balance currently stands at £11.751M. Although there are several commitments on this reserve during 2026/27 which will reduce the balance, it offers mitigation and provide a degree of resilience as the Council continues to implement the Council's Fit for the Future process.

The Council's Housing Revenue Account (HRA) recorded a small overspend of £0.004M on the provision of services. Work undertaken during the year has helped to stabilise the position. However, significant outstanding commitments and potential revenue pressures from several major projects could place further pressure on the HRA. Its financial position is therefore being closely monitored.

Further information on the Council's financial and non-financial performance is provided later in this narrative report and throughout the financial statements. The Revenue, Capital and Treasury Management outturn reports will be considered by Cabinet and Council later this year.

[Browse Meetings, 2026 - Lancaster City Council](#)

Readers of the Council's recent Statement of Accounts will be aware that we have been significantly affected by the ongoing issues in the public sector audit regime and the resulting audit backlog. The Council has also been subject to several longstanding objections to its financial statements, which have affected both audit opinions and certification. Against this background, I am pleased to provide the following update.

The audits of the 2023/24 and 2024/25 financial statements have now been completed. The Council's

External Auditors issued disclaimed opinions for both years, and copies of the audited financial statements are available on the Council's website.

[Statement of Accounts - Lancaster City Council](#)

A disclaimed opinion arising from the statutory backstop arrangements does not indicate significant weaknesses in financial reporting or financial management; it reflects the wider issues affecting the public sector audit regime.

The outstanding objections appear similar in nature to those rejected by the Council's previous External Auditors, Deloitte, in February 2025. However, progress towards resolution has been slow and no decision has yet been made.

The External Auditors have also completed their assessment of the Council's Value for Money (VfM) arrangements for both outstanding years against the three required criteria: financial sustainability, governance, and improving economy, efficiency and effectiveness. Their work identified two significant weaknesses:

- HRA Sustainability and Mainway Estate Regeneration
- Governance (Audit Backstop)

Further detailed commentary, including management responses, is included in the Annual Governance Statement within these Statement of Accounts.

The Auditors' Annual Reports have been presented to Audit Committee, and the 2023/24 report has also been presented to Full Council. The 2024/25 report is due to be considered by Full Council in July.

[Browse Meetings, 2026 - Lancaster City Council](#)

Although these comments are made each year, it remains important to recognise the vital role of the Council's finance team in protecting and stewarding public funds effectively. Working closely with colleagues, the team continues to challenge expenditure, support value for money and help ensure that high-quality services are delivered to residents. I would like to thank them for their hard work, professionalism and commitment during another challenging period. Alongside preparing these financial statements, the team has delivered key financial documents and processes, including the Medium-Term Financial Strategy (MTFS), annual revenue and capital budget preparation, performance management and reporting, the Treasury Management Strategy and the Capital Strategy. This has been achieved against a backdrop of uncertainty arising from Local Government Reorganisation, as well as additional work linked to the continuing issues in the public sector audit regime and the resulting audit backlog.

This year has also seen several valued members of the finance team retire, or prepare to retire, after many years of dedicated service.

Heather announced her retirement after more than 30 years with the Council, I'm sure 'Ziggy' the dog's legs will be 2 inches shorter after all the walks. Dorret has retired and recently welcomed her first grandchild, while Diane will also leave later this year to pursue a life of luxury. I'm sure both will be battling for the title of Lancashire's Glamorous Granny!

Change also brings opportunity, and after many years at the Council we are pleased to welcome Ellie to her new role as Exchequer Services Manager and Mark as our new Accountant.

An Introduction to Lancaster District

Lancaster District is a large and diverse local authority area in north Lancashire, covering 567 square kilometres. It is the second largest Lancashire authority by geography and includes the historic city of Lancaster, the coastal town of Morecambe, Carnforth, rural villages and nationally significant landscapes around Morecambe Bay.

The district had an estimated population of 145,006 in 2024, with a median age of 41. Its population density remains low by national standards, reflecting the area's mix of urban centres, coastal communities, rural settlements and open countryside.

Lancaster is the county town of Lancashire and one of England's most distinctive historic cities. The wider district combines heritage, culture, higher education, health innovation, tourism, digital activity, energy and public services, giving it a broad economic base and a strong platform for sustainable growth.

The district also benefits from major natural and visitor assets, including Morecambe Bay, coastal and rural landscapes, and access to nationally valued countryside. The planned Eden Project Morecambe continues to represent a significant opportunity to strengthen the visitor economy, raise the profile of the district and support wider regeneration.

Lancaster University is an internationally recognised centre for teaching, research and innovation and remains one of the district's most important economic assets. Alongside the University of Cumbria's Lancaster campus and Lancaster and Morecambe College, it supports skills, research, business collaboration and graduate talent.

Lancaster has a relatively high level of labour market self-containment compared with other Lancashire districts, meaning that a significant proportion of residents also work locally. This creates opportunities for economic growth to be retained within the district and to benefit local households, businesses and communities.

Economy

The Lancaster District economy is broad-based and shaped by its role as a university city, administrative centre, coastal destination and rural district. Key strengths include health and social care, education, public services, retail, tourism, culture, energy, digital activity and professional services. The district supports around 58,500 workplace jobs and benefits from strong institutional anchors, including Lancaster University, the NHS, public sector employers and a growing visitor economy.

Indicator	Latest figure
Local business units*	Around 4,800 in 2025
Enterprises*	Around 4,200 in 2025
Employment rate**	71.1% of residents aged 16 to 64, year ending December 2023
Modelled unemployment rate ***	4.4% of residents aged 16 and over, year ending December 2023
Claimant Count ****	3.0% of residents aged 16 to 64, March 2024
Workplace jobs *****	Around 58,500

* ONS UK Business Counts, 2025

** ONS Annual Population Survey, year ending December 2023

*** ONS model-based unemployment estimates, year ending December 2023

**** ONS Claimant Count, March 2024

***** ONS Business Register and Employment Survey

Digital

Lancaster has an established and growing digital and creative business community, supported by its universities, independent businesses and city centre networks. Activity spans software, web design, product development, e-commerce, digital marketing and creative services. The sector contributes to diversification of the local economy and supports higher-value employment opportunities.

Health Innovation

Health innovation is a significant growth opportunity for Lancaster District. Lancaster University's Health Innovation Campus provides a focus for collaboration between research, business, health and care partners, supporting innovation in health, medicine, wellbeing and related technologies. This complements the district's wider strengths in health and social care employment.

Visitor Economy

The visitor economy is one of Lancaster District's major strengths. Latest STEAM figures show that in 2024 the district welcomed 7.13 million visitors and generated £648.3 million in economic impact. Lancaster city generated £174.8 million in tourism value, Morecambe £192.9 million, Carnforth and Silverdale £131 million, and South Lancaster and rural areas £149.7 million. Morecambe, Lancaster's heritage offer, the coastline, rural landscapes, events, hospitality and access to nearby national landscapes all support the district's appeal.

The planned Eden Project Morecambe is expected to provide a further catalyst for tourism, regeneration and investment.

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 2025/26, linking these to our strategic objectives and future plans.

As outlined in the Council Plans for 2024-27 and 2026-28, 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. Action on the 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:

Action on the Climate Emergency

[Council improves its score in Climate Action scorecards - Lancaster City Council](#) (June 25)

Lancaster City Council has once again been recognised as a leader in climate action, achieving a score of 64% in the 2025 Climate Emergency UK Scorecards – the best of any council in the northwest.

This marks an increase on the council's 2023 score (61%), and is also only four percent behind Winchester City Council, which was the highest performing district in the country with 68%.

The council scored higher in the Buildings and Heating category, reflecting continued investment in improving energy efficiency across its estate. This work has included the replacement of gas boilers with heat pumps, installation of secondary glazing and solar panels, along with improved insulation.

[Lancaster City Council wins prominent national local government award - Lancaster City Council](#) (June 25)

Lancaster City Council won a prominent national local government award for our work on climate change. Our team scooped the award for Leadership in responding to the climate emergency at the annual MJ Awards in June 2025, which recognise success in local government and outstanding work and commitment to local communities.

The award is in recognition for our work in delivering the Climate Emergency Local Plan Review, which focused on how new developments can be made better for nature, while also making sure that homes are highly energy efficient and residents are better protected from flooding, receive lower fuel bills and also have better access to travel.

[Council launches app to empower residents in tackling environmental issues - Lancaster City Council](#) (July 25)

In June the Council launched an app to assist residents and businesses across the district to quickly report environmental issues whilst on the go. The Love Clean Streets app – available on smartphones or tablets – is a new portal to report local issues covered by district and county councils all in one place.

[Schedule revealed for major overhaul of waste and recycling collections - Lancaster City Council](#) (Sept 25)

The Council announced a timeline of improvements to household waste and recycling services that will support residents to recycle and reduce waste. Following approval by the city council's cabinet earlier this year, a cross-party working group has collaborated with council officers to determine how this should be implemented to best address residents' needs. The service changes were introduced in three phases from September 2025 to April 2026.

An Inclusive Prosperous Local Economy

[ANPR cameras set to be installed in city centre car parks - Lancaster City Council](#) (Aug 25)

Installation of Automatic Number Plate Recognition (ANPR) cameras in pay and display car parks across Lancaster city centre is set to get underway as part of efforts to support local businesses and the economy.

Starting in August, the upgrade is part of Lancaster City Council's long-term parking strategy, which was approved earlier this year and aims to make city centre parking more efficient and accessible. The data gathered from the ANPR cameras will help the council to better understand how car parks are being used and shape future improvements. They will also provide motorists with real-time data of which car parks are busiest and inform decisions of where to park.

[Lancaster City Council approves community-led regeneration of Ryelands House - Lancaster City Council](#) (Nov 25)

Plans to breathe new life into Ryelands House in Lancaster took a significant step forward following a decision to lease the historic building to the North Lancashire Community Land Trust (NLCLT). Subject to planning approval and the finalisation of Heads of Terms, the Grade II listed building will be leased to NLCLT, a not-for-profit, community-based organisation, for an initial period of four years.

By partnering with NLCLT, Lancaster City Council aims to secure a sustainable future for the building, working alongside individuals in the Trust who have considerable experience of restoring and repurposing heritage assets.

[New mentoring scheme aims to help start-ups succeed - Lancaster City Council](#) (Nov 25)

Owners of new businesses or those thinking about taking the leap are being offered the opportunity to take part in a new district-wide peer mentoring scheme and get a head-start on the competition.

Launched by Lancaster City Council in partnership with Lancaster & Morecambe Chamber of Commerce and Scale-Ability, this pilot scheme, funded through the UK Shared Prosperity Fund, will connect experienced local business owners with people in the early stages of their entrepreneurial journey.

Volunteer mentors with a successful track record will take mentees under their wing to equip them with essential knowledge, build confidence, and help their new venture to grow.

[Lancaster businesses vote 'yes' to Business Improvement District - Lancaster City Council](#) (Feb 26)

Businesses in Lancaster have voted yes to continuing the city centre's Business Improvement District (BID) for a further five years. Turnout in the ballot was 36% (156 votes cast) with 79% of the individual business votes in favour and 84% in favour by rateable value size.

The vote was independently managed by UK Engage. The successful ballot means that the Lancaster BID will remain in position until March 2031, with a projected £1.75 million of income being used to attract shoppers and visitors to the city centre over the next five years.

[Revitalisation project gets underway to mark 25 years of Iconic Lancaster Bridge - Lancaster City Council](#) (Feb 26)

Lancaster's iconic Lune Millennium Bridge turned 25 in February. The milestone was marked with a series of community activities and revitalisation works to celebrate the bridge's heritage and its place as one of the city's most popular walking and cycling routes.

Pupils from Grosvenor Park School helped to launch the anniversary celebrations. They joined council officers to learn about local wildlife and ecology before rolling up their sleeves and getting stuck into litter picking and planting spring and summer bulbs along the route.

Healthy and Happy Communities

[National awards for two Morecambe beaches - Lancaster City Council](#) (May 25)

Two beaches in Morecambe have once again scooped a prestigious award for their cleanliness. Morecambe North and South were handed the Seaside Award.

The awards from Keep Britain Tidy, 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. All the beaches are judged on cleanliness, safety and have to meet the highest environmental standards, as well as international bathing water quality standards.

[Lancaster City Council unveils new energy efficient council homes - Lancaster City Council](#) (May 25)

Some of the UK's most energy-efficient homes have now been completed in Lancaster as part of an independent living scheme at Alder Grove. Replacing a structurally unsafe house, the new development delivers four high-quality one-bedroom flats, a manager's office, and a community room — all designed to meet the 2025 Future Homes Standard.

With an Energy Performance Certificate (EPC) rating of A, the homes include the maximum number of solar panels permitted on the site, with energy generated shared between the four dwellings.

[Flags flying high again across the district after parks and open spaces scoop top national awards - Lancaster City Council](#) (July 25)

Flags will once again proudly fly over many of Lancaster City Council's parks and public spaces after they retained coveted national recognition for their outstanding standards.

Happy Mount Park, Regent Park, and Torrisholme Cemetery in Morecambe, along with Williamson Park and Ryelands Park in Lancaster, have all once again received the prestigious Green Flag Award status for 2025.

The Green Flag, managed by environmental charity Keep Britain Tidy, is a mark of excellence, awarded to parks and green spaces that are well-managed, beautifully maintained, and provide top-quality facilities for visitors.

[Council begins early market engagement exercise for Canal Quarter housing site - Lancaster City Council](#) (Sept 25)

A preliminary market engagement exercise has been launched for the St Leonards Gate upper and lower car parks in Lancaster as part of plans to create new affordable housing for local people.

The 0.9-hectare site – collectively known as Coopers Fields for the area's historic association with the brewery trade and barrel making - has long been identified for future housing and is supported by the government's Brownfield Land Release Fund (BLRF).

[Lancaster City Council hosts event to help over 55s to find a new home or support to remain in their current home - Lancaster City Council](#) (Sept 25)

Residents aged 55 and over are being invited to a special event aimed at helping local people explore their housing options to make the most of later life.

Whether residents want to stay in their current home but need a little extra support, are curious about moving somewhere more manageable, or considering supported accommodation, there are plenty of options.

Lancaster City Council is hosting an event for residents to find out more about the best way for them to live in later life based on their needs, whether affordable housing, independent living, sheltered or extra care accommodation.

[Lancaster City Museums receives £40,500 major funding to boost residents and visitors engagement with city's incredible history - Lancaster City Council](#) (Oct 25)

Lancaster City Museums received a major funding boost of £40,500 to improve its museums by enhancing the visitor experience and increasing activities to benefit the local community.

The cash injection from the Museums Renewal Fund will support work at the museums, which are home to rare local artefacts dating back as far back at the Stone Age, as well as the local regiment's history dating back to 1680.

As well as funding events and activities, a key focus will be the continued refurbishment of the Cottage Museum, restoring it to its historical roots as a 1740s shop, offering an immersive glimpse into mid-18th-century life and commerce.

[Council tenants to benefit from energy efficiency upgrade - Lancaster City Council](#) (Oct 25)

Major improvements are set to be made to the energy efficiency of 100 council homes across the district after Lancaster City Council successfully secured £780,000 in government funding. The council has been awarded the money from the Warm Homes: Social Housing Fund (SHF) Wave 3, part of a drive to decarbonise housing, tackle fuel poverty, and improve living conditions in social housing.

The three-year programme will target council properties with poor energy performance, helping to

reduce fuel bills, lower carbon emissions, and create warmer, healthier living environments for tenants.

[Skerton High School and Mainway housing plans move forward - Lancaster City Council](#) (Oct 25)

In October councillors backed plans to test whether there is interest from housing developers to work in partnership with the city council to deliver affordable and social housing both on the site of the former Skerton High School and also the wider Mainway estate.

The plan follows a review of the business case for building new homes on the school site, which was granted planning permission for 135 new homes last December, and Mainway. By potentially partnering with a developer, the council's ambitions for Mainway can be achieved while keeping its costs under control.

[Cutting-edge science combines with history to unlock secrets of Lancaster district's past - Lancaster City Council](#) (Dec 25)

Archaeology and cutting-edge science have come together to unlock secrets and rewrite the stories of Lancaster district's ancient past.

Human remains dating back thousands of years have been brought out of the stores of Lancaster City Museums – up to 100 years after they were first discovered – with some being re-analysed in collaboration with a team of experts from Lancaster University. The result of this, together with knowledge gained from previous scientific analyses which have already reshaped long-held beliefs about local history, is 'Life After Death', a new exhibition at Lancaster Maritime Museum which opened on Saturday, December 13.

[Much-loved Lancaster hidden gem revitalised thanks to community efforts - Lancaster City Council](#) (Dec 25)

The historic Storey Gardens in Lancaster has been revitalised with accessible paths and artworks for visitors to enjoy and rediscover the gardens' tranquil space. The revival project at *The Tasting Garden* project, costing £37,200, was made possible thanks to the incredible fundraising efforts of the Friends of Storey Gardens and generous support from local and national funders.

The overgrown and narrowed paths, which mirror tree branches, had lost the original design created in 1988 by artist Mark Dion, but have now been widened and resurfaced. A redesigned ramp now makes the garden more accessible for wheelchair users and pushchairs.

[Lancaster chosen to participate in global urban health programme - Lancaster City Council](#) (Jan 26)

Lancaster has been chosen as one of the first five cities across the globe to take part in a groundbreaking new project that will explore the relationship between the urban environment and public health.

Following a call launched on World Health Day last year, Lancaster City Council submitted an application to become part of the Healthy Cities Programme.

Healthy Cities is a global organisation dedicated to helping urban areas become healthier, more sustainable, and more liveable. The city council applied with the hope of being able to incorporate the outcomes of the programme into future policies in its emerging Local Plan, and was successful following a competitive process.

[Tourism economy goes from strength to strength - Lancaster City Council](#) (Jan 26)

New figures show that the Lancaster district's visitor economy surged in 2024 and generated an impressive £648.3 million in economic impact while welcoming 7.13 million visitors.

The figures come from the latest STEAM report and reveal a destination that's not just growing, but thriving, with longer stays, higher spend, with a stronger tourism offer than ever before.

The City of Lancaster led the way with a 14% increase on 2023, pushing its tourism value to £174.8 million as 2.58 million visitors flocked to its heritage and hospitality. Morecambe followed with £192.9 million, buoyed by its iconic seafront and events, and the sector now supports 1,910 jobs, underlining the town's role as a cornerstone of the local economy.

[Major investment announced for Williamson Park - Lancaster City Council](#) (Feb 26)

A major new programme to future proof much-loved heritage assets at Williamson Park is set to get underway. The works will modernise ageing infrastructure, reduce carbon emissions, and make the park and its facilities more efficient, accessible and resilient.

One of the key projects will see the replacement of ageing gas boilers with high-efficiency air-source heat pumps, alongside a new air-handling unit and upgraded radiators.

This investment, for which most of the funding will be coming from Phase 3 of the Public Sector Decarbonisation Scheme (PSDS), will play a crucial role in helping Lancaster City Council meet its target of achieving net-zero carbon emissions from its own operations by 2030, while supporting the wider district's transition to net zero by 2050.

[Extra council investment to improve public spaces and buildings - Lancaster City Council](#) (Feb 26)

Lancaster City Council will invest an extra £250,000 a year to help keep the district clean and well presented. The additional outlay was agreed as part of the city council's annual budget, which was set at a meeting of full council on Wednesday 25 February 2026.

The extra funding included in the 2026/27 budget will support additional staffing, fleet requirements, equipment and operational costs. This will help improve the frequency and responsiveness of services such as grass cutting, street cleaning and general maintenance across the district.

This investment has been made possible through savings elsewhere in the budget and income growth, including from the growing success of the council's commercial services. Taken together, the council's commercial venues such as the Ashton Hall, The Platform and The Storey now generate an annual turnover of £1.25 million.

[Empty homes given new lease of life after years of neglect - Lancaster City Council](#) (Mar 26)

Abandoned properties that have blighted neighbourhoods across the district have been transformed and returned to use. By working with property owners and, where necessary, using enforcement powers, Lancaster City Council brought 63 long-term empty homes back into use in 2025.

This work has helped increase the supply of much-needed housing, improved the look and feel of neighbourhoods and supported wider regeneration across the district. Properties can remain empty for many reasons, including death, bankruptcy, family disputes and future investment plans.

[Lancaster's fascinating history and people who shaped the district to be brought to life by experts - Lancaster City Council](#) (Mar 26)

Lancaster's fascinating history, remarkable people, and hidden stories will come alive through a series of expertly guided tours and engaging talks, offering fresh insights into Lancaster's social, cultural and literary heritage this spring.

The 2026 Story Tours and Talks series has been announced by Lancaster City Museums and will see a carefully curated programme of walking tours and illustrated talks, designed to bring Lancaster's past to life and highlight the individuals and places that have shaped the city over centuries.

Kind Co-operative Council

[Lancaster City Council makes strong progress on improvement plan - Lancaster City Council](#) (April 25)

A team of local government experts has praised Lancaster City Council for successfully delivering a plan to make its services even better. Following a Corporate Peer Challenge (CPC) in April 2024, the council was told how it could make improvements to the way it serves the public.

A recent review of a plan for delivering these changes found that 85% of recommendations are on track and progressing well. Particular praise was given for the council's approach to community wealth building, economic resilience, and environmental sustainability.

[Plans for new data centre get the green light from city councillors - Lancaster City Council](#) (July 25)

A pioneering new data centre looks set to be built at Salt Ayre Leisure Centre after councillors approved its delivery as part of a major investment in the district's digital infrastructure.

Lancaster City Council's cabinet has given the green light to a business plan for the building of the new facility, which will be located at the rear of Salt Ayre and replace ageing facilities near to Lancaster Town Hall.

Designed to integrate into the leisure centre's existing solar and heat pump systems, the data centre will host the council's own ICT infrastructure while also making space available for other partners to host their own secure cloud data storage to generate an additional revenue stream. The data exchange is a key feature of the Local Full Fibre Network (LFFN) that was completed earlier this year, and which positions the district as a hub for digital infrastructure and innovation, including potential AI Growth Zone initiatives.

[Lancaster City Council launches new allergen register to help protect allergen-sensitive diners - Lancaster City Council](#) (Aug 25)

Residents and visitors with food allergies can now check whether a food business has agreed to stop serving allergen-sensitive customers, thanks to Lancaster City Council's newly launched Allergen Stop Agreement Register. Currently listing 45 establishments, the register is part of an ongoing food safety work to safeguard the public.

Food safety officers conduct covert sampling by ordering meals and declaring allergies to Dairy (Milk), Soya, or Crustaceans. These samples are then sent to a lab for allergen testing. If risks are found - such as poor procedures, high contamination potential, or past incidents - officers issue a STOP agreement with the businesses and continue monitoring it.

[Have your say on the future of local government in the Lancaster district - Lancaster City Council](#) (Sept 25)

Lancaster City Council has launched a new survey to consult everyone on their views of how public services should be run in the Lancaster district.

The government is proposing a major shake-up of local government which would abolish district councils like Lancaster City Council in favour of new unitary authorities. These new councils would take charge of all local services in their area, from bin collections to social care.

Several options are being considered and each involve the Lancaster district joining with other areas in Lancashire.

[Councils sign landmark collaboration agreement - Lancaster City Council](#) (Nov 25)

A bid to strengthen partnership working between Lancaster City Council and Carnforth Town Council has taken a step forward.

Representatives from both councils have signed a Memorandum of Understanding (MOU), an

agreement that sets out how they will work together for the benefit of the community. Under the agreement, both councils have committed to collaborate on shared areas of interest, with a focus on upcoming challenges and opportunities including Eden and Local Government Reform.

Regular steering group meetings will ensure strategic oversight, with objectives and outcomes evolving over time to reflect the changing needs of residents.

[City councillors vote to support four-way unitary proposal for Lancashire - Lancaster City Council](#) (Nov 25)

Lancaster City Council has thrown its support behind proposals to create four new unitary councils in Lancashire as part of a proposed shake up of local government in the county.

City councillors have agreed to back an option to create four new unitary councils in Lancashire. The decision was made by cabinet following a Full Council debate which voted to recommend the four unitary option as the way ahead. Business cases were prepared for five proposed unitary models, with the four unitary model emerging as the most balanced, sustainable, and widely supported option for the county.

The move follows a request from the Government for councils in Lancashire to submit proposals for changing the current structure of local government, which would abolish district councils like Lancaster City Council in favour of new unitary authorities.

[Council narrows gender pay gap to historic low - Lancaster City Council](#) (Mar 26)

Lancaster City Council has reduced its gender pay gap to the lowest level since statutory reporting began, according to its latest Gender Pay Gap Report.

The gender pay gap measures the difference in average hourly earnings between men and women across an organisation. Public sector employers with 250 or more staff, including councils, are legally required to publish their gender pay gap data each year to promote transparency and help identify where action is needed to improve pay equality.

The latest report for Lancaster City Council, which uses data from March 31 2025, highlights continued progress in closing gender pay gaps across the workforce. The mean gender pay gap has reduced year-on-year to 1.8% in 2025, meaning that on average women earn 98.2p for every £1 earned by men.



Corporate programmes and projects updates – 31st March 2026 (Q4)

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)

Status Key – Projects

R	Red – The project has experienced some major issues. Plan – the go-live date has slipped, Cost – over or under budget by more than 20%, Scope – several of the expected benefits may not be realised.	C	Complete or Closed
A	Amber – The project has experienced some issues. Plan – has slipped but won't affect go-live date, Cost – over or under budget by less than 20%, Scope – one or more benefits may not be realised.	N	Not Started
G	Green – The project is on track (within the project tolerance)	H	On hold
X	No data available / data not requested due to stage	* Projects in the Concept stage will not usually have updates	

					An Inclusive and Prosperous Local Economy (Economy)							
Priority					Project Name	Update	Due Date ** = To be confirmed	Stage	Updated	Status		
										Plan	Cost	Scope
I					Heritage Action Project	Update pending	N/A	Complete	N/A	C	C	C

I	S		Canal Quarter Phase 3 (part of Canal Quarter programme) Phase I Housing Schemes Preparation for completion of Nelson Street disposal agreements and start on site of BLRF2 funded groundworks Coopers Fields: Officers completed pre-market engagement exercise, and a report was considered by Cabinet. Officers submitted proposals and plan for the preferred developer procurement process for an affordable housing opportunity site which will go live in April 2026. Phase II Northern Gateway Further design and project work in train to link in with Coopers Fields procurement stage. Phase III Heron Works and Canalside Grant agreements and land swap arrangements are in rein. Main scheme design is being progressed by Maple Grove and is progressing through formal pre-planning consideration protocols. Phase IV Stonewell Courtyards and Former Mitchell's Brewery Officers have held ongoing regular meetings with Axis– Re under a semiformal liaison group between city and county council officers/member and the development group. Axis-Re have moved to demolish the derelict site buildings and establish their temporary car parking sites following planning applications/approvals. Infrastructure matters: Heat Network– The Expression of Interest submitted to the Heat Network Development Unit Round 15 funding was successful. An MOM for the funding has been signed, and officers are working with planning and climate change colleagues on further studies to enable the Heat Network offer to get to pre-market stage for the procurement of a commercial heat network provider.	Phase 3 – Q2 26/27 (Sep 26) Phase 4 – Q4 26/27 (May 27) Phase 5 – Q2 28/29 (Apr 28)	Delivery	21/04/26	G	G	G
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				Car parking – officers are progressing the first phase interventions of the Lancaster City Centre Car Parking Strategy. A design team has been appointed for an initial feasibility study to work towards full business case for Kingsway and Edward St./Alfred Street car parking interventions.						
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I	S			Our Future Coast	Update pending	** Q1 27/28	Delivery		X	X	X
I				Fair Work Charter	The Fair Work Charter has been launched and has been well received by businesses with 15 businesses already signed up. Promotion is ongoing, with those who have signed up publicly announcing their status on social media.	Q4 25/26	Delivery	17/04/26	G	G	G
I				1 Lodge Street Urgent Structural Repairs	This quarter has again seen the continuation of the implementation of M&E services predominantly to the ground floor. The separate package of works to complete the demolition and improvements to the rear of the building are approaching practical completion.	** Q3 27/28	Delivery	17/04/26	A	A	A
I		H		Centenary House (formerly reported on as Morecambe Co-op Building Renovation)	Update pending	TBC Timescale being revised	Delivery		X	X	X
I			R	Frontierland	Update pending	Current phase – Q4 25/26	Delivery		X	X	X
I				Heysham Gateway	Regeneration Services Manager submitted a formal request to County for further funding. However, no further indication of additional funding has been received to date. Project activity is otherwise on hiatus until further funding is secured.	Current phase – Q1 26/27	Detailed Design	21/04/26	A	A	A

I		H	Canal Quarter - Coopers Fields	Cabinet considered an update report at its 2 December 2025 meeting (minute reference 73) on the response from interested potential development partners invited to respond under a Preliminary Market Engagement (PME) brief for Coopers Fields focussing on the following matters: • The council's social and affordable housing aspirations and deliverability • Key site opportunities and constraints • Attitudes to current design and contractor team novation • Routes for the council to secure social housing units. • Factors to encourage future participation in a tender The PME positively revealed several potential partners with delivery appetite. Cabinet requested a report on a formal procurement strategy and draft tender brief which was considered at its meeting on 7th April . Officers were instructed to finalise procurement material; tender the Coopers Fields housing opportunity; evaluate submissions; recommend a Preferred Developer Partner to Cabinet to deliver a BLRF2 funded remediation stage and enter a disposal agreement; and continue to progress improved accessibility design matters within the Canal Quarter.	Unknown currently	Detailed Design	21/04/26	G	G	G
I		H	Eden Project Morecambe	GFA amendment has been signed and the project is entering into RIBA 4 stage. Eden's Morecambe team have expanded and there have been very successful local engagement events.	** Q2 28/29	Detailed Design	22/04/26	G	G	G
I	S		Lune Flood Protection, Caton Road	Update pending	Unknown due to current stage	Feasibility		X	X	X

I		H	Williamson Park (Café and Play Development)	Williamson Park is currently being discussed regularly with Cabinet and SLT and frameworks are being considered to achieve the best way forward that satisfy the Councils best interests.	Unknown due to current stage	Feasibility	05/05/26	X	X	X
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A Sustainable District (Environmental)										
Priority			Project Name	Update	Due Date	Stage	Updated	Status		
								Plan	Cost	Scope
	S		Burrow Beck Solar Farm (part of Carbon Neutral Programme)	Trench work and cabling has been completed to allow laying of fibre connectivity and SW substation alterations to have Electric Vehicle charging capability have been agreed upon. ICP (Independent Connection Provider) contractor ENW (Electricity North West) has undertaken the construction of the concrete plinths and substations across the site. Electrical work has now been completed up to the point where connecting to network is the next stage and was due to occur first week of May 2026. However, a recently identified failure on the Bailrigg DNO (Distribution Network Operator) sub-station due to the condition of existing equipment could result in a currently unspecified delay. A full asset replacement of the Bailrigg DNO substation is required before the work to link Burrow Beck Solar Array to the network can be undertaken. The issue has been escalated within Lancaster City Council to CE Mark Davies and to senior levels of Electricity North West.	Q1 26/27 (Jun 26)	Delivery	22/04/26	A	G	A

S		Public Sector Decarbonisation Scheme Phase 3c (part of Carbon Neutral Programme)	Air Source Heat Pumps have been successfully positioned on site at Williamson Park with work ongoing with connecting the pipe work to the Butterfly House. Cobblestones have been partially relayed where they were lifted with the remaining to back down at project completion. Trenchwork for cable connectivity has begun. This includes to and from the substation to the Butterfly house. The discovery of previously unrecorded Mains Electric line and separate incoming gas pipe at the substation site and Butterfly House respectively have resulted in short 2week delay to the project timeline. The Butterfly House has also seen the completion of demolition works including the removal of existing slabs and preparation works undertaken for new slab pouring. The installation of electrical ducting throughout the building has also been initiated.	Q2 26/27 (Aug 26)	Delivery	22/04/26	G	G	G
S	R	Salt Ayre Data Centre	Additional designs for major electrical and civil works for new data centre location have been tendered for with award process ongoing. Mechanical designs for heat recovery are ongoing with the plan to present to stakeholders in February for initial approval. Tender packs for room works are being built with the above designs being fed in where relevant. Initial meetings for CEEDA Design award have started. We are on track for the Gold award. First draft to be submitted this month.	Q1 26/27 (Mar 26)	Detailed Design	22/04/26	G	G	G

S		Roof Mounted Solar Array – Gateway, White Lund (part of Carbon Neutral Programme)	Q4 saw the design and installation of a full walking platform scaffolding from the ground up around the full perimeter of the building. Contractor and LCC officers remained in regular contact with tenants throughout the process to communicate where works and access would be required. A dilapidation report was completed along with a site walk-through to establish an agreed upon list of existing snags and defects with the roof prior to PV installation. Mounting kits and the PV modules have been delivered to site now with installation occurring throughout April - May with energisation within 2627 Q1.	Q1 26/27 (Jun 26)	Delivery	22/04/26	G	G	G
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Healthy & Happy Communities (Social)									
Priority		Project Name	Update	Due Date	Stage	Updated	Status		
							Plan	Cost	Scope
S	H	My Mainway (part of Homes Programme)	Update pending – delayed due to the Housing inspection	** Q4 27/28	Detailed Business Case		X	X	X

		H	R	Housing System Project	The project remains on track for the September 2026 go-live, with no plans to extend this timeline. The project has continued to demonstrate strong forward momentum, with overall completion increasing from 37% at the end of January 2026 to 64%, representing a 27% uplift. Across the 15 business process development areas, progress has advanced from 52% to 74%, with this workstream consistently performing ahead of target since the previous reporting period. The technical workstream has also made significant gains, progressing from 36% to 53% completion. While challenges have been encountered, including changes to previously proposed interface solutions, evolving technical requirements, and internal resourcing pressures, these have been mitigated through increased technical support from RTBSS and strengthened joint project management controls. In addition, OHMS has now transitioned into support, and Total Repairs is scheduled to move into support by June 2026, supporting stabilisation of the wider housing systems landscape ahead of implementation. A councilwide housing systems risk position has been documented and is under senior officer review. Strengthened server infrastructure and system controls also provide assurance that legacy systems will remain stable and secure through to go-live. Within this quarter Asset Management was officially removed from the Phase 1 scope of the project, supporting scope stabilisation, and will be rescheduled for later phases.	Phase 1 go-live Sept 26	Delivery	19/05/26	A	G	G
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A Co-operative, Kind and Responsible Council (Governance)								
Priority	Project Name	Update	Due Date	Stage	Updated	Status		
						Plan	Cost	Scope

			R	Fit for the Future (FFTF)	There are currently 16 open projects within the FFTF programme, with 4 projects from the first phase having completed. Financial savings have been identified and are expected from 13 of the projects. Other benefit types due to be realised by the projects include: efficiency, satisfaction / morale, compliance and reduced carbon footprint. Phase 3 will be smaller and focused on achieving tasks necessary for Local Government Reorganisation (LGR). Note: The waste management projects are counted and reported on as one in the above figures, but can be broken down into five separate projects.	Phase 1 & 2 from Q3 24/25 to Q4 26/27	Delivery	17/04/26	A	G	G
I		H	R	UK Shared Prosperity Fund (UKSPF)	Both UK Shared Prosperity Fund and Rural England Prosperity Fund ended in the final quarter of financial year 2025 - 2026. The programme has delivered its forecasted outcomes and spend.	Q4 25/26	Delivery	24/04/26	G	G	G
			R	High-Capacity Fibre Cable Network Provision (part of Digital Programme)	This project is complete other than one final legal step which is outstanding. Once this is complete a Project Review Report will be produced. This is likely to be in Q1 26/27.	N/A	Complete	N/A	C	C	C
	S		R	White Lund Depot	Wernick buildings defect works completed. Demolitions fully completed, RMS Annexe Offices completed, currently completing in front of the new Canteen Block, additional cycle shed and releveling area for external lunch and brew time areas. Grand Plan required for WLD from Senior Management.	Works near canteen completion June 26	Delivery	30/04/26	A	G	G

FINANCIAL PERFORMANCE

Financial Summary 2025/26

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

As part of the 2025/26 budget setting process, Members approved growth amounting to £0.026M in 2025/26, and savings proposals to save the Council £0.051M of which £0.013M (25.5%) were achieved.

However, although both the General Fund and Housing Revenue Account were able to respond to the financial challenges in 2025/26 and maintain a balanced budget, 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 £1.481M is still forecast for 2027/28 and further gaps are evident in all years to 2030/31. 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 26th February 2025 Council approved a General Fund Revenue Budget for 2025/26 of £27.201M (£25.008M 2024/25).

The table below provides details of the General Fund revenue income and expenditure for 2025/26 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.

	2025/26		Actual £000	Remove Reserve Funded Variances £000	Variance from Working Budget £000	Note
	Original Budget £000	Working Budget £000				
Expenditure:						
Environment & Place	11,891	11,552	12,175	75	(548)	1
Governance	1,598	1,598	1,642	-	(44)	2
Housing & Property	5,851	6,024	5,062	(228)	734	3
People & Policy	2,415	2,465	2,328	(53)	84	4
Planning & Climate Change	2,611	2,789	2,023	(381)	385	5
Resources	5,471	5,783	5,408	(192)	183	6
Sustainable Growth	2,011	2,384	2,157	(231)	(4)	7
Other Corporate Income & Expenditure Items	(5,150)	(4,405)	(5,315)	1,010	1,920	8
Contribution to/(from) General Fund Balance	503	(989)	1,721	-	(2,710)	9
NET REVENUE EXPENDITURE	27,201	27,201	27,201	-	-	

A core element of the Council's budget is salary driven and as part of the 2025/26 budget setting process, an inflationary uplift of 2.5% was included to salaries across all services of the Council. The National Employers' offer of an increase of 3.2% on all NJC pay points was agreed in July 2025. This resulted in an estimated additional cost of £0.182M including oncosts and the relative variances are summarised in the table below and contribute in part to the notes to follow.

Service/Section	SALARIES VARIANCE £000	PAY AWARD £000	AGENCY VARIANCE £000	OTHER VARIANCE £000	TOTAL VARIANCE £000	Note
Environment & Place	365	(89)	(396)	(45)	(165)	1
Governance	194	(12)	(57)	(66)	59	2
Housing & Property	369	(28)	(66)	149	424	3
People & Policy	26	(10)	(11)	0	5	4
Planning & Climate Change	498	(18)	0	(53)	427	5
Resources	317	(15)	(8)	(69)	225	6
Sustainable Growth	205	(10)	0	16	211	7
Provision for Staff Turnover	(648)	-	-	-	(648)	8
TOTAL FAVOURABLE VARIANCE	1,326	(182)	(538)	(68)	538	

Further explanations for variances excluding those listed in the above tables are detailed in the notes below.

Note 1 Environment & Place

- Net salary costs (-£0.165M) across the service with significant overspending relating to waste collection (-£0.326M) due to increased use of overtime and agency staff to address sickness and vacancies plus roll out of new household bins to all properties within the district. Hospitality & events management (-£0.059M) largely due to increased use of casual staff at The Storey. Savings from Salt Ayre Leisure Centre +£0.061M, Street Cleaning +£0.093M plus vacant senior positions still not be recruited to within the Environmental Protection +£0.092M
- Energy savings +£0.099M
- High volumes of vehicle hire required (-£0.199M) due to lengthy off-road spells for the electric bin wagons plus an aging fleet compacted by greater lead-in times for vehicle procurement which have now been received, offset by reduced vehicle R&M charges across service +£0.085M
- Savings within Environmental Protection including air quality +£0.020M; water/EPA fees and grant income +£0.040M
- Continuation to rent promenade space to concession due to ongoing delays relating to the commencement of the Eden Project +£0.033M
- Cemeteries income in respect of interment and memorial fees (-£0.056M)
- Income shortfalls at SALC, including Spa, Swimming and Café (-£0.252M) partially offset by reduction in stock purchases +£0.064M and staffing contained within the general turnover savings above
- Increased R&M costs at SALC (-£0.150M) largely due to continued issues in plant rooms (specifically the hot water system) with further reactive maintenance required to deliver service plus additional water charges (-£0.047M)
- Additional trade waste disposal costs for recycling (-£0.029M) and income shortfall (-£0.079M) due to loss of custom due to not being able to make food waste collections from customers
- Full amount of annual Pack UK grant for waste collection not budgeted for +£0.356M
- Closure to Williamson Park café led to alternative arrangements put in place but affected income levels (-£0.251M) partially offset by reduced cost of sales +£0.098M. Events income also impacted (-£0.047M) due to cancellation of Highest Point amongst other events
- Non-programmed R&M required at the park (-£0.042M) largely relating to Butterfly House Portico

Note 2 Governance

- Net salary savings +£0.059M largely due to staff turnover arising to key posts
- Additional legal and court costs due to having to rely on externals due to specialist advice required (-£0.044M)
- Reduced Legal Fee income (-£0.064M) which includes correction of a previous years over-stated debtor
- Street Trading Consent scheme not yet commenced (-£0.020M)

Note 3 Housing & Property

- Net salary savings +£0.424M including Housing Advice team funded by external grants rather than internal resources as budgeted
- Net reduction in rent income due to commercial property lease changes (-£0.737M)
- Net additional business rates on void units (-£0.305M)
- Net adjustment on non-recoverable services at Gateway +£0.111M
- Repairs & maintenance reprioritisation +£0.258M, off-set by additional expenditure incurred by other services
- Reduction in bed & breakfast expenditure in line with quality assurance of placements and utilisation of Council voids +£0.770M, plus funding from external grants +£0.010M
- Corresponding reduction in income from Housing Benefit (-£0.105M)
- Removal of utilities savings target due to delays in recruitment (-£0.037M)

- Grant income utilised for direct revenue financing of capital works to Local Authority Housing Fund properties +£0.148M
- HMO Licence Fees and Fines +£0.035M

Note 4 People & Policy

- General HR savings including corporate training, software and DBS costs +£0.034M
- Delayed start to new Council website resulting in subscription fees saving +£0.029M
- MVIC Rent - not yet tenanted therefore rental income not achievable (-£0.032M)
- Minor net savings within service +£0.064M

Note 5 Planning & Climate Change

- Net salary savings +£0.427M largely due to difficulties in recruiting and retaining staff, a small restructure is being explored to attract more applicants
- Reduced demand for pre-application advice particularly for the higher value, larger developments (-£0.055M)
- Planning Performance Agreement (PPA) J33 Auction Mart income +£0.056M
- Legal costs (-£0.064M) relating to formal and high court actions
- Building Control works in default income received +£0.032M

Note 6 Resources

- Net salary savings +£0.225M due to vacancies within Finance and ICT
- Internal Audit/Consultancy fees relating to external projects (-£0.122M)
- Software savings +£0.057M
- ICT data line connections and ICT support costs savings +£0.054M
- Net Housing Benefit Support saving (including overpayment recovery) +£0.027M
- Reduced court costs recovered from Council Tax/NNDR (-£0.033M)
- Increased shared service management fees for Revenues (-£0.031M)

Note 7 Sustainable Growth

- Net salary savings +£0.211M which includes 5 vacant Engineer posts
- Morecambe Market income (-£0.012M) down on last year with a higher number of vacant stalls and units. Additional security required which was part-funded by traders (-£0.044M). Marketing campaign to encourage new stall holders is ongoing.
- Revaluation of VAT classification, mainly at Morecambe Market resulting in 4 year VAT adjustments (-£0.224M)
- Rates review at Maritime Museum backdated 3 years resulting in +£0.024M credit
- Service wide savings on utilities +£0.061M largely due to credit notes received for prior years
- Off-street parking income including pay & display, permit and enforcement (-£0.057M) due to usage throughout the year plus the opening of externally provided car parks in Lancaster from early 2026 plus additional costs identified for cash collection (-£0.039M)
- Delays to projects and ongoing R&M responsibilities due to staffing shortages. Key areas identified include Christmas decorations upgrades and bridge repairs delayed also due to consultancy engagement, both are likely due to commence in 2026/27 +£0.065M

Note 8 Other Corporate Income & Expenditure Items

- The provision for staff turnover target (-£0.648M) is held within Corporate Services whilst the additional costs/savings generated are attributed to the individual service lines. The Council salary related position as a whole (including the additional pay award, agency and consultancy costs) was underspent by +£1.186M
- A reassessment of the bad debt provision +£0.440M largely due to commercial property lease changes
- Costs for works relating to oil spill incident February 2025 (-£0.046M) not received until this financial year
- Bank charges paid to Barclays and Natwest lower than forecasted +£0.049M
- Additional contribution to BRR reserve of (-£0.861M) to reflect increased collection fund income in 2025/26, however this will be required to offset a deficit in 2027/28 and reflected in future iterations of the budget
- Removal of significant contribution to general renewals reserve no longer required +£0.293M
- Additional Section 31 (new burdens) grants received in year +£0.029M
- No borrowing was required in 2025/26 largely due to significant levels of slippage on schemes in the capital programme plus large government grants that were not forecast leading to higher levels of cash balances +£0.386M
- Interest rates have remained higher than the 3.5% forecast in September 2024 due to inflationary pressures. Also cash balances have been higher than forecast largely due to slippage on schemes in the capital programme and large government grants held +£0.786M
- The Council's minimum revenue provision (MRP) is underspending against budget +£0.221M due to slippage on capital programme schemes during 2024/25
- Marginal gain in year on vehicle disposals which have been fully depreciated +£0.058M
- Unbudgeted allocation to Property Voids and Maintenance reserve (-£0.034M) in line with rents and service charges received in year
- Revenue contribution to capital schemes (mainly LAHF) met from revenue savings (-£0.147M)

Note 9 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.

	2025/26		Actual £000	Variance from Working Budget £000	Slippage to be requested £000
	Original Budget £000	Working Budget £000			
Contributions To Reserve					
Approved Contribution	820	820	820	-	-
Revenue Underspend	-	-	2,151	2,151	-
Contributions From Reserve					
Heysham Gateway		(598)	(551)	47	47
Local Plan including review	(207)	(369)	42	411	411
LERG Match Funding	(25)	(38)	(29)	9	9
Business Analyst Posts	(85)	(85)	(83)	2	-
Burrowbeck Solar PV	-	(3)	-	3	-
SALC Valve Replacement	-	-	(56)	(56)	-
Armed Forces Day Hostile Vehicle Mit	-	(25)	(20)	5	-
Love Clean Streets	-	(28)	(21)	7	-
WLD Fuel Tanks	-	(25)	-	25	25
Williamson Park Lighting	-	(30)	(30)	-	-
Williamson Park Café Demolition/temp solution	-	(160)	(260)	(100)	-
Williamson Park HPA feasibility	-	(10)	(13)	(3)	-
Penny Street Works	-	(35)	(15)	20	20
Car Parking ANPR	-	(32)	(27)	5	5
Car Parking Strategy feasibility	-	(57)	(7)	50	50
Civica Property Management	-	(7)	(7)	-	-
Microsoft Licenses	-	(24)	(20)	4	-
Cyber Security (Arctic Wolf)	-	(78)	(91)	(13)	-
Douglas Park	-	(31)	-	31	31
SALC Gravity Tower	-	(17)	(18)	(1)	-
Museum Review	-	(95)	(35)	60	60
Storey Equipment	-	(12)	(9)	3	-
Coopers Field	-	(50)	-	50	50
NET REVENUE EXPENDITURE	503	(989)	1,721	2,710	708

With regard to day to day income and expenditure, at the end of the financial year, the General Fund was underspent by £2.151M and this has been transferred to the General Fund unallocated reserve.

Where a scheme has not been fully delivered by 31 March 2026, slippage is requested. These amounts are included within the final column in the above table and will be formally requested to be carried forward through the provisional outturn Cabinet report.

Attention should be paid to the following areas where one-off expenditure items were funded from the General Fund unallocated reserve.

- A reserves request for valve replacements for SALC was agreed in July 2024. The works took place in August 2025 however slippage was not requested as part of the 2024/25 revenue closedown exercise to cover the costs
- The demolition of the café and provision of a temporary solution at Williamson Park costs exceeded the initial budgeted estimate, mainly due to unforeseen expenditure being required arising from operational complexities when delivering the programme of works
- The quotes received for Cyber Response were higher than the initial reserve request, however the cost for future years are now built into operational budgets

Housing Revenue Account

At the end of the financial year, the Council owned 3,564 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 £0.004M resulting in a net surplus for 2025/26 of £0.023M (2024/25 £0.054M surplus), which has been transferred to the HRA unallocated reserve.

	£000
Dwelling rents	(229)
Council tax on void properties	(160)
Repairs & Maintenance costs	(421)
Slippage on projects funded from reserves	392
Contribution to bad debts provision	89
Net pension variance re IAS19	233
Decreased use of Reserves	(534)
Net increase in Capital funded from Revenue	(500)
Loan principal funded from Major Repairs Reserve	1,041
Other minor variances	85
	(4)

As at 31 March 2026, the HRA's unallocated reserve balance stands at £0.827M, £0.077M above the minimum recommended level for 2025/26 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.

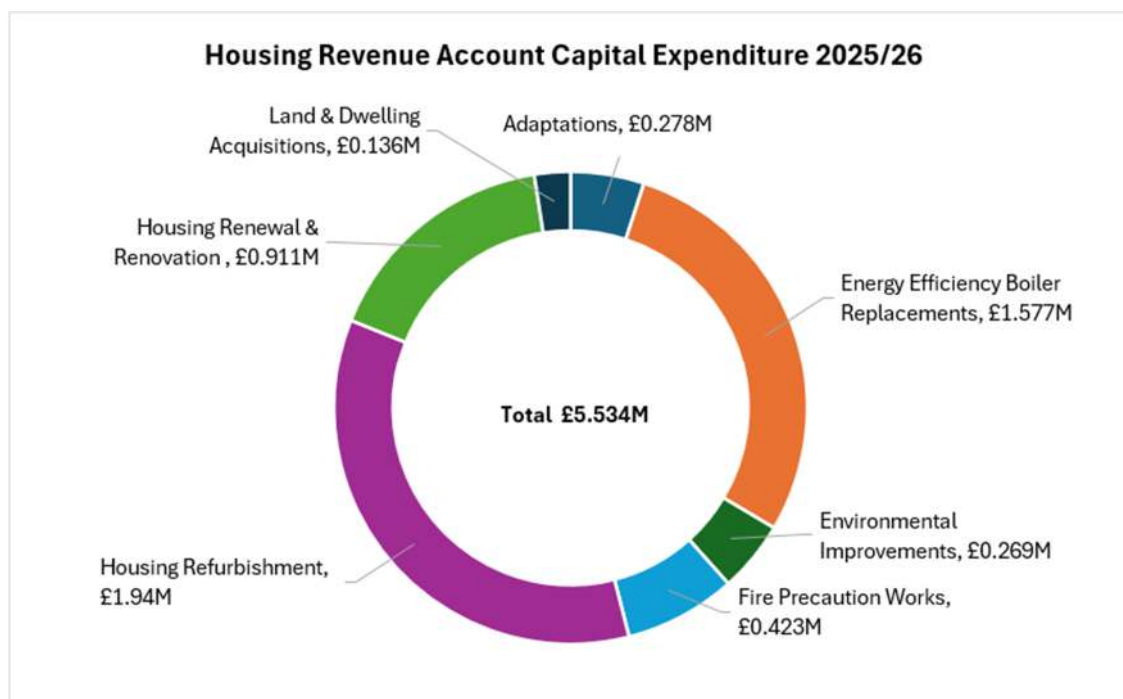
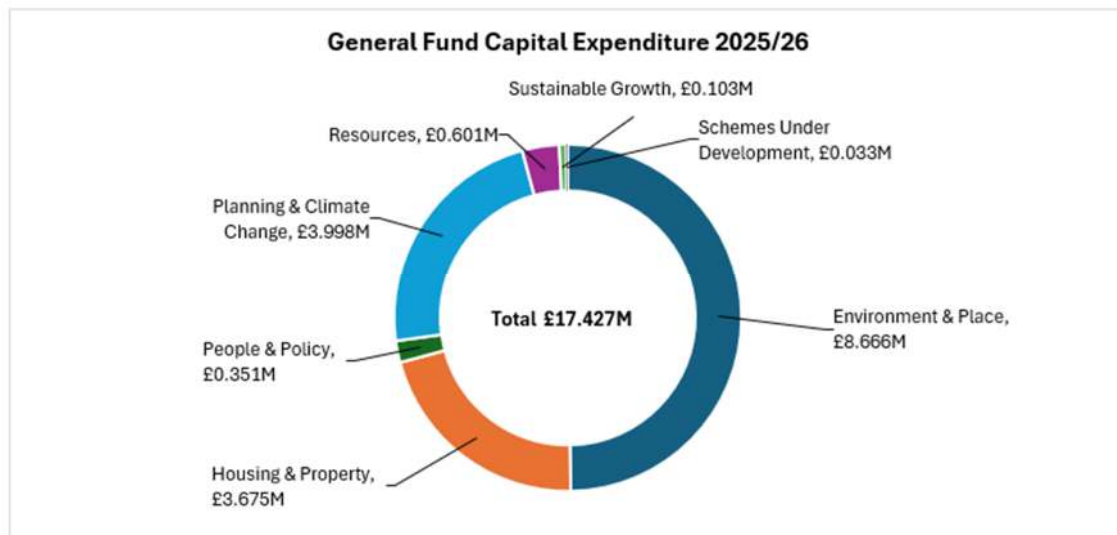
	Balance at 31 March 2025 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2026 £000
HRA Reserves:				
Unallocated Balances	804	-	23	827
Earmarked Reserves:				
Hsg Mgt System Replacement	722	(257)	-	465
Flats Planned Maintenance	283	(29)	-	254
Sheltered Housing Reserves	976	(46)	192	1,122
Business Support Reserve	389	(191)	-	198
Other Reserves £100K and under	-	-	-	-
Total	3,174	(523)	215	2,866

As the margin between the minimum recommended level and the outturn level of unallocated reserves is proportionately small, the financial health of the HRA will continue to be carefully monitored.

Capital Investment

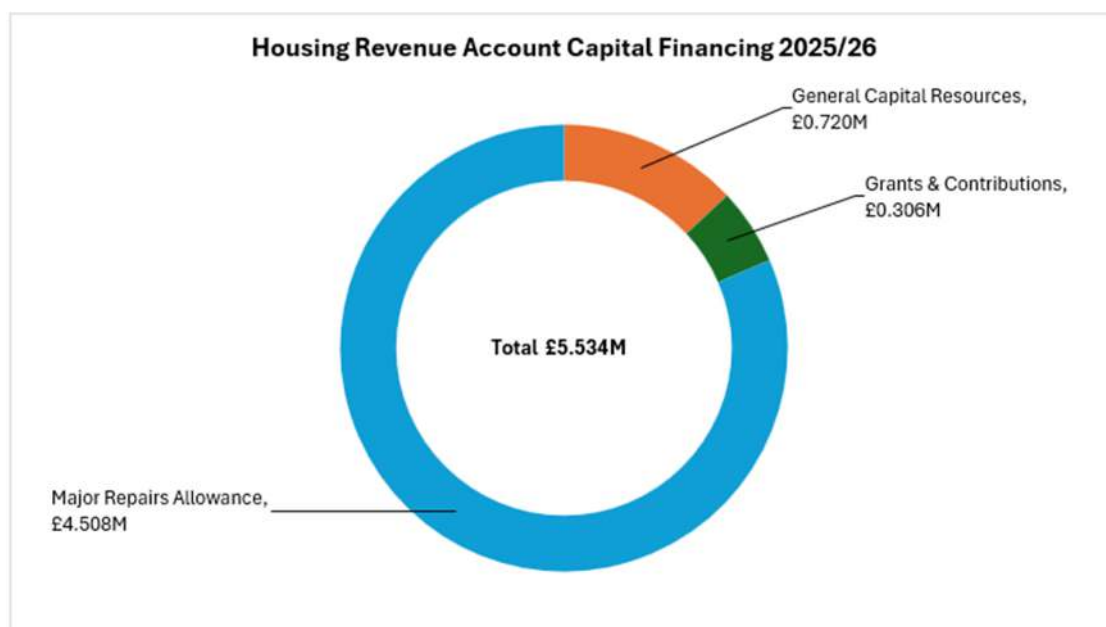
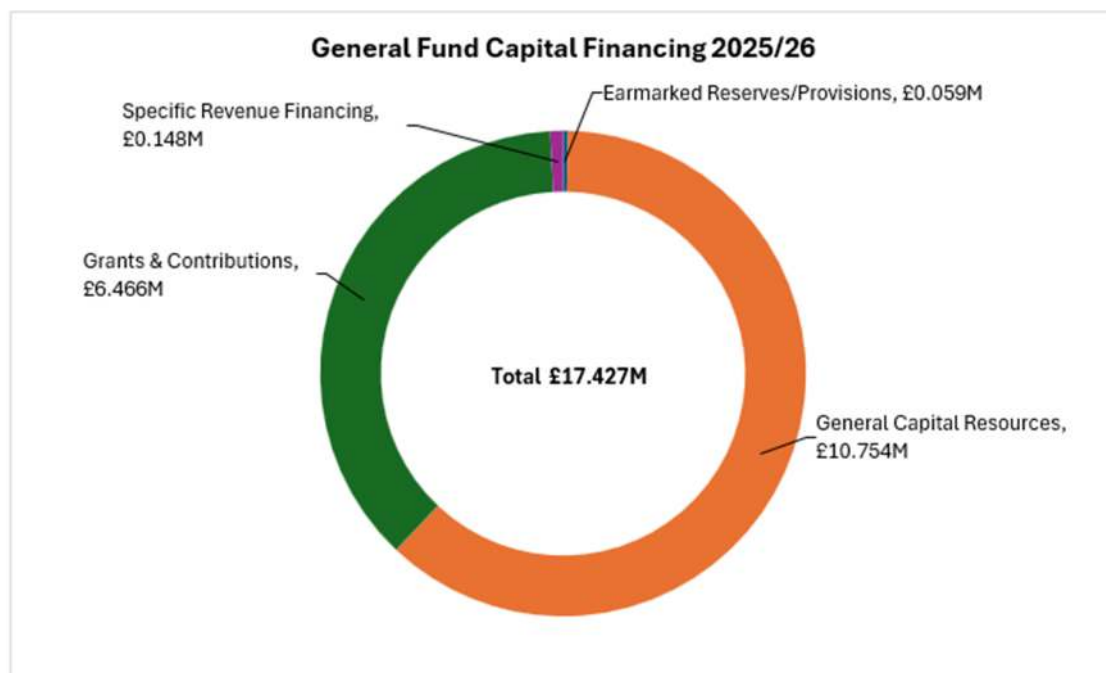
In 2025/26 the Council spent £22.961M in total on capital schemes (£15.220M 2024/25). Total spend on the General Fund was £17.427M against a budget estimate £28.667M, with the HRA spending being £5.534M against a budget estimate of £6.116M.

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:



Treasury Management

The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council on 26th February 2025. 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.

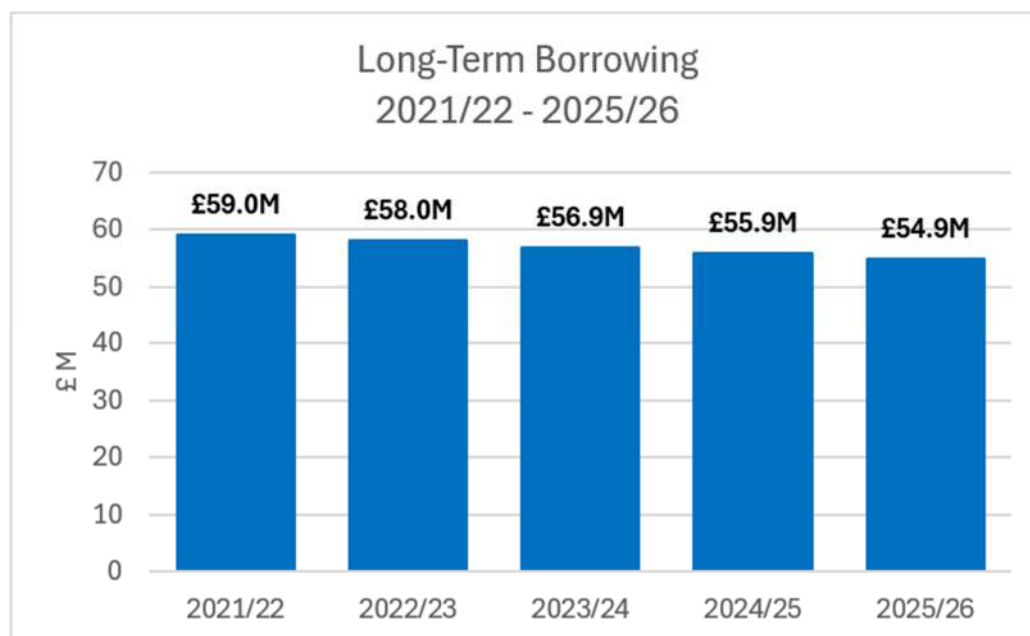
Investments

In 2025/26 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested increased to £32.13M (£26.82M 2024/25) with short term investments on 31 March 2026 (all held in the balance sheet as cash and cash equivalents) totalling £12.50M (£14.60M 2024/25). The overall return on investments was £1.316M at an average interest rate of 4.10% (£1.336M and 4.98% 2024/25).

Borrowing

The Council undertook no short-term borrowing in 2025/26 (£0M 2024/25).

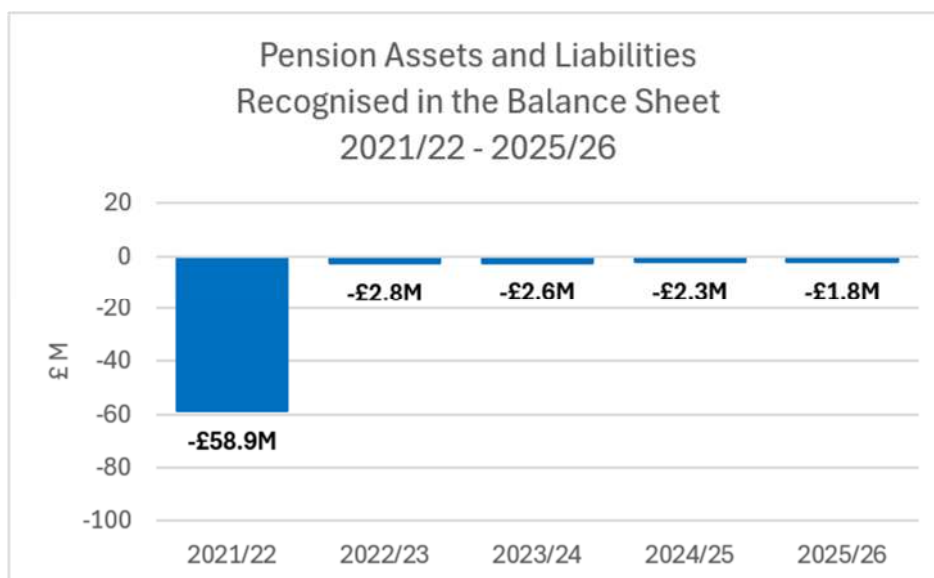
Total long-term debt at 31 March 2026 amounted to £54.85M (£55.89M 2024/25) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months. The table below provides historic analysis of the levels of long-term borrowing.



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 £104.858M (£97.854M 2025/26), an increase of £7.004M. The amount of MRP charged in 2025/26 totalled £3.744M (GF £2.703M HRA £1.041M (£3.953M 2024/25)).

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 2025 however the impact of this valuation will not take effect until 1 April 2026 so therefore the previous full valuation in 2022 has been used in compiling these accounts. 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 decreased by £2.4M from a surplus position of £71.4M in 2024/25 to a surplus of £69.0M this year. However, the impact of the asset ceiling results in a deficit of £2.3M in 2024/25 and £1.8M in 2025/26.



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 2025/26 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 £105.497M (£99.506M 2024/25) and Business Rates £73.126M (£69.994M 2024/25)) 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 2025/26 Council Tax was increased by 2.99%, the maximum amount allowable by the Government to £264.30, for a Band D equivalent property.

On 31 March 2025 there was an in-year deficit of £2.988M (surplus £1.560M 2024/25) in relation to Council Tax. This represents the actual tax base being lower than estimated. As the Council's share of is

approximately 12.65% of any liability this would mean a potential debit of £0.378M against the 2026/27 revenue budget relating to movements in 2025/26.

Business Rates

The Council also benefited from £4.056M (£4.056M for 2024/25) 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 and with the new valuation listing from 1 April 2026, further challenges are expected. The increase in provision of £3.520M is calculated using both analysis of historical data and external professional advice with the Councils “share” of the increase amounting to £1.408M.

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 have continued to benefit from the protection of the current Safety Net arrangements put in place by the Government.

New Government changes are effective from 1 April 2026 with regard to increasing the number of multipliers and introduction of new thresholds. Business rates baselines have also been reset (incorporating growth) and the government have offered 100% protection on the baseline funding level in 2026/27. This has allowed for more certainty in calculating the proportion of rates due to the Council.

Collection Rates

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

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax	95.9%	94.6%	94.1%	95.0%	94.4%	94.2%	93.9%
Business Rates	98.9%	97.2%	98.3%	98.0%	98.4%	98.9%	98.5%

POLITICAL STRUCTURE IN 2025/26

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
Green	23
Labour	20
Liberal Democrat	7
Conservative	5
Morecambe Bay Independents	3
Non-aligned Independent Member	3
Total	61

Councillor 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 she is responsible for appointing Cabinet Members for various portfolios and the delegation of executive functions.

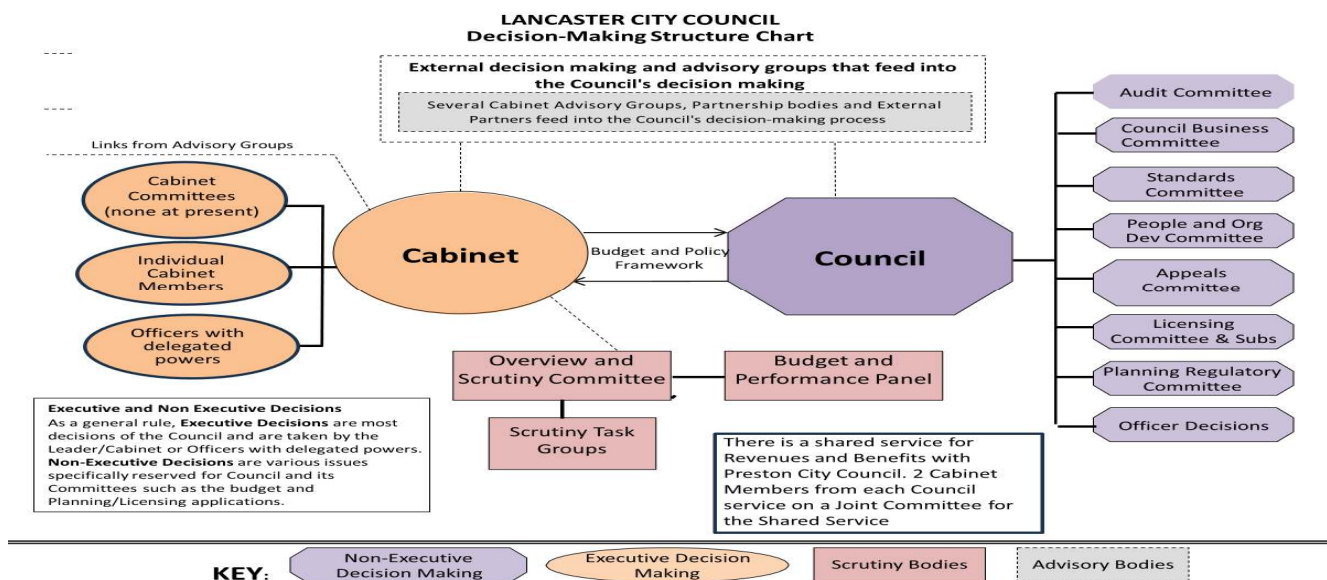
All Councillors undertake mandatory induction training as a feature of the Councils' approach to governance. Mandatory induction training includes:

- 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

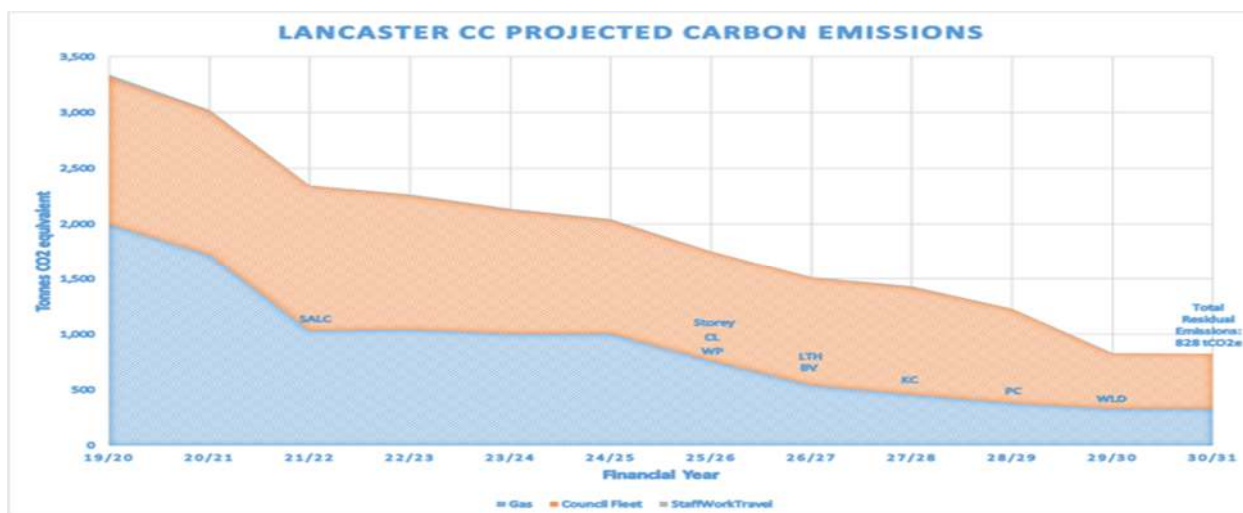
Risk management is a key element of the council's Governance Framework. Effective and efficient risk management is critical to the success of the Council. Our framework draws on best practice from the institute of risk management (IRM) and HMT Orange Book: Management of Risk, Principles and Concepts. 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. These risks are then shared with Audit Committee, Budget and Performance Panel and Cabinet.

STRATEGIC AND TRANSFORMATIONAL INITIATIVES

The Council is also engaged in several 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 fully eliminate energy associated CO₂e emissions by 2030. This leaves inseting 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 (LUF). 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 with delivery of the whole master plan taking around 10 years.

Local Government Reorganisation

At the end of 2024, the government published its White Paper on English Devolution. The White Paper included significant proposals in relation to devolution and local government reorganisation. On 5 February 2025, the government sent a letter to all areas of England with two-tier local government to issue an invitation for proposals for reorganisation. That letter set out the anticipated timescales for proposals to be developed, with full proposals for Lancashire by 28 November 2025.

The 15 Lancashire Councils worked together to produce a response to the government's proposal and five options were, ranging from two to five unitary Councils. These are summarised below:

- a. Two unitary councils with Lancashire split into North and South regions broadly across the River Ribble and M65.
- b. Three unitary councils bringing Chorley together with South Ribble, West Lancs and Preston. In the North a council covering the area of Fylde, Wyre, Blackpool and Lancaster. In the east Blackburn with Darwen together with Hyndburn, Rossendale, Burnley, Pendle and Ribble Valley. This was developed by Wyre, Blackburn with Darwen, Hyndburn, Fylde, and Rossendale.
- c. Four Lancashire which groups Chorley with South Ribble and West Lancs and creates a fourth unitary council of Lancaster, Ribble Valley, and Preston in the North.
- d. An alternate four option was developed by Blackpool and splits the current districts of Wyre and Ribble Valley and brings Blackpool together with Preston.
- e. A five unitary option, developed by Burnley and Pendle, which creates an additional Council in the East of the county, splitting Pendle, Burnley and Rossendale from Ribble Valley, Blackpool and Hyndburn. This also divides districts along the Fylde coast into different authority areas.

Following the recommendation of Council, at its meeting 26 November 2025 Cabinet formally agreed Lancaster City Council's preferred case for change as option C.

[Agenda for Cabinet on Wednesday, 26th November 2025, 7.00 p.m. - Lancaster City Council](#)

Option C creates a unitary Council of Lancaster, Ribble Valley, and Preston in the North and is the most

widely supported of all options having been developed by six councils; Chorley, South Ribble, West Lancs, Preston, Ribble Valley, and Lancaster.

To facilitate the reorganisation Lancashire Chief Executives agreed the creation of a Lancashire Local Government Reorganisation Transition Fund based on following principles:

- An initial agreed total sum of £30M
- A split of 75% to Unitary Councils and 25% to District Councils meaning:
- £22.5M Unitary Contribution
- £7.5M District Contribution

Further to this the allocation options for the districts share has been agreed as based on Tax Base levels. This means that the contribution level for Lancaster is to be £0.831M and is funded from the general fund unallocated reserve.

During the time from now until vesting day, further transitional costs falling upon the council will occur and these will need to be managed from within either the existing budget framework, the use of non-ringfenced reserves or by utilising capital receipts under the 'flexible use of capital receipts' policy where transformation can be demonstrated.

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 2026 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 annual net cost base by up to £2.320M by 2030/31 if the Council is to remain sustainable in the medium term.

The tables below outline the forecast budgetary position for 2026/27 to 2030/31 in line with the MTFS presented to Council 25th February 2026.

	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M
Net Revenue Budget	27.833	30.391	30.327	32.271	32.342
Budget Gap (Incremental)	0.000	1.481	0.887	2.320	1.855
% of Net Revenue Budget (Incremental)	0%	5%	3%	7%	6%
Budget Gap (Cumulative)	0.000	1.481	2.368	4.688	6.543
% of Net Revenue Budget (Cumulative)	0%	5%	8%	15%	20%



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.

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Unallocated Reserve	(10.338)	(9.806)	(9.741)	(9.710)	(9.710)	(9.710)
Other Non-Ring Fenced Reserves	(2.634)	(1.325)	(1.362)	(1.398)	(1.435)	(1.471)
Business Rates Retention Reserve	(12.790)	(12.097)	(12.097)	(12.097)	(12.097)	(12.097)
Renewals Reserve	(2.117)	(2.249)	(2.325)	(2.461)	(2.592)	(2.716)
Forecast Cumulative Deficit Funded From Reserves	+0.000	+0.000	+1.481	+2.368	+4.688	+6.543
Projected Balance as at 31 March 2026-31	(27.879)	(25.477)	(24.044)	(23.298)	(21.146)	(19.451)
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
Available Balances	(22.879)	(20.477)	(19.044)	(18.298)	(16.146)	(14.451)

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 were approved by the Council's Audit Committee 18 March 2026. The CIPFA/LASAAC Code has been updated following HM Treasury's Thematic Review of Non-Investment Assets. The principal changes introduce a revaluation expedient for property, plant and equipment, requiring valuations at least every five years, on a rolling basis and adjusted by the application of an appropriate index in the years that an asset is not subject to valuation. The changes are reflected in Accounting Policy 1.18 Property Plant & Equipment and Note 16 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 £43.654M (£36.379M 2024/25).

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 2025/26 budget. The deficit on the provision of services totalled £16.109M (£8.658M deficit 2024/25).

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 £265.868M (£283.963M 2024/25)

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 a decrease in cash and cash equivalents to £13.418M (£16.711M 2024/25).

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.

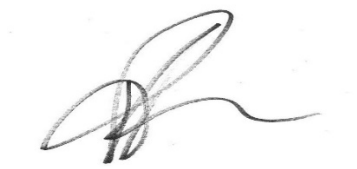
In May 2021, the Council formed two Local Authority Trading Companies, More Homes For The Bay (Investments) and More Homes For The Bay (Developments). The companies are currently not trading and do not hold any assets and as such, there are no Group Accounts included in the Statement.

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 1PJ. 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.

A handwritten signature in black ink, appearing to be 'Paul Thompson', with a stylized, flowing script.

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

Annual Governance Statement

2025/2026

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 (AGS) reporting on the review with the Statement of Accounts.

EXECUTIVE SUMMARY

During 2025/26 the Council maintained effective governance arrangements that are fit for purpose and compliant with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) and its May 2025 addendum. The Council has continued to operate within a clear and well-established governance framework, underpinned by its Code of Corporate Governance, robust decision-making processes, effective scrutiny, and defined statutory officer roles. Strong arrangements remain in place for openness, ethical standards, risk management, performance monitoring, internal control and financial oversight, supported by internal audit assurance and active oversight from the Audit Committee.

The review of effectiveness confirms that the Council has generally sound systems of internal control and governance, with good progress made in areas identified in previous Annual Governance Statements. Notable improvements during the year include strengthened risk management arrangements, refreshed procurement processes to meet the requirements of the Procurement Act 2023, and further reductions in the use and spend of procurement cards. The Council continues to demonstrate a strong culture of transparency, stakeholder engagement and accountability, including compliance with statutory reporting requirements, effective complaints handling, and preparation for increased regulatory oversight within council housing.

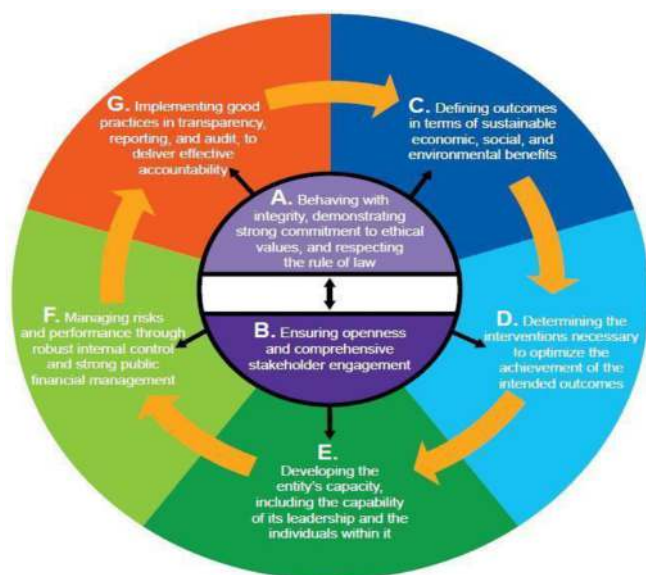
There are still a number of significant governance challenges that will require continued focus. Chief among these are the ongoing financial sustainability pressures, particularly within the General Fund and Housing Revenue Account, and the need to fully address outstanding Information Governance improvements following earlier limited audit assurance and the External Auditor's concerns around the Mainway Regeneration Project Strategy. The Council is also preparing for the implications of local government reorganisation and evolving regulatory frameworks. Action plans are in place to address these risks and challenges, with progress monitored by Senior Leadership and the Audit Committee, ensuring continued improvement and resilience of the Council's governance arrangements.

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)

and addendum (May 2025). 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

<u>The Council, Cabinet and Leader</u> • Provide leadership, develop strategy, and set policy • Engage with and support the Council's communities and neighbourhoods to thrive and succeed	<u>Scrutiny and Review</u> • 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
<u>Decision Making</u> • Meetings are held in public • Agendas, minutes and decisions are recorded on the Council's website	<u>Risk Management</u> • Risk management strategy ensures proper management of risks • Risk registers identify both strategic and operational risk
<u>Paid Service and Statutory Officers</u> • 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 2025/26.

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 Complaints Policy which adheres to both the Housing Ombudsman and Local Government and Social Care Ombudsman. This was formally reviewed by the Housing Ombudsman in December 2025 / January 2026 and confirmed as compliant against requirements. • The Complaints Policy and associated Complaints self-assessments for both the Housing Ombudsman and the Local Government and Social Care Ombudsman are on our website. Our self-assessments and annual reports are reported annually (most recently in September 2025) to Cabinet for a publishable Cabinet statement in line with Ombudsman requirements. • Council and Committee minutes show any declarations made at meetings are viewable on each Councillors' 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 against the Regulator of Social Housing's Consumer Standards. This has been presented to the established Council Housing Advisory Group, and reviewed by internal audit receiving a substantial rating. In January 2026 – the Council was notified of the planned inspection from the Regulator of Social Housing which will take place in April 2026 and result in a publishable 'Consumer Standard' rating against the Council. • 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. Given Local Government Re-Organisation in Lancashire the Council commenced a refresh of the Council Plan for 2026-2028 to coincide with the creation of the new unitary authority this was adopted by Full Council on 22 April 2026.. • 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. The Council's Transparency Code/Publication Scheme Policy has been reviewed and updated in April 2026. • 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 and Cabinet 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 ARC GIS Survey 123. The system is an easy and secure way for the public to participate in projects (https://keepconnected.lancaster.gov.uk/your-community-ideas) • 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 2025-26 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 with a final report being published on our website, and the Tenant Scrutiny Group is now reviewing our approach to void properties. Council Housing also have agreed Tenant Voice Strategy 2024-2027 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 has a bi-monthly stakeholders meetings with stakeholders through homeless advisory group/homelessness forum. • Housing Standards holds a Landlords Forum for private landlords to understand more about the work of the team, where they can get support and updates on new legislation. This is generally held twice a year.

	• 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 regards to co design and management of public open spaces • The Council's local planning authority held a series of engagement events with statutory consultees, parish councils, local interest groups and residents during the Climate Emergency Review of the Local Plan. There will be similar engagement and evidence gathering during the process of preparing the new Local Plan, although the consultation windows will be defined by new, national (statutory) processes. T • 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, the Media and Social Media Guidelines, and corporate identity policy. • The Council complies with publication dates for reports and the 'forthcoming key 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 completed a comprehensive review and update of its procurement processes and procedures to ensure full compliance with the Procurement Act 2023 and the Procurement Regulations 2024. It has up-to-date robust systems and processes in place to meet its obligations under existing procurement legislation, alongside the revised procedures and enhanced transparency requirements introduced by the new regime, including use of the Government's Central Digital Platform. The Council also continues to ensure that social value is embedded and delivered through the use of the Social Value Portal for appropriate contracts. • 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.
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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 adopted its current Local Plan in July 2020, and the policies contained therein continue to guide development decisions (planning applications) throughout the district. • The Council partially reviewed the adopted 2020 Local Plan by virtue of its Climate Emergency Local Plan Review (CELPR). This sought to strengthen local planning policies regarding climate mitigation and adaptation. Following formal Examination by the Government's Planning Inspectorate, the CELPR was found soundly prepared, and the Plan was formally adopted in January 2025. • The Council is preparing a new Local Plan. Significant evidence building and pre-formal stage work has been continuing. The publication of the new Local Plan Regulations (effective 25 March 2026) provides new guidance for all local planning authorities, including regarding the timetabling of new Local Plans. As a consequence, a revised Local Plan Timetable will be presented to cabinet shortly. • Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers. • Since the declaration of a climate emergency in January 2019, the Council has developed several workstreams aimed at ensuring that its' own activities have a net zero carbon impact by 2030. Progress regarding these workstreams was reported to Cabinet in December 2025 (Our Journey to Net Zero: Delivering Energy Self-Sufficiency). 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.
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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 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. The KPIs are currently been reviewed and will be operational in 2026/27. • 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
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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 Local Councils 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's 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, Lancaster 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 • 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, an Employee Assistance Programme, discounted gym membership, the Cycle to Work Scheme, Inclusive Staff Networks, Mental Health First Aiders and Money First Aiders • An established annual conversation framework • 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.
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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. It was further refreshed in November 2025 to include further advice on the risk escalation process and show the updated risk matrix, which has moved from a 4x4 to 5x5 grid to provide greater differentiation for the most serious risks.
- All services have Information asset registers and privacy notices are now in place for 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 2025 by CIPFA which confirms MIAA's full compliance with the Global 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. Council Housing also has an adopted Tenancy Fraud Policy.
- 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 2025
- 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 and 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 and the Data Use and Access Act 2025 (DUAA). Progress is being made on a the 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 October 2025. • 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 • A register of interest is being established for officers holding procurement cards.
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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 Global 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 (PSIAs) the Head of Audit & Assurance developed a risk based Internal Audit Plan (2025/2026). This was approved by Audit Committee 19nd March 2025. • 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, last updated in 2025, is due to be reconsidered at Audit Committee in May 2026. • 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.
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	• 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. • Key performance information in relation to Council Housing is published on our website and details of how Council Housing rental income is used is published in our annual report (published on our website).
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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

RAG	Description	Number of Financial Management Standards					Movement
		21/22	22/23	23/24	24/25	25/26	
GREEN	Compliance is being demonstrated.	7	8	11	12	13	+1
AMBER	Minor to Moderate improvements are required to demonstrate full compliance.	8	9	6	5	4	-1
RED	Moderate to Significant improvements are required to demonstrate full compliance.	2	0	0	0	0	0
Total		17	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)
Long to Medium Term Financial Management	Further work will be required as part of the 2027/28 budget setting process to address the significant forecast deficits and minimise the use of reserves, in both the General Fund and HRA	Chief Finance Officer	Long to Medium Term Financial Management

	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 be reflect how the services and the Council will be financially sustainable		
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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 Head of Internal Audit Opinion. In this report, the Internal Audit Service gives an opinion on the Council's internal control, risk management and governance framework.

The overall opinion for the period 1st April 2025 to 31st March 2026 provides Moderate Assurance, that that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.

This opinion is provided in the context that the Council like other organisations across the public sector is continuing to face a number of challenging issues and wider organisational factors particularly with regards to the proposed changes to national and local bodies and the corresponding uncertainty this causes, ongoing financial challenges and increasing collaboration across organisations and systems.

In considering the overall opinion the Council has strengthened its internal control framework and in doing so has moved from Limited Assurance in 2024/25 to Moderate Assurance in 2025/26. In particular, the council have put in a place a number of measures following the 2024/25 Procurement Card, No Assurance review to address the control weaknesses identified and is continuing to focus upon the remaining areas. The Council has directed Internal Audit into known risk areas, thereby effectively utilising internal audit resource. Moving forward, the Council is committed to strengthening of its control framework with a continuing focus on action plans.

Across the reviews completed in the year it has been noted, whilst improvements are being made, some controls are still not always operating effectively, with the Council facing resourcing challenges, which is a theme across the Local Government sector.

External Audit Assurance

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 were delayed for several years. 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 to the statutory work of the Council around budget production, setting of Council Tax etc. Regrettably we did not achieve the deadline for the reasons set out below.

The table below shows the progress against Department for Levelling Up, Housing & Communities backstop deadlines

Financial Years Statements	Audit Deadline	Status/ Opinion Date
All years up to and including 2022/23	13 December 2024	Achieved/ 12 th December 2024
2023/24	28 February 2025	Missed/ 18 th March 2026
2024/25	27 February 2026	Missed/ 11 th May 2026
2025/26	31 January 2027	
2026/27	30 November 2027	
2027/28	30 November 2028	

Value for Money is assessed as part of the external audit process with both KPMG's 2023/24 & 2024/25 Annual Audit Report highlighting significant VfM weakness.

KPMG Commentary

HRA Sustainability and Mainway Estate Regeneration

There is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives.

Management Response

The HRA's level of unallocated reserves has increased to £0.803M which exceeds the stated £0.750M minimum and so does provide a degree of resilience. In addition, these factors have been modelled into the HRA's 30-year business plan which show a stabilising of reserve levels over the short and medium term.

Despite several challenges key milestones have been achieved and governance processes strengthened through cross-council meetings, quarterly reporting, and a Cross-Party Board. The Pre Market Engagement (PME) exercise has concluded which will help inform the Councils' direction as it remains committed to balancing financial resilience with strategic regeneration priorities.

KPMG Commentary

Compliance with statutory financial reporting deadlines

Although the Council met the publication deadline for its 2024/25 draft accounts, the 2023/24 audit was not completed by the statutory backstop date of February 2025. This delay compressed the timetable for the 2024/25 audit, restricts the ability to progress work in a timely manner, and demonstrates that the Council has not yet restored a stable cycle of on-time audit completion.

Management Response

The Council acknowledges that the statutory backstop deadlines were not met but does not agree that this reflects a failure in timely financial reporting. The Council complied with its statutory requirements for the preparation and publication of the financial statements, as well as for budget setting and Council Tax

determination. Audit progress was adversely affected by delays in responses from the External Auditors to several queries, including significant issues around the HRA, VfM approach and the on-going objections affecting both the 2023/24 and 2024/25 accounts that have remained unresolved for over 12 months despite repeated follow up. An Audit Committee meeting was convened on 18 February 2026 to support delivery of the February backstop deadline. All requested information was provided; however, the External Auditors were unable to complete their work, and the meeting was cancelled at their request.

Outstanding Objections and Audit Certificates

The Council has been subject to several longstanding objections to the Council's Financial Statements, which has had a considerable impact on both the Audit Opinions and Certification.

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. The audit certificate formally concluding the outstanding 2020/21 to 2022/23 audits was issued 3rd July 2025.

2023/24 to 2024/25

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 and 2024/25 audits.

A review of key performance indicators

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2025/26 is set out in the table below:-

Indicator	Performance in 2025/26
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)	25 incidents were reported to the DPO in 2025/26.
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of 25 reported to the DPO, one (1) was reported to the ICO. The ICO found that we had provided the information requested and so had no action points for us to consider.
Outcomes from Standards Committee or Monitoring Officer investigations	Sixteen(16) breaches of the code of conduct were reported to the Monitoring Officer. Thirteen (13) matters were either discontinued on screening and finding of no breach by the Monitoring Officer or resolved by local resolution by the Monitoring Officer. Three (3) matters are still under investigation.
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 2025/26. Allegations of fraud have been made and are still under investigation in accordance with the Council's policies.
Local Government Ombudsman (LGO) referrals upheld	14 referrals have been made to the LGO in 2025/26. Eleven of these have had confirmation that the LGO will not investigate, and three are

	currently being considered in the evidence gathering stage.
Housing Ombudsman (HO) referrals upheld	Five referrals to the Housing Ombudsman were made in 2025/26. One will not be investigated. Two are currently still within the Council's own complaints procedure and therefore not currently being reviewed by the Housing Ombudsman. Two others are currently under review by the Housing Ombudsman and we are awaiting further confirmation as to whether any action will be necessary. One referral from 2022/23 has been determined this year and upheld with a finding of maladministration. 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 was identified as governance issues in 2019/20 and commented on during previous Governance reviews. Further commentary on the progress to address these is provided below.

Significant Governance Issues

HRA Reserve and the Mainway Estate Regeneration Project

The Council's External Auditors have identified that "...there is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives".

The decline in the HRA and the issues around the Mainway Estate regeneration project strategy are acknowledged and these matters are being addressed.

Across the country, many HRA Councils find themselves in a precarious financial position, struggling to maintain existing homes, alongside meeting the huge new demands to improve homes and the services provided to residents under new government, regulator and ombudsman requirements with no additional funding available. Ongoing work has taken place through 2025/26 so that through the budget setting process following consultation with technical experts and external audit, utilisation of the Major Repairs Reserve to fund the HRA self-financing loan principal repayment has occurred and built into future provisions, reducing pressure on unallocated balances. Furthermore, the s151 Officer has exercised discretion in varying the adjustment factor for depreciation based on an existing use value – social housing at 35% of market value instead of 40% previously used. As such, current future projections seek to protect and rebuild reserves as currently forecast and seek to provide a degree of resilience in the short-term.

In relation to the Mainway Estate regeneration, project governance processes have strengthened significantly over the past 18 months, including cross-council meetings, quarterly reporting and a Cross-Party Board. Business Cases are due for formal adoption in June 2026, which will provide Cabinet with a range of options to consider to bring forward new housing, which has been supported through a Pre-Market Engagement (PME) exercise at the end of 2025.

Information Governance

The Council's Information Governance (IG) Team continues to work on compliance with the General Data Protection Regulations which came into force on the 25 May 2018 and the Data Use and Access Act 2025 of which the remaining provisions come into force in mid-2026. 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 was 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".

Whilst most recommendations have been implemented, there are still 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. There are now only four processes that require further update, consent basis being the most pertinent. A schedule of reminders has been implemented to ensure that perpetual works, such as information asset registers and retention schedules, are regularly reviewed and updated by services.

The Information Governance Framework has been reviewed and updated in October 2025 confirming the roles and responsibilities of all staff, the working groups in place to support Information Governance (IG) and Cyber Security work; and confirmation of the updated policies which sit inside the framework to protect the council's information.

All policies and procedures inside the framework are up to date and the publication scheme is being reviewed and improved in 2026.

IG continued to work on the formulated 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 (areas for improvement and action plan)

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 in March 2025. Three actions remain outstanding and are underway, or there is a plan for when the actions will start. The outstanding actions and their timescales are:

- 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 from 2026/2027. 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 24/25. All agreed actions have been completed bar one which has resulted in a consultancy study which is underway and due for completion by May 2026.
- 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 back to Audit Committee throughout the year

It is recognised that there are issues with contract management around storage of contracts, management of contracts and oversight of KPIs. An action plan will be created to address these issues.

The Audit Committee will be provided with regular progress updates.

Significant Challenges for 2025/26 and Beyond

Purchasing

The use of procurement cards for purchasing has been 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 between the financial periods 2023/24 to 2025/26 by 50% (from 140 to 70 cards). Further training has been given to cardholders and authorisers. Spot checks on officer spending have been put in place with appropriate investigation and advice undertaken if issues are found.

The number of procurement cards, the level of authorised spend and category of spend have been reviewed. Levels of authorised spend and category of spends have been amended following review.

The number of purchases via purchasing card has been reduced by 31% between financial periods 2024/25 and 2025/26 as the Council moves away from frequent use of procurement cards. Spending on purchase cards has also reduced by 51% between the financial period 2024/25 to 2025/26.

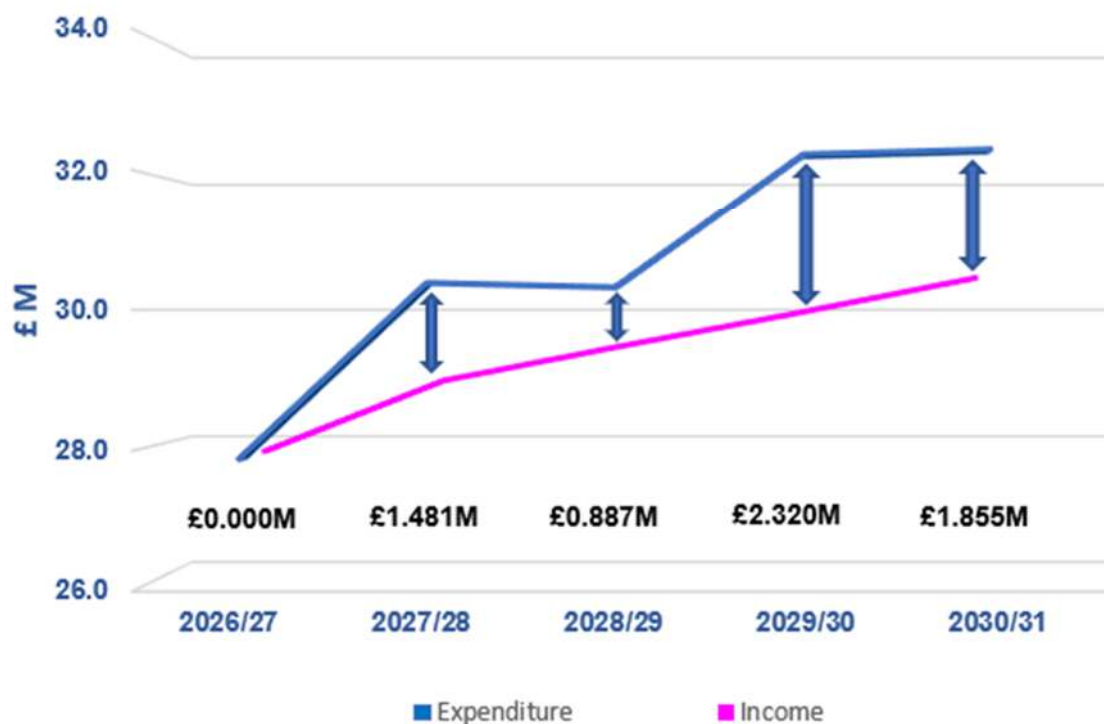
Following an update to the Council's financial systems, officers are now able to amend its manual and guidance material for procurement cards. Work on updating officer guidance and manual resource is currently underway.

A wider review of the Council's spending with a view to procuring preferred suppliers for goods and services is currently underway. This is 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 with 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

	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Net Revenue Budget	27.833	30.391	30.327	32.271	32.342
Budget Gap (Incremental)	0.000	1.481	0.887	2.320	1.855
% of Net Revenue Budget (Incremental)	0%	5%	3%	7%	6%
Budget Gap (Cumulative)	0.000	1.481	2.368	4.688	6.543
% of Net Revenue Budget (Cumulative)	0%	5%	8%	15%	20%

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 2027/28 and beyond and in realising financial sustainability.

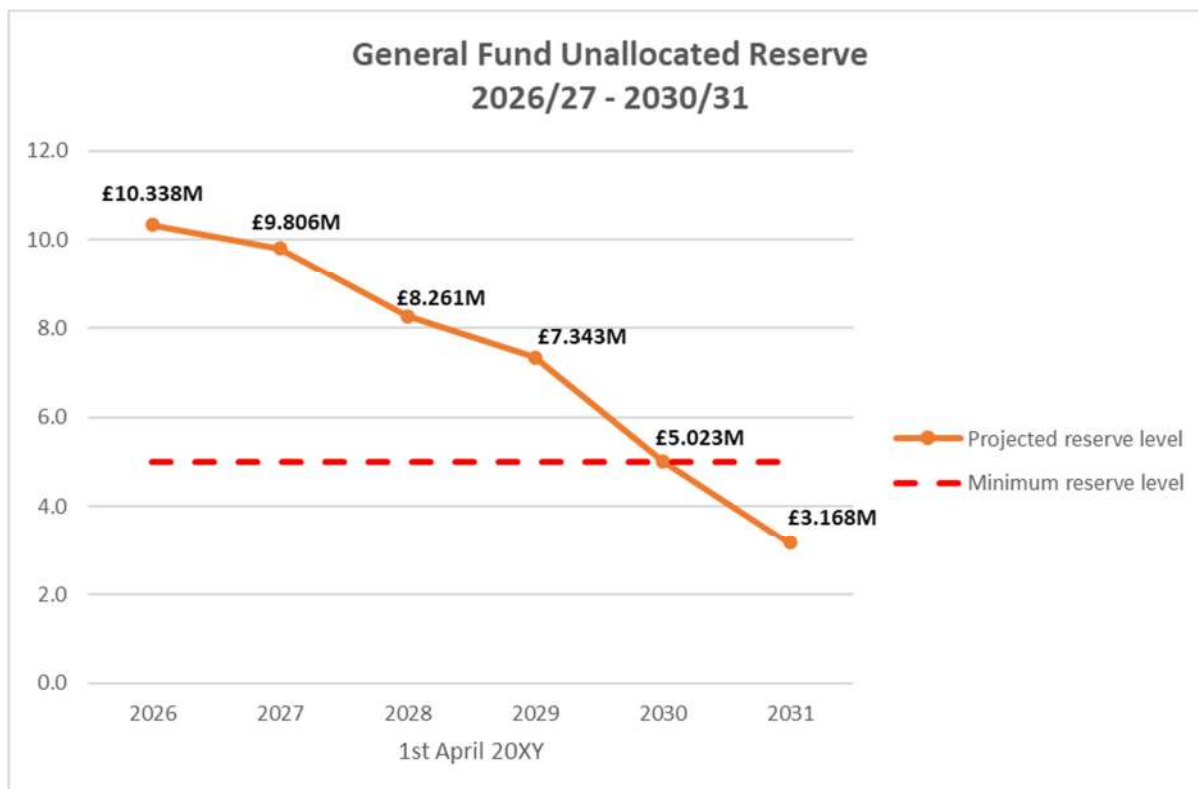
Reserves & Balances

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.

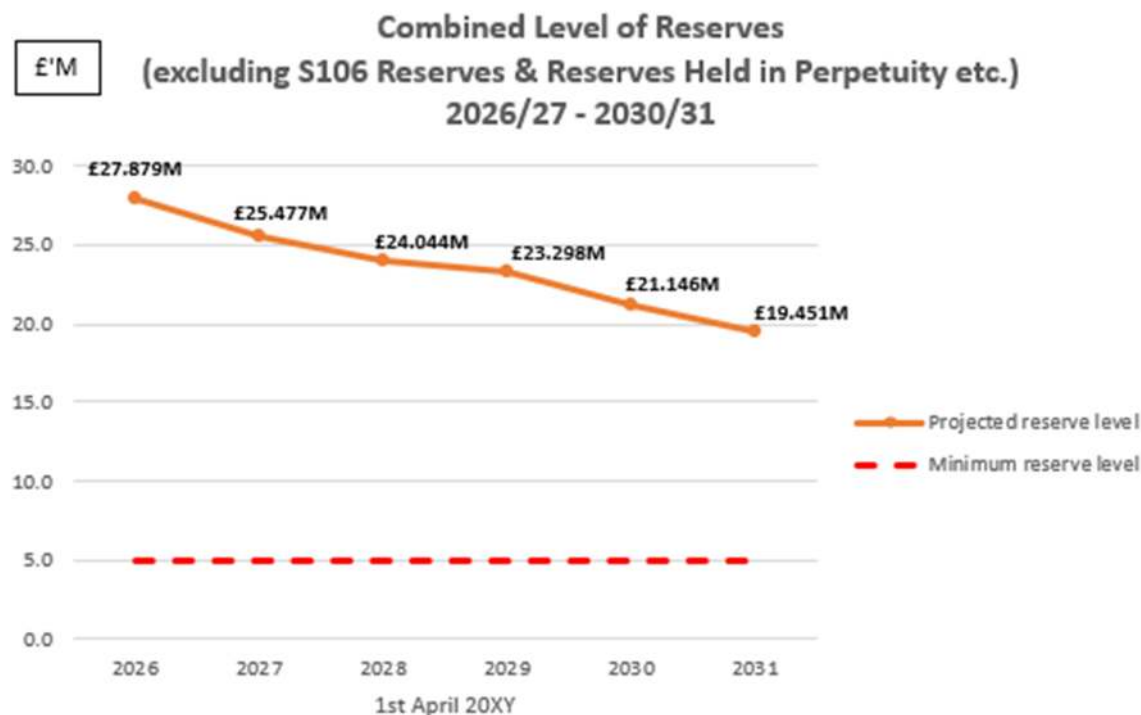
In accordance with the s151 Officers' advice, the minimum level of General Fund unallocated reserve is £5M and £0.750M for the HRA.

The graph and 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, and 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 is:

- 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 has placed significant financial stress on the

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Council's Housing Revenue Account (HRA). As a result, the level of reserves within the HRA 30 Business Plan has kept broadly in line with the s151 Officer recommended minimum levels and is expected to do so for the next three financial years, 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 have now moved from a 4x4 to a 5x5 (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 was re-visited, and approved by Cabinet in October 2025.

All the recommendations from the 2023/24 and 2024/25 audits have now been completed. There are no mandatory actions from the 2025/26 audit, which assessed the council's risk maturity.

As already set out above, progress has been made with regards to minor governance issues raised in previous AGS. The Council policies are all up-to-date or currently in the process of being brought up-to-date. Systems have been put in place to track policy review and to ensure that policies stay current and up-to-date, although further work is still required.

There has also been significant improvement around purchasing with a large reduction in the use of procurement cards and spend, a significant reduction in the number of cards and greater control and scrutiny on spending.

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 work 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) and Procurement Regulations 2024. 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. The Council's procurement strategy has been amended strengthening the Authority's procurement framework and bringing it in line with the evolving requirements of the Procurement Act. The new strategy helps capture the shift to 'most advantageous tender' award basis. The Council is also seeking to introduce a Social Value Policy to embed the Act's stronger focus on measurable outcomes and early-stage consideration of social, economic and environmental benefits in its procurements.

Council housing produces an annual self-assessment for Regulator of Social Housing Consumer Standards. This is presented to the Council Housing Advisory Group. In 2025/26 our approach against the Consumer Standards was reviewed by internal audit and received a substantial rating. In January 2026 the Council was notified that the Regulator of Social Housing would undertake a planned inspection in April 2026 – this will provide the Council with a publishable rating against the standards it should be meeting in the delivery of our Council Housing service.

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 2025/26 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: 01/06/2026

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 2026 and the income and expenditure for the year then ended.



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

Date: 30 June 2026

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 James Sommerville

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.

2025/26	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 31/03/2025	10,027	18,712	804	2,370	281	4,082	103	36,379	247,584	283,963
Movements in 2025/26										
Total Comprehensive Income and Expenditure	(11,611)	-	(4,498)	-	-	-	-	(16,109)	(1,986)	(18,095)
Adjustments between accounting & funding basis under regulations (Note 8)	15,776	-	4,189	-	(281)	3,697	-	23,381	(23,381)	-
Net Increase/(Decrease) before transfers to earmarked reserves	4,165	-	(309)	-	(281)	3,697	-	7,272	(25,367)	(18,095)
Transfers (to)/from earmarked reserves (Note 9)	(2,442)	2,442	332	(332)	-	3	-	3	(3)	-
Increase/(Decrease) in 2025/26	1,723	2,442	23	(332)	(281)	3,700	-	7,275	(25,370)	(18,095)
Balance at 31/03/2026	11,750	21,154	827	2,038	-	7,782	103	43,654	222,214	265,868

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	-	5,241	-	(498)	747	-	9,881	(9,881)	-
Net Increase/(Decrease) before transfers to earmarked reserves	1,373	-	(399)	-	(498)	747	-	1,223	3,033	4,256
Transfers (to)/from earmarked reserves (Note 9)	(1,672)	1,672	453	(453)	-	3	-	3	(3)	-
Increase/(Decrease) in 2024/25	(299)	1,672	54	(453)	(498)	750	-	1,226	3,030	4,256
Balance at 31/03/2025	10,027	18,712	804	2,370	281	4,082	103	36,379	247,584	283,963

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.

2024/25					2025/26		
Gross Exp £000	Gross Inc £000	NET £000		NOTES	Gross Exp £000	Gross Inc £000	NET £000
<i>Continuing Operations:</i>							
21,410	(10,984)	10,426	Environment & Place		23,049	(11,843)	11,206
2,834	(1,277)	1,557	Governance		2,456	(887)	1,569
14,772	(9,145)	5,627	Housing & Property		16,818	(8,298)	8,520
24,562	(19,511)	5,051	Housing Revenue Account		23,856	(19,515)	4,341
5,399	(3,019)	2,380	People & Policy		4,194	(1,952)	2,242
4,159	(1,637)	2,522	Planning & Climate Change		3,624	(1,759)	1,865
31,036	(26,516)	4,520	Resources		27,380	(22,643)	4,737
7,566	(6,731)	835	Sustainable Growth		7,466	(6,966)	500
3,937	(1,560)	2,377	Corporate Accounts		1,057	(942)	115
115,675	(80,380)	35,295	Cost of Services		109,900	(74,805)	35,095
4,013	(2,710)	1,303	Other Operating Expenditure	10	5,232	(4,534)	698
14,715	(12,741)	1,974	Financing and Investment Income and Expenditure	11	17,040	(5,996)	11,044
-	-	-	(Surplus) / Deficit on discontinued operations	29	-	-	-
22,511	(52,425)	(29,914)	Taxation and Non Specific Grant Income and Expenditure	12	24,885	(55,613)	(30,728)
		8,658	(Surplus)/Deficit on Provision of Services				16,109
		(12,682)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets				1,083
		(232)	Re-measurement of the net defined benefit liability/(asset)	41			903
		(12,914)	Other Comprehensive Income and Expenditure				1,986
		(4,256)	Comprehensive Income and Expenditure				18,095

The net expenditure of £18.095M 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 2025 £000		NOTES	31 March 2026 £000
297,984	Property, Plant & Equipment	13	293,342
9,518	Heritage Assets	14	6,505
39,067	Investment Property	15	32,237
-	Intangible Assets	16	-
679	Assets Held for Sale	21	-
90	Long Term Debtors	17	87
347,338	Long Term Assets		332,171
-	Short Term Investments	17	-
825	Inventories	18	813
20,552	Short Term Debtors	19	24,204
16,711	Cash & Cash Equivalents	20	13,418
38,088	Current Assets		38,435
-	Bank Overdraft	20	-
(1,042)	Short Term Borrowing	17	(1,041)
(37,804)	Short Term Creditors	22	(41,282)
(38,846)	Current Liabilities		(42,323)
(240)	Long Term Creditors	17	(240)
(4,209)	Provisions	23	(5,482)
(55,893)	Long Term Borrowing	17	(54,852)
(2,275)	Other Long Term Liabilities	41	(1,841)
(62,617)	Long Term Liabilities		(62,415)
283,963	Net Assets		265,868
36,379	Usable Reserves	24	43,654
247,584	Unusable Reserves	25	222,214
283,963	Total Reserves		265,868

The net movement between years is £18.095M 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.

2024/25 £000		NOTES	2025/26 £000
	Cash (Out) / In		Cash (Out) / In
(8,658)	Net surplus or (deficit) on the provision of services		(16,109)
25,883	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	26	42,046
(8,119)	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	26	(11,247)
9,106	Net cash flows from Operating Activities		14,690
(2,225)	Investing Activities	27	(9,808)
(954)	Financing Activities	28	(8,175)
5,927	Net increase or (decrease) in cash and cash equivalents		(3,293)
10,784	Cash and cash equivalents at the beginning of the reporting period		16,711
16,711	Cash and cash equivalents at the end of the reporting period		13,418

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
Note 12	Taxation and Non-Specific Grant Income and Expenditure
Note 13	Property, Plant and Equipment
Note 14	Heritage Assets
Note 15	Investment Properties
Note 16	Intangible Assets
Note 17	Financial Instruments
Note 18	Inventories
Note 19	Short Term Debtors
Note 20	Cash and Cash Equivalents
Note 21	Assets Held for Sale
Note 22	Short Term Creditors
Note 23	Provisions
Note 24	Usable Reserves
Note 25	Unusable Reserves
Note 26	Cash Flow Statement - Operating Activities
Note 27	Cash Flow Statement - Investing Activities
Note 28	Cash Flow Statement - Financing Activities
Note 29	Acquired and Discontinued Operations
Note 30	Trading Operations
Note 31	Agency Services
Note 32	Members' Allowances
Note 33	Officers' Remuneration
Note 34	External Audit Costs
Note 35	Grant Income
Note 36	Related Parties
Note 37	Capital Expenditure and Capital Financing
Note 38	Leases
Note 39	Impairment Losses
Note 40	Termination Benefits
Note 41	Defined Benefit Pension Schemes
Note 42	Contingent Liabilities
Note 43	Contingent Assets
Note 44	Nature and Extent of Risks Arising from Financial Instruments
Note 45	Group Accounts

1. ACCOUNTING POLICIES

1.1 Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position on 31 March 2026. 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 the 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.

Accounting for Council Tax and NDR

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 benefit 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 charged 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 31st March 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 basis over the useful life of the property as estimated by the Valuer; (5 - 80 years)
Other buildings	Straight-line allocation on a componentised basis 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 (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 they are trading these will be consolidated into the Council's group accounts on a line-by-line basis, after eliminating intra-group transactions. An entity could be material but still not consolidated if all of its business is with the city 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 2026 for 2025/26).

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.

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024. (effective for periods beginning on or after 1 January 2026)
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024. (effective for periods beginning on or after 1 January 2026)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024
- IFRS 18 Presentation and Disclosure in Financial Statements issued in April 2024. (effective for periods beginning on or after 1 January 2027)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures issued in May 2024.
- IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)

These are not considered to have a material impact on the council's financial statements.

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 31 March 26. 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 2026 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 basis 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 2025/26 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 2025/26 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 2026. 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 2026. 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 2026, 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.

2024/25			2025/26		
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
<i>Continuing Operations:</i>					
7,907	(2,519)	10,426	8,825	(2,381)	11,206
1,597	40	1,557	1,639	70	1,569
3,435	(2,192)	5,627	860	(7,660)	8,520
(6,525)	(11,576)	5,051	(6,359)	(10,700)	4,341
2,414	34	2,380	4,213	1,971	2,242
2,550	28	2,522	1,964	99	1,865
4,262	(258)	4,520	4,558	(179)	4,737
(1,047)	(1,882)	835	(717)	(1,217)	500
1,868	(509)	2,377	111	(4)	115
16,461	(18,834)	35,295	15,094	(20,001)	35,095
			Net Cost of Services		
(17,435)	9,202	(26,637)	(18,950)	36	(18,986)
(974)	(9,632)	8,658	(3,856)	(19,965)	16,109
			(Surplus) or Deficit		
30,939					
			Opening General Fund & HRA Balances & Reserves		
			31,913		
974					
			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year		
			3,856		
31,913			35,769		
			Closing General Fund and HRA Balance & Reserves at 31/3/2026		

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 2025/26				
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	(2,979)	605	(7)	(2,381)
Governance	(3)	72	1	70
Housing & Property	(7,823)	151	12	(7,660)
Housing Revenue Account	(10,997)	295	2	(10,700)
People & Policy	1,884	87	-	1,971
Planning & Climate Changes	(25)	122	2	99
Resources	(273)	95	(1)	(179)
Sustainable Growth	(1,288)	70	1	(1,217)
Corporate Accounts	-	(4)	-	(4)
Net Cost of Services	(21,504)	1,493	10	(20,001)
Other income and expenditure from the Expenditure and Funding Analysis	3,834	(156)	(3,642)	36
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(17,670)	1,337	(3,632)	(19,965)

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	9,862	(152)	(508)	9,202
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(9,167)	115	(580)	(9,632)

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:

	2024/25	2025/26
	£000	£000
Employee benefits expenses	31,317	32,138
Other services expenses	76,125	66,460
Support service recharges	1,364	1,278
Depreciation, amortisation, impairment	20,062	23,316
Interest payments	2,793	2,757
Precepts and levies	2,849	1,972
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	(364)	(1,062)
Total Expenditure	134,146	126,859
Fees, charges and other service income	(55,900)	(55,504)
Interest and investment income	(975)	8,127
Net Income from council tax, non domestic rates, district rate income	(21,710)	(21,141)
Government grants and contributions	(46,903)	(42,232)
Total Income	(125,488)	(110,750)
(Surplus) or Deficit on the Provision of Services	8,658	16,109

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.

		2024/25 Comparative Figures						2025/26					
		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)	(36)	152	-	-	-	-	-	1,045	292	-	-	-	-
Financial instruments (transferred to the Financial instruments Adjustments Account)	-	-	-	-	-	-	-	-	-	-	-	-	-
Council tax and NDR (transfers to or from Collection Fund)	(508)	-	-	-	-	-	-	(3,641)	-	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(57)	(16)	-	-	-	-	-	6	2	-	-	-	-
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)	(8,231)	(11,677)	-	-	-	-	-	(17,027)	(13,237)	-	-	-	-
Total Adjustments to Revenue Resources	(8,832)	(11,541)	-	-	-	-	-	(19,617)	(12,943)	-	-	-	-
Adjustments between Revenue and Capital Resources													
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts reserve	1,651	1,004	(2,655)	-	-	-	-	932	3,544	(4,476)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(19)	19	-	-	-	-	-	(59)	59	-	-	-
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	-	5,315	-	(5,315)	-	-	-	-	5,269	-	(5,269)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,912	-	-	-	-	-	-	2,703	-	-	-	-	-
Use of the Capital Receipts Reserve to finance revenue expenditure (flexible use of capital receipts)	(222)	-	222	-	-	-	-	-	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	100	-	-	-	-	-	-	206	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	4,441	6,300	(2,414)	(5,315)	-	-	-	3,841	8,754	(4,417)	(5,269)	-	-
Adjustments to Capital Resources													
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,666	-	-	-	-	-	-	720	-	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,772	-	-	-	-	-	-	4,509	-	-
Used to repay debt (transfer to CAA)	-	-	-	1,041	-	-	-	-	-	-	1,041	-	-
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	1,666	5,813	-	-	-	-	-	720	5,550	-	-
Total Adjustments	(4,391)	(5,241)	(748)	498	-	-	-	(15,776)	(4,189)	(3,697)	281	-	-

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 2025/26.

	Balance at 31 March 2024	Transfers Out	Transfers In	Balance at 31 March 2025	Transfers Out	Transfers In	Balance at 31 March 2026
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Corporate Property Reserve	314	-	-	314	-	1,303	1,617
Covid 19 Support Reserve	10	-	-	10	-	-	10
Other Commuted Sums	1,493	(53)	324	1,764	(151)	210	1,823
Restructuring Reserve	451	-	-	451	-	-	451
Renewals	1,430	-	492	1,922	(10)	203	2,115
Capital Support	73	-	-	73	-	-	73
Corporate Priorities (Budget Support)	455	(187)	-	268	(122)	-	146
Invest to Save Reserve	264	(101)	-	163	(40)	-	123
Lancaster District Hardship Fund	106	(45)	-	61	-	-	61
Business Rates Retention Reserve	11,313	-	1,347	12,660	-	991	13,651
Welfare Reforms Reserve	325	-	-	325	-	-	325
Homelessness Support	110	-	-	110	-	-	110
Revenue Grants Unapplied	440	(175)	-	265	(28)	-	237
Other Reserves £100K and under	256	(14)	84	326	-	85	411
Total	17,040	(575)	2,247	18,712	(351)	2,792	21,153
HRA:							
Hsg Mgt System Replacement	974	(252)	-	722	(257)	-	465
Flats Planned Maintenance	405	(122)	-	283	(29)	-	254
Sheltered Housing Reserves	863	(83)	196	976	(46)	192	1,122
Business Support Reserve	582	(193)	-	389	(191)	-	198
Other Reserves £100K and under	-	-	-	-	-	-	-
Total	2,824	(650)	196	2,370	(523)	192	2,039

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.

Housing Revenue Account Earmarked Reserves**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 2025/26 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.

	2024/25	2025/26
	£000	£000
Parish council precepts	1,667	1,760
Payments to the Government Housing Capital Receipts Pool	-	-
(Gains)/losses on the disposal of non-current assets	(364)	(1,062)
	1,303	698

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.

	2024/25	2025/26
	£000	£000
Interest payable and similar charges	2,793	2,757
Net pensions interest cost/(income)	152	156
Interest receivable and similar income	(1,384)	(1,323)
Income and expenditure in relation to investment properties and changes in their fair value	412	9,453
Other investment income and expenditure	1	1
	1,974	11,044

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.

	2024/25 £000	2025/26 £000
Council tax income	(12,664)	(13,207)
Non domestic rates	(7,864)	(7,721)
Non-ringfenced government grants:		
Covid 19 emergency funding, new burdens & Miscellaneous grants	(95)	-
Funding Guarantee	(1,188)	-
Hospitality Grant	-	(4)
New Burdens Business Rates	-	(3)
New Homes Bonus	(10)	(171)
Recovery Grant	-	(603)
Redmond Review	-	(22)
Revenue Support Grant	(433)	(460)
Section 31 Grant	(5,802)	(4,792)
Services Grant	(40)	-
Capital grants and contributions	(1,818)	(3,745)
	(29,914)	(30,728)

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 2025	166,879	88,260	33,464	8,747	1,963	927	300,240
Additions	5,523	2,098	8,998	106	220	-	16,945
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	(7,949)	(6,241)	-	-	(15)	-	(14,205)
Revaluation Increases/(Decreases) Recognised on the Surplus/Deficit on the Provision of Services	(8,712)	(1,994)	-	-	(462)	-	(11,168)
Derecognition - Disposals	(2,573)	-	(1,220)	-	(60)	-	(3,853)
Assets Reclassified (to)/from Assets Held for Sale	-	-	-	-	-	-	-
Other Transfers	926	(1,043)	-	-	1,043	(926)	-
Balance as at 31 March 2026	154,094	81,080	41,242	8,853	2,689	1	287,959
Accumulated Depreciation and Impairment							
Balance as at 1 April 2025	(5,305)	(9,134)	(21,909)	(59)	(31)	-	(36,438)
Depreciation Charge	(5,198)	(3,836)	(2,170)	(5)	(40)	(71)	(11,320)
Depreciation on Revaluations Written Back Recognised in the Revaluation Reserve	6,139	9,988	-	-	7	-	16,134
Depreciation on Revaluations Written Back Recognised in the Surplus/Deficit on Provision of Services	2,995	405	-	-	75	-	3,474
Derecognition - Disposals	165	-	1,120	-	-	-	1,285
other movements in depreciation and impairment	(71)	11	-	-	(11)	71	-
Balance as at 31 March 2026	(1,275)	(2,566)	(22,958)	(64)	(1)	-	(26,864)
Net Book Value							
at 31 March 2025	161,574	79,126	11,555	8,688	1,932	927	263,802
at 31 March 2026	152,819	78,514	18,284	8,789	2,688	1	261,095

	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)	-	(476)	-	(136)	-	(1,459)
Assets Reclassified (to)/from Assets Held for Sale	-	-	-	-	(679)	-	(679)
Other Transfers	-	-	421	-	679	(421)	679
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

Infrastructure Assets

Movements on Balances	2024/25 £000	2025/26 £000
Opening Net Book Value	35,954	34,182
Additions	479	50
De-recognition	-	-
Disposal	(444)	-
Other Transfers	-	-
Depreciation	(2,001)	(1,985)
Depreciation on Disposals	194	-
Closing Net Book Value	34,182	32,247

Total Property Plant & Equipment	2024/25 £000	2025/26 £000
Infrastructure Assets	34,182	32,247
Other PPE Assets	263,802	261,094
Total PPE Assets	297,984	293,341

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 2026, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2025/26 anticipated to cost £1.128M. Similar commitments at 31 March 2025 were £2.586M. The major commitments are:

■ Fleet Replacement Programme	£0.724M
■ Bin Hubs	£0.084M
■ Douglas Park	£0.077M
■ HRA Capital Works	£0.081M

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 basis 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 £000	Other Land and Buildings £000	Vehicles, Plant Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	-	-	18,288	-	18,288
Valued at current value as at:					
31 March 2026	152,819	20,877	-	2,688	176,384
31 March 2025	-	14,169	-	-	14,169
31 March 2024	-	43,468	-	-	43,468
31 March 2023	-	-	-	-	-
31 March 2022	-	-	-	-	-
Total Cost or Valuation	152,819	78,514	18,288	2,688	252,309

14 HERITAGE ASSETS

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

	2024/25 £000	2025/26 £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	-	(3,013)
Closing Balance		
Civic Regalia and other donated items	833	833
Museum Collections	8,400	5,387
Public Art Works	100	100
Art Collection	185	185
	9,518	6,505

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 83% 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. The in-year revaluation downwards represents the removal of displays and fixtures which were previously included in the valuation.

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.

	2024/25	2025/26
	£000	£000
Rental income from investment property	(3,088)	(2,483)
Direct operating expenses arising from investment property	3,642	2,400
Net (gain)/loss	554	(83)

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.

	2024/25	2025/26
	£000	£000
Balance as at 1 April	40,922	39,067
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent Expenditure	337	2,927
Disposals:	(1,143)	(166)
Net gains/losses from fair value adjustments	(370)	(9,591)
Transfers:		-
- to/from Property, Plant & Equipment	(679)	-
Other changes	-	-
Balance as at 31 March	39,067	32,237

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy at 31 March 2026 are as follows:

2025/26	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 2026
<i>Recurring fair value measurements using:</i>	£000	£000	£000	£000
Office	-	-	2,750	2,750
Retail	-	2,515	2,105	4,620
Agriculture & Allotments	-	3	31	34
Commercial Land	-	4,028	2,073	6,101
Commercial Buildings	-	9,165	1,624	10,789
Mixed Commercial	-	-	7,943	7,943
Total	-	15,711	16,526	32,237

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
<i>Recurring fair value measurements using:</i>	£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

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).

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.

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

	2025/26 £000
Balance as at 1 April	19,342
Transfers in	-
Transfers out	-
Total gains/losses for the period included in Surplus or Deficit on the Provision of Services resulting from changes in fair value	(3,154)
Additions	504
Disposals	(166)
Balance as at 31 March	16,526

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.

	2024/25 £000	2025/26 £000
Balance at start of year:		
- Gross carrying amounts	934	934
- Accumulated amortisation	(934)	(934)
Net carrying amount at start of year	-	-
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	-	-
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 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £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	90	87	20,552	24,204
Fair value through profit or loss	-	-	-	-
Fair value through other comprehensive income - designated equity instruments	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
Total Debtors	90	87	20,552	24,204
Bank account	-	-	16,711	13,418
Total assets	90	87	37,263	37,622
Borrowings				
Amortised Cost	(55,877)	(54,837)	(1,041)	(1,041)
Fair value through profit or loss	-	-	-	-
Lease liabilities	(16)	(15)	(1)	-
Total borrowings	(55,893)	(54,852)	(1,042)	(1,041)
Creditors				
Amortised Cost	(240)	(240)	(37,804)	(41,282)
Fair value through profit or loss	-	-	-	-
Total Creditors	(240)	(240)	(37,804)	(41,282)
Bank (Overdraft) / Cash in Hand	-	-	-	-
Total liabilities	(56,133)	(55,092)	(38,846)	(42,323)

Income, Expenses, Gains and Losses

	2024/25					2025/26				
	Financial Assets measured at amortised cost £000	Financial Assets 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	2,793	-	-	-	2,793	2,757	-	-	-	2,757
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of	2,793	-	-	-	2,793	2,757	-	-	-	2,757
Interest income	(1,384)	-	-	-	(1,384)	(1,323)	-	-	-	(1,323)
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	(1,384)	-	-	-	(1,384)	(1,323)	-	-	-	(1,323)
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	1,409	-	-	-	1,409	1,434	-	-	-	1,434

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 2025		31 March 2026	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	94,739	96,992	97,175	97,381
Long-term creditors & provisions	4,449	4,449	5,722	5,722
Total	99,188	101,441	102,897	103,103

	31 March 2025		31 March 2026	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	37,263	37,263	13,418	13,418
Long-term debtors	90	90	87	87
Total	37,353	37,353	13,505	13,505

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.

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	
	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000
Balance as at 1 April	-	-	809	752	60	73	869	825
Purchases	-	-	1,412	1,272	471	497	1,883	1,769
Recognised as an expense in the year	-	-	(1,469)	(1,290)	(458)	(491)	(1,927)	(1,781)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance as at 31 March	-	-	752	734	73	79	825	813

19 SHORT TERM DEBTORS

	31 March 2025 £000	31 March 2026 £000
Council Taxpayers	1,836	2,017
Central Government Bodies	2,912	3,839
Housing Rents	248	205
Other Local Authorities	10,186	14,014
Commercial Ratepayers	713	473
Other Entities and Individuals	4,657	3,656
	20,552	24,204

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 2025 £000	31 March 2026 £000
Bank current account	2,111	918
Investments < 3 months	14,600	12,500
	16,711	13,418

21 ASSETS HELD FOR SALE

	Current		Non Current	
	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £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 2025 £000	31 March 2026 £000
Council Taxpayers	(338)	(387)
Central Government Bodies	(22,134)	(24,903)
Housing Rents	(684)	(745)
Other Local Authorities	(3,049)	(2,918)
Commercial Ratepayers	(474)	(247)
Other Entities and Individuals	(11,125)	(12,082)
	(37,804)	(41,282)

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 £000	Business Rate Appeals £000	Back Pay £000	Total £000
Balance as at 1 April 2025	(691)	(3,469)	(49)	(4,209)
Contribution to Provision	-	(1,408)	-	(1,408)
Amounts Paid	135	-	-	135
Balance as at 31 March 2026	(556)	(4,877)	(49)	(5,482)

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 2025 £000	31 March 2026 £000
General Fund Balance	10,027	11,750
HRA Balance	804	827
HRA Business Plan Reserve	389	198
Housing Mgt System Replacement Reserve	722	465
Flats Planned Maintenance	283	254
Major Repairs Reserve	281	-
Sheltered Equipment	276	300
Sheltered Planned Maintenance	372	446
Sheltered Support Grant Maintenance	328	376
Renewals Reserve	1,635	1,796
Other Commuted Sums	1,764	1,823
Corporate Property Reserve	314	1,617
Restructuring Reserve	451	451
Welfare Reforms Reserve	325	325
Invest to Save Reserve	163	123
Capital Grants Unapplied	103	103
Capital Receipts Unapplied	4,082	7,782
Business Rates Retention Reserve	12,660	13,651
Revenue Grants Unapplied	265	237
Corporate Priorities (Budget Support) Reserve	268	146
Homelessness Support Reserve	111	111
Car Parks Reserve	147	159
Investment Property Maintenance & Voids Reserve	119	153
Other Reserves under £100K	490	561
Total usable reserves	36,379	43,654

25 UNUSABLE RESERVES

	31 March 2025 £000	31 March 2026 £000
Revaluation Reserve	133,824	125,034
Financial Instruments Adjustment Account	(143)	(143)
Capital Adjustment Account	115,660	102,279
Pensions Reserve	(2,275)	(1,841)
Deferred Credits	-	-
Accumulated Absences Account	(304)	(296)
Collection Fund Adjustment Account	822	(2,819)
Total unusable reserves	247,584	222,214

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.

	2024/25 £000	2025/26 £000
Balance as at 1 April	128,467	133,824
Upwards revaluation of assets	13,828	13,742
Downwards revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,146)	(14,825)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	12,682	(1,083)
Difference between fair value depreciation and historical cost depreciation.	(6,401)	(6,306)
Accumulated gains on assets sold or scrapped	(924)	(1,401)
Amount written off to the Capital Adjustment Account	(7,325)	(7,707)
Balance as at 31 March	133,824	125,034

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.

	2024/25	2025/26
	£000	£000
Balance as at 1 April	117,754	115,660
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	(13,420)	(13,298)
- Revaluation gains/(losses) on Property, Plant and Equipment	(5,549)	(7,694)
- Amortisation of Intangible Assets	-	-
- Revenue Expenditure funded from Capital under statute.	(3,688)	(3,038)
- 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	(2,327)	(3,413)
Sub total	93,811	89,258
Adjusting amounts written out of the Revaluation Reserve	7,325	7,707
Restatement of finance lease liability	(17)	-
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.	101,116	96,962
Capital financing applied in the year:		
- Use of Capital Receipts Reserve	1,666	720
- Use of the Major Repairs Reserve	4,772	4,508
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement (including those in respect of donated assets)	5,464	6,771
- 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	2,912	2,703
- Capital expenditure charged against the General Fund and HRA balances	100	206
Sub total	116,030	111,870
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure statement	(370)	(9,591)
Balance as at 31 March	115,660	102,279

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.

	2024/25	2025/26
	£000	£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.

	2024/25	2025/26
	£000	£000
Balance as at 1 April	(2,623)	(2,275)
Actuarial gains or (losses) on pensions assets and liabilities	24,295	(7,998)
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(4,414)	(2,802)
Employer's pension contribution and direct payments to pensioners payable in the year	4,530	4,139
Adjustment for Asset Ceiling	(24,063)	7,095
Balance as at 31 March	(2,275)	(1,841)

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.

	2024/25	2025/26
	£000	£000
Balance as at 1 April	1,330	822
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	(508)	(3,641)
Balance as at 31 March	822	(2,819)

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.

	2024/25	2025/26
	£000	£000
Balance as at 1 April	(231)	(304)
Settlement or cancellation of accrual made at the end of the preceding year	231	304
Amounts accrued at the end of the current year	(304)	(296)
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	(73)	8
Balance as at 31 March	(304)	(296)

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2024/25	2025/26
	£000	£000
Interest received	1,526	1,352
Interest paid	(2,793)	(2,757)

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

	2024/25 £000	2025/26 £000
Depreciation	13,420	13,298
Impairment & downward valuations	5,572	7,701
Amortisation	-	-
Increase/(decrease) in creditors	3,908	6,551
(Increase)/decrease in debtors	125	1,544
(Increase)/decrease in inventories	44	12
Movement in pension liability	(116)	(1,337)
Carrying amount of non-current assets and assets held for sale sold or derecognised	2,327	3,413
Other non- cash items charged to the net surplus of deficit on the provision of services	603	10,864
	25,883	42,046

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

	2024/25 £000	2025/26 £000
Proceeds from short-term and long-term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,655)	(4,476)
Any other items for which the cash effects are investing or financing cash flows	(5,464)	(6,771)
	(8,119)	(11,247)

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2024/25 £000	2025/26 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(11,619)	(19,000)
Purchase of short-term and long-term investments	-	-
Receipts from sale of Property, Plant and Equipment, investment property and intangible assets	-	-
Other payments from investing activities	1,016	(929)
Proceeds from short-term and long-term investments	2,655	4,476
Other receipts from investing activities	5,723	5,645
Net cash flows from investing activities	(2,225)	(9,808)

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2024/25 £000	2025/26 £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	87	(7,134)
Net cash flows from financing activities	(954)	(8,175)

29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2025/26.

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.

	2021/22	2022/23	2023/24	2024/25	2025/26
Trade Waste					
Turnover	(1,538)	(1,649)	(1,899)	(1,950)	(1,972)
Expenditure	1,052	1,023	1,158	1,201	1,343
(Surplus)/Deficit	(486)	(626)	(741)	(749)	(629)
Garden Waste					
Turnover	(992)	(989)	(1,024)	(1,123)	(1,127)
Expenditure	1,268	1,487	1,490	1,491	1,445
(Surplus)/Deficit	276	498	466	368	318
Markets					
Turnover	(359)	(389)	(401)	(424)	(210)
Expenditure	365	409	352	348	443
(Surplus)/Deficit	6	20	(49)	(76)	233
Commercial Properties / Industrial Units					
Turnover	(2,487)	(3,017)	(2,640)	(2,998)	(1,924)
Expenditure	878	1,902	1,493	3,423	2,258
(Surplus)/Deficit	(1,609)	(1,115)	(1,147)	425	334
Consolidated					
Turnover	(5,376)	(6,044)	(5,964)	(6,495)	(5,233)
Expenditure	3,563	4,821	4,493	6,463	5,489
(Surplus)/Deficit	(1,813)	(1,223)	(1,471)	(32)	256

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.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Net (surplus)/deficit on trading operations	(1,813)	(1,223)	(1,471)	(32)	256
Trading expenditure and income included within Surplus or Deficit on the Provision of Services	-	-	-	-	-
Net (surplus)/deficit	(1,813)	(1,223)	(1,471)	(32)	256

31 AGENCY SERVICES

On 1st June 2015 a Corporate Enquiry Team Shared Service was established between Lancaster and Preston City Councils together with Fylde Borough Council. Its purpose was to protect the public purse and prevent, detect and deter fraud. The host authority of the shared service is Preston City Council. Lancaster City Council's share of the 2025/26 service was payable by management fee and amounted to £0.073M (2024/25 £0.074M).

The Revenues and Benefits Shared Service was formed on 1st July 2011. It is a Jointly Controlled

Operation between Lancaster City Council and Preston City Council to collect Local Taxation and the administration of Housing Benefit and Council Tax Support. Lancaster's Revenues and Benefits employees transferred to Preston City Council at the start of the partnership. The total expenditure incurred is split 50/50 between the Councils. The Council's share of the 2025/26 service was payable by management fee and amounted to £2.315M (2024/25 £2.220M).

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.

	2024/25 £000	2025/26 £000
Expenditure on agency arrangement	260	269
Income on agency arrangement	(187)	(193)
Net deficit arising on agency arrangements	73	76

32 MEMBERS' ALLOWANCES

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

	2024/25 £000	2025/26 £000
Basic Allowances	266	270
Special Responsibility Allowances	94	91
Expenses	1	6
Total	361	367

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)
2025/26	£000	£000	£000	£000	£000	£000
Chief Executive	131			131	22	153
Chief Officer - Resources (S151)	86			86	14	100
Chief Officer - Governance (Monitor Off)	86			86	14	100
Chief Officer - People and Policy	77			77	12	89
Chief Officer - Environment & Place	77			77	13	90
Chief Officer - Housing & Property	77			77	13	90
Chief Officer - Sustainable Growth	77			77	13	90
Chief Officer - Planning & Climate Change	77			77	13	90
Voids and Responsive Repairs Manager	38		47	85	6	91
Accountancy Manager	61			61	10	71
Senior Solicitor	58			58	9	67
Repairs and Maintenance Manager	57			57	9	66
Principal Housing Options Manager	52	5		57	10	67
Senior Service Manager	56			56	9	65
Community Housing Manager	49			49	8	57
Planning Officer	55			55	9	64
Service Manager - Development Management	55			55	9	64
Senior HR Business Partner	51			51	8	59
Regeneration Service Manager	53			53	9	62
Lawyer (Criminal)	53			53	9	62
Museums Development Manager	53			53	9	62
Service Lead - Energy and Sustainability	53			53	9	62
Lawyer (Civil)	53			53	9	62
National Landscape Manager	52			52	8	60
Projects and Performance Manager	52			52	8	60
Information Governance Manager	52			52	8	60
Home Improvement Agency Manager	52			52	8	60
Public Realm Operations Manager	51			51	8	59
Minor Works Manager	45			45	6	51
Estates Surveyor	50			50	8	58
Commercial Protection Manager	50			50	8	58
Operations Manager (Waste and Recycling)	50			50	8	58
Housing Development Manager	50			50	8	58
Environmental Protection Manager	49			49	8	57
Facilities Manager	49			49	8	57
Asset Manager	49			49	8	57
Licensing Manager	49			49	8	57
Development Manager	46	2		48	8	56
Senior EHO (F)	48			48	8	56
Waste and Recycling Supervisor	44	4		48	7	55
Principal Conservation Officer	48			48	8	56
Principal Planning Off (Special Project)	48			48	8	56
Housing Adaptions Manager	48			48	8	56
Senior Project Manager	48			48	8	56
Major Works 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
Principal Democratic Support Officer	48			48	8	56
Project Engineer	48			48	8	56
Arboricultural Officer	48			48	8	56
Planning Applications Manager	48			48	8	56
Service Support Manager	48			48	8	56
Public Realm Improvement Lead	48			48	8	56
Customer Experience Manager	48			48	8	56
Elections Manager	48			48	8	56
Procurement and Contracts Solicitor	47			47	8	55
Operations Manager	47			47	8	55
Senior Technical Engineer	45	2		47	8	55
Community Health& Animal Welfare Manager	44	2		46	8	54
Technical Officer	46			46	8	54
Technical Officer	45	1		46	7	53
Technical Manager	44	2		46	7	53
Strategic Policy Partnerships Mgr	45			45	7	52
Housing Manager	45			45	8	53
Security Manager	45			45	7	52
Senior EHO (F)	45			45	7	52
Compliance Officer	45			45	7	52
Public Realm Supervisor - Car Parking	45			45	7	52
Economy and Skills Manager (UKSPF)	45			45	7	52
Operations Manager	45			45	7	52
Senior Technical Engineer	44	1		45	7	52
Workforce Dev and HR Systems Officer	44			44	7	51
Museum Manager	44			44	7	51
Resilience and Community Safety Officer	44			44	7	51
Regeneration and Development Project Mgr	44			44	7	51
Data & Business Architect	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)
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

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		Total cost of exit packages in each band	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25 £	2025/26 £
£0 - £20,000	-	-	3	1	3	1	26,295	4,074
£20,001 - £40,000	-	-	1	-	1	-	28,954	-
£40,001 - £60,000	-	-	1	-	1	-	51,121	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	1	-	1	-	99,731
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	1	-	1	-	166,861	-
Total	-	-	6	2	6	2	273,231	103,805

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.

	2024/25 £000	2025/26 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	120	177
Additional Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for previous years	35	7
Fees payable in respect of other services provided by external auditors for the year	41	-
Total	196	184

In 2025/26 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 2025/26:

	2024/25	2025/26
Credited to Taxation and Non Specific Grant Income	£000	£000
DLUHC	402	-
Environment Agency	86	-
Funding Guarantee	1,188	-
MHCLG Recovery Grant	-	603
MHCLG New Homes	-	399
Leaseholder Contributions	794	305
UKSPF	353	-
Lawn Tennis Association	-	51
New Burdens	20	-
New Homes Bonus	10	171
SALIX	-	1,397
Revenue Support Grant	433	460
S31 Business Rates Grants	5,802	4,792
DEFRA	78	1,391
Services Grant	40	-
Other Grants Under £50K	180	230
Total	9,386	9,799

	2024/25	2025/26
Credited to Services	£000	£000
Active Lives: Other Grants	53	79
Arnsdale & Silverdale AONB Grants	202	410
BEIS Heat Networks Delivery Unit Grant	7	-
Benefits DWP grant	547	419
COVID Emergency Assistance Grant	1,548	738
Dept for Education - HAF Grant	-	433
DCLG EU Exit Grant	88	2
DCLG Housing Options	1,163	1,176
DCLG Local Council Tax Support Grant	-	-
DEFRA Farming in Protected Landscapes	251	181
DEFRA Port Health Authority	26	45
DEFRA Food Waste	-	109
Discretionary Housing Payments	138	185
DLUHC Changing Futures	246	135
Secretary of State - PackUK	-	1,345
DLUHC Neighbourhood Planning Grant	27	-
DLUHC UK Shared Prosperity Fund	3,599	1,818
Parliamentary/European/Police/Individual Elections	624	-
Heritage England - Lancaster Heritage Action Zone	8	6
Home Office - Asylum Seekers Dispersal	-	113
Homes & Communities Agency - Next Steps Accommodation	88	88
Lancashire County Council - Economic Recovery & Growth	33	2
Lancashire County Council - Elections	-	257
Lancashire County Council - Refugees	441	341
Lancashire County Council - Smoking Cessation	-	131
MHCLG (formerly DCLG) Disabled Facilities Grant	2,542	2,399
NHS England - Work Well	-	202
NNDR Administration: Government Grants	210	209
Rent Rebates - Council Housing: Government Grants	6,210	4,960
Standard Rent Allowances: Government Grants	18,166	15,539
Supporting People	565	571
Other Grants Under £50K	735	540
Total	37,517	32,433

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:

	2024/25	2025/26
Capital Grants Receipts in Advance	£000	£000
DEFRA Food Waste Strategy	1,462	131
DEFRA Electric Taxis Air Quality Grant	342	339
DFG Grant	1,586	2,089
DLUHC Brownfield Land Release Fund	3,033	1,623
Environment Agency	1,578	1,578
Wyre Borough Council	179	1,504
Other Grants Under £50K	27	15
Total	8,207	7,279

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 2026 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 2025/26 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 2025/26, most notably:

- Lancaster Citizens Advice Bureau
- The Dukes Playhouse
- Lancaster CVS
- Eden Project Morecambe Limited

The total of members' allowances paid in 2025/26 is shown in Note 32. During 2025/26, 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 2025/26 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
Cosy Homes in Lancashire	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
Eden Project Morecambe Steering Group	Eden Project / Lancashire County Council / Lancashire Enterprise Partnership / Lancaster University.
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
Pride of Place	Lancaster City Council / Citizens Advice North Lancashire / Lizzi Collinge MP / Duchy / Lancashire Police Authority / NHS / Morecambe Bay Poverty Truth Commission / Morecambe Town Council / Military Veterans
Housing with Care Steering Group/North Locality Group	Lancashire County Council / NHS / Lancashire County Council

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.

	2024/25	2025/26
	£000	£000
Opening Capital Financing Requirement	98,579	97,854
<i>Capital investment:</i>		
Property, Plant and Equipment	10,819	16,809
Re-assessment of finance lease liability	16	(1)
Investment Properties	713	3,113
Intangible Assets	-	-
Reversal of Icelandic bank impairment		-
HRA self financing payment		-
Revenue Expenditure Funded from Capital Under Statute	3,688	3,038
<i>Sources of financing:</i>		
Capital Receipts	(1,666)	(720)
Government Grants and Other Contributions	(5,464)	(6,771)
Direct Revenue Contributions	(100)	(206)
Minimum Revenue Provision	(3,953)	(3,744)
Depreciation of HRA non dwellings	(6)	(6)
Major Repairs Reserve	(4,772)	(4,508)
Closing Capital Financing Requirement	97,854	104,858
<i>Explanation of movements in year:</i>		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(725)	7,004
Increase/(decrease) in Capital Financing Requirement	(725)	7,004

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.

The PWLB incremental borrowing rate has been applied to lease liabilities as at 1 April 2025.

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 changes in the value of right of use assets are summarised below:

	31 March 2025 £000	31 March 2026 £000
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Right-of-use assets included within;

Operational Land and Buildings	17	16
Total	17	16

	31 March 2025 £000	31 March 2026 £000
Finance lease liabilities (net present value of minimum lease payments):		
- Current	1	-
- Non-current	16	16
Finance costs payable in future years	19	18
Minimum lease payments	36	34

	Minimum lease payments		Finance cost	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Not later than 1 year	-	-	1	1
Later than 1 year and not later than 5 years	1	1	4	4
Later than 5 years	16	15	14	13
Minimum lease payments	17	16	19	18

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 2025 £000	31 March 2026 £000
Not later than 1 year	1,539	1,466
Later than 1 year and not later than 5 years	4,991	4,608
Later than 5 years	3,079	2,827
Minimum lease payments	9,609	8,901

39 IMPAIRMENT LOSSES

During 2025/26 the Council has recognised impairment losses of £11.262M 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 2 terminations in 2025/26 totalling £103,805 (6 totalling £273,231 in 2024/25).

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

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

On 5 June 2025, the Government acknowledged the uncertainty arising from the Court of Appeal's decision and confirmed its intention to legislate to allow affected pension schemes to retrospectively obtain the required actuarial confirmation for historic amendments. The Government stated that this legislation would ensure that scheme obligations remain unaffected. Based on this announcement, it is anticipated that there will be no impact on the LGPS or the Fund as a result of the Court of Appeal's ruling.

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

Accordingly, Lancashire County Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements or in the notes to these accounts.

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:

Local Government Pension Scheme		
	2024/25	2025/26
Comprehensive Income and Expenditure Statement	£000	£000
<i>Cost of services:</i>		
Current service cost	3,754	2,642
Past service cost	-	-
Administration expenses	135	143
Settlements and curtailments	508	4
<i>Financing & Investment Income & Expenditure:</i>		
Interest on pension liabilities	9,387	9,794
Interest on asset ceiling	2,318	4,274
Interest on plan assets	(11,688)	(14,055)
Total Post Employment Benefit Charged to Provision of Services	4,414	2,802
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>		
Actuarial gains	(27,978)	(684)
Actuarial losses	3,683	8,682
Change in the effect of the asset ceiling	24,063	(7,095)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,182	3,705
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	(4,414)	(2,802)
Reversal of actuarial gains and losses recognised in other Comprehensive Income and Expenditure	24,295	(7,998)
Effect of Asset Ceiling	(24,063)	7,095
Net charge in relation to pension adjustments	(4,182)	(3,705)
Actual amount charged against Funds for pensions in the year - employers contributions	4,530	4,139
Net Movement on Pension Fund Reserve	348	434

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	
	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000
Present value of the defined benefit obligation	170,544	174,764	2,275	1,841
Fair value of plan assets	(244,237)	(245,636)	-	-
Net liability arising from defined benefit obligation	(73,693)	(70,872)	2,275	1,841
Impact of Asset Ceiling	73,693	70,872	-	-
Net Surplus (-) / Deficit (+) recognised on the balance sheet	-	-	2,275	1,841

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 2026 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. As at 31 March 2026 there is a surplus of £70.872M, which is capped at nil with the asset ceiling of £70.872M and there is a net deficit of £1.841M being recognised on the balance sheet on account of unfunded liabilities.

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

	Local Government Pension Scheme	
	2024/25	2025/26
	£000	£000
Opening fair value of scheme assets	240,693	244,237
Interest income	11,688	14,055
Remeasurement gain/(loss)	(3,683)	(8,682)
Administration expenses	(135)	(143)
Employer contributions	4,530	4,139
Contributions by scheme participants	1,448	1,542
Benefits paid	(10,304)	(9,512)
Closing fair value of scheme assets	244,237	245,636

Reconciliation of change in effect of Asset Ceiling

	Asset Ceiling	
	2024/25	2025/26
	£000	£000
Asset Ceiling impact at beginning or period	47,312	73,693
Interest on surplus above asset ceiling	2,318	4,274
Change in asset ceiling (net of interest)	24,063	(7,095)
Asset ceiling impact at end of period	73,693	70,872

Reconciliation of Present Value of the Scheme Liabilities:

	Funded Liabilities		Unfunded Liabilities	
	2024/25	2025/26	2024/25	2025/26
	£000	£000	£000	£000
Opening balance at 1 April	193,381	170,544	2,623	2,275
Current service cost	3,754	2,642	-	-
Interest cost	9,267	9,668	120	126
Contributions from scheme participants	1,448	1,542	-	-
Remeasurement gains	(27,808)	(2,812)	(170)	(310)
Remeasurement losses	-	2,438	-	-
Past service cost	-	-	-	-
Curtailments	508	4	-	-
Benefits paid	(10,006)	(9,262)	(298)	(250)
Closing balance at 31 March	170,544	174,764	2,275	1,841

The following financial and demographic assumptions were used for fund calculation purposes :-

Financial assumptions	Beginning of period (p.a.)	End of period (p.a.)
- CPI / CARE revaluation	2.6%	2.9%
- Increase in salaries	4.1%	4.4%
- Pension increases	2.7%	3.0%
- Discount rate	5.8%	6.2%

Post retirement mortality assumptions (normal health)

Non-retired members M/F:

- Mortality table	SAPS 4 / SAPS 4 middle	SAPS 4 / SAPS 4 middle
- Improvements	CMI 23 1.5% / CMI 23 1.5%	CMI 24 1.5% / CMI 24 1.5%
- Weightings	112% / 101%	119% / 106%
- Other choices	S=7, A=0	Core
	W20=W21=0, W22=W23=15%	Underlying
- Life expectancy at 65*	22.3 / 25.4	22.1 / 25.1
*currently aged 45		

Retired members M/F:

- Mortality table	SAPS 4 / SAPS 4 middle	SAPS 4 / SAPS 4 middle
- Improvements	CMI 23 1.5% / CMI 23 1.5%	CMI 24 1.5% / CMI 24 1.5%
- Weightings	106% / 101%	112% / 103%
- Other choices	S=7, A=0	Core
	W20=W21=0, W22=W23=15%	Underlying
- Life expectancy at 65	21.1 / 23.6	21 / 23.6

Local Government Pension Scheme assets comprised:

	Quoted Y/N	2024/25 £000	2025/26 £000
Equities:			
Financials	Y	244	247
Bonds:			
Overseas corporate	N	244	-
Property:			
Offices	N	-	-
Industrial/Warehouse	N	1,465	1,930
Shops	N	488	538
Multi let Commercial Building	N	977	944
Alternatives:			
UK private equity	N	-	-
Overseas private equity	N	15,011	13,264
Infrastructure	N	32,455	33,807
Credit funds	N	39,236	46,343
Pooled Fixed Income	N	13,176	15,355
Indirect Property Funds	N	16,686	19,867
UK Pooled Equity Funds	N	3	108
Overseas Pooled Equity Funds	N	120,628	110,781
Cash:			
Cash accounts	N	3,111	1,913
Net current assets	N	513	539
Closing fair value of scheme assets		244,237	245,636

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	176,605	166,077	182,117	177,354	180,338
Assets	(245,636)	(245,636)	(245,636)	(245,636)	(245,636)
Deficit/(Surplus)	(69,031)	(79,559)	(63,519)	(68,282)	(65,298)
Projected Service Cost for next year	2,541	2,147	2,757	2,541	2,608
Projected Net Interest Cost for next year	(4,348)	(5,404)	(3,998)	(4,293)	(4,108)

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 anticipates paying £2.181M expected contributions to the scheme in 2025/26 (£3.975M in 2024/25).

The weighted average duration of the defined benefit obligation for scheme members is 13 years, 2025/26, (17 years 2024/25).

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 liability existed as at 31 March 2026:

NNDR Appeals – The Council has made provision for NNDR appeals based on its best estimate of the actual liability as at 31 March 2026. 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

The Council are not aware of any material contingent assets as at 31 March 2026.

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 2025/26 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 <u>long term</u> 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 £12.5M 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 £12.5M, there was no evidence at 31 March 2026 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 31/03/26	Historical experience of default	Exposure at 31/03/26	Exposure at 31/03/25
	£000	%	£000	£000
	(a)	(b)	(a * b)	
AAA rated counterparties	-	0%	0%	0%
Trade debtors	3,656	Bad debt provision	3,242	3,507
Total	3,656		3,242	3,507

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 £3.9M of the £4.7M sundry debt balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31/03/25	31/03/26
	£000	£000
Current, < 28 Days	411	751
28-59 Days	363	193
60-91 Days	154	182
92-183 Days	293	233
184-364 Days	922	594
365+ Days	1,433	2,710
Total	3,576	4,663

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.

	31/03/25	31/03/26
	£000	£000
Less than 1 Year	1,041	1,042
1-2 Years	1,041	1,042
3-5 Years	3,124	3,124
6-10 Years	5,202	5,208
11-20 Years	7,312	6,252
21-30 Years	23,915	27,921
More than 30 Years	15,300	11,304
Total	56,935	55,893

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 3.75%. 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 4.10%, an increase of 1% on interest rates during 2025/26 would have had the following marginal effect:

	Actual	+1%
	£000	£000
New or variable investments:		
Call accounts	1,317	1,638
Total	1,317	1,638

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.

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.

2024/25 £000	NOTES	2025/26 £000 £000
Expenditure		
6,971	Repairs and maintenance	6,978
5,114	Supervision and management	5,108
644	Rent, rates, taxes and other charges	712
11,679	Depreciation and impairment of non-current assets	11,140
-	Debt management costs	-
297	Movement in the allowance for bad debts	64
-	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP	-
24,705	Total Expenditure	24,002
Income		
(16,751)	Dwelling rents	(16,691)
(286)	Non-dwelling rents	(294)
(2,451)	Charges for services and facilities	(2,482)
(61)	Contributions towards expenditure	(87)
(105)	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP	(108)
(19,654)	Total Income	(19,662)
5,051	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	4,340
-	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	-
5,051	Net Cost for HRA Services	4,340
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(187)	Gain or Loss on sale of HRA non-current assets	(1,077)
1,648	Interest payable and similar charges	1,608
(81)	Interest and investment income	(71)
3	Pension interest cost and expected return on pension assets	3
(794)	Capital grants and contributions receivable	(305)
5,640	(Surplus) or deficit for the year on HRA Services	4,498

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.

2024/25	2025/26
£000	£000
(750) Balance on the HRA at the end of the previous year	(804)
5,640 (Surplus) or deficit for the year on the HRA Income and Expenditure Statement	4,498
(5,241) Adjustments between accounting basis and funding basis under statute	(4,189)
399 Net (increase) or decrease before transfers to or from reserves	309
(453) Transfers to or (from) reserves	(332)
(54) (Increase) or decrease in year on the HRA	(23)
(804) Balance on the HRA at the end of the year	(827)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 NUMBER AND VALUES OF DWELLINGS

As at 31 March 2026 the Council held the following number of dwellings, noting that during the year 45 properties were disposed of under the Right to Buy Scheme, four new build flats were completed, one bungalow was converted and two maisonettes were acquired. Also, there was some minor re-classification of property types:

		2024/25	2025/26
Bedsits		84	84
1 Bedroom	Houses & Bungalows	650	651
	Flats & Maisonettes	547	551
2 Bedroom	Houses & Bungalows	469	464
	Flats & Maisonettes	655	652
3 Bedroom	Houses & Bungalows	1,098	1,067
	Flats & Maisonettes	8	8
4 or more bedroomed dwellings		91	87
TOTAL DWELLINGS		3,602	3,564



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

	Value as at 1 April 2025 £000	Value as at 31 March 2026 £000
Operational Assets:		
Council Dwellings	161,575	152,820
Other land and buildings	1,020	1,019
	162,595	153,839
Non-operational Assets	1,662	1,524
Assets Under Construction	926	-
TOTAL	165,183	155,363



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 sixth of which updated all values to 01 April 2025. This has resulted in a net decrease in asset values of £2.292M in the year, which forms part of the net movement in asset values shown above. Non-dwelling assets were also revalued as at 31 March 2026.

The vacant possession value of dwellings held on 31 March 2026 was £434.045M. The difference between this and the EUV-SH valuation of £158.089M (i.e. the updated figure after the valuation exercise effective as of 31 March 2026 but before depreciation) 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:

	2024/25 £000	2025/26 £000
Opening Balance 01 April	779	281
Transfer to HRA – Depreciation	4,778	5,275
Transfer to HRA - Depreciation Adjustment	(6)	(6)
Transfer to HRA - Additional Capital Financing	543	-
Capital Expenditure - Houses	(4,772)	(4,509)
Used to Repay Debt	(1,041)	(1,041)
Closing Balance 31 March	281	-

3 CAPITAL EXPENDITURE

Capital expenditure of £5.534M was incurred during the year relating to works on improvements to dwellings. This was financed as follows:

	2024/25 £000	2025/26 £000
Usable Capital Receipts	826	720
Earmarked Reserves	-	-
Majors Repairs Reserve	4,772	4,509
Grants and Contributions	794	305
Total Capital Financing	6,392	5,534

Capital receipts totalling £3.544M were received during the year from the following sources:

	2024/25 £000	2025/26 £000
Sale of dwellings	1,004	3,544
Other disposal receipts	-	-
Repayment of Principal on Mortgages	-	-
Total Capital Receipts	1,004	3,544

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:

	2024/25 £000	2025/26 £000
Council Dwellings	5,315	5,269
Other land and buildings	-	-
Non-operational Assets	6	6
Deferred Charges on Intangible Assets	-	-
TOTAL	5,321	5,275

5 IMPAIRMENT CHARGES

No impairment charges were made to the HRA for the financial year 2025/26. There was, however, a revaluation downwards of £5.235M in respect of non-enhancing capital expenditure on Council Housing stock. This was accompanied by £2.292M downward 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 2026 amounted to £0.360M (£0.437M for 2024/25). An amount of £0.896M (£0.955M for 2024/25) 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

	2024/25 £000	2025/26 £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.	(16)	2
Gain or loss on sale of HRA non-current assets.	187	1,077
HRA share of contributions to or from the Pension Reserve.	152	292
Capital Expenditure funded by the Housing Revenue Account	-	-
Transfer to/(from) Major Repairs Reserve	543	-
Transfer to/(from) the Capital Adjustment Account	(6,107)	(5,560)
	(5,241)	(4,189)
Transfers to or (from) reserves		
Transfer to/(from) Earmarked Reserves	(453)	(332)
	(5,694)	(4,521)

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. 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.

2024/25		NOTES	2025/26	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
INCOME				
	(99,506)	Income from Council Tax	1	(105,497)
	-	Transfer for Transitional Relief S13A [1] [C]		
(69,994)		Income from Business Ratepayers	2	(73,126)
(673)		Transitional Protection Payments due from Central Government		-
	(1,051)	Contributions towards previous year's estimated Collection Fund deficit		-
(70,667)	(100,557)	TOTAL INCOME	(73,126)	(105,497)
EXPENDITURE				
Precepts and Demands				
	70,402	Lancashire County Council	3	75,857
	12,595	Lancaster City Council (including parish precepts)		13,310
	11,216	Lancashire Police Authority		12,123
	3,608	Lancashire Fire Authority		3,921
32,794		Shares of non-domestic rating income to major preceptors and the billing authority	2	35,315
32,794		Payments made to central government in respect of central share		35,315
-		Transitional Protection Payments due to Central Government		83
4,056		Renewable Energy Disregard		4,056
210		Cost of Collection Allowance		209
		Interest paid on Refunds to ratepayers		125
-	-	Write-offs of uncollectable amounts		419
117	1,176	Allowance for Impairment	2	557
21		Adjustment to Provision for alteration of lists & appeals		3,520
1,553	-	Contribution towards previous year's estimated Collection Fund surplus		1,589
71,545	98,997	TOTAL EXPENDITURE	81,188	108,485
878	(1,560)	(SURPLUS) / DEFICIT ON FUND	8,062	2,988
MOVEMENT ON THE FUND				
(2,598)	751	Opening Balances	(1,720)	(809)
(1,720)	(809)	Closing Balances	6,342	2,179
878	(1,560)	TOTAL MOVEMENT ON FUND	8,062	2,988

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 2025/26 the numbers are as follows:-

	Chargeable Dwellings	Band D Equivalents
Band A	17,463	9,861
Band B	14,451	10,057
Band C	11,591	9,361
Band D	6,394	5,994
Band E	4,077	4,751
Band F	2,061	2,845
Band G	835	1,324
Band H	51	95
Total	56,923	44,288
<i>Collection Rate</i>		98.677%
Council Tax Base		43,702

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 55.5p per £ for 2025/26 (54.6p for 2024/25). For local businesses with a rateable value of less than £51,000, a discount of 5.6p was allowed giving a rate of 49.9p per £. The total rateable value for the district at 28 March 2026 was £169,662,520 (£169,891,443 for 2024/25).

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 2025/26 was £21.727M (£21.457M in 2024/25).

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 2025/26. 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 2026. Appeals are charged and provided for in proportion to the precepting shares. The total provision as at 31 March 2026 has been estimated at £12.194M (£8.674M in 2024/25), the Council's share of which is £4.878M.

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	Precept	Surplus	
	Allocation	Allocation	Allocation	Allocation	
	£000	£000	£000	£000	£000
Lancashire County Council	75,857	1,564	6,357	143	83,921
Lancashire Police Authority	12,123	80	-	-	12,203
Lancashire Fire Authority	3,921	249	706	16	4,892
Lancaster City Council	13,310	280	28,252	6,356	48,198
	105,211	2,173	35,315	6,515	149,214



Glossary of Terms used in the Accounting Statements

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

Independent Auditor's Report to Members of Lancaster City Council

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

TO BE COMPLETED AT A LATER DATE