

**CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY**

**STATEMENT OF ACCOUNTS**

**2019/20**

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## NARRATIVE REPORT

### Background

Under the Police Reform and Social Responsibility Act (PRSRA) 2011, Police and Crime Commissioners (PCC) and Chief Constables (CC) are deemed to be separate entities (Corporations Sole) and further to this the two entities have been established as Schedule 2 bodies under the Audit Commission Act 1998 (now replaced by the Local Audit and Accountability Act 2014) which means that they are both required to produce accounts which are subject to audit.

The primary function of the PCC is to secure the maintenance of an efficient and effective police force in Lancashire and to hold the CC to account for the exercise of operational policing duties under the Police Act 1996.

The CC is, in technical accounting terms, a 100% subsidiary of the PCC and this means that, although the CC is required to produce accounts in his own right, his accounts will also be consolidated with those of the PCC to form a third set of "PCC Group" accounts. The PCC/CC Group accounts can be found at the following link:

<https://www.lancashire-pcc.gov.uk/transparency/financial-information/audit-of-accounts/>

The governance framework reinforces the PCC's position in control of the budget whereby the CC has a budget delegated to him by the PCC against which performance is monitored and reported to the PCC throughout the year. The governance framework can be found at the following link:

<http://lancashire-pcc.gov.uk/the-commissioner/my-office/policies-and-procedures/>

### The Financial Statements of the Police and Crime Commissioner and Chief Constable

The Accounts and Audit (England) Regulations 2015 require authorities to follow "proper practices in relation to accounts" when preparing the accounts. The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), which is based on International Financial Reporting Standards (IFRS) constitutes a "proper accounting practice" in England and Wales under the terms of Section 21 (2) of the Local Government Act 2003. The 2019/20 Statement of Accounts is prepared in accordance with the Code.

The accounts reflect the current legislative framework as well as the local arrangements operating in practice.

### Contents of the Statement of Accounts

The statement gives the reader an overall impression of the finances of the CC for the financial year ended on 31 March 2020 (referred to as 2019/20).

The various sections contained within the consolidated financial statements are:

**Comprehensive Income and Expenditure Statement (CIES)** - This statement shows the accounting cost in the year of the CC providing services in accordance with generally accepted accounting practices, rather than the amount to be funded ultimately from taxation. The PCC raises taxation to cover expenditure in accordance with regulations and uses this income to provide intra-group funding to the CC. The accounting costs and those costs ultimately funded by taxation may be different. The taxation position is shown in the movement in reserves statement.

**Movement in Reserves Statement** - This statement shows the movement in the year on the different reserves held by the CC. As all usable reserves are retained by the PCC, these reserves are unusable and relate to pensions and short term employee benefits (accumulated absences).

**Balance Sheet**– This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the CC. Whilst the CC does not own any long-term assets he does recognise in his balance sheet, assets and liabilities relating to police officers and police staff under the direction and control of the CC. The net assets of the CC (assets less liabilities) are matched by reserves.

**Cash Flow Statement**– The cash flow statement shows the changes in cash and cash equivalents of the CC during the reporting period. However, under the terms of the funding agreement between the PCC and the CC, all payments are made and income received by the PCC with no cash transactions taking place in the name of the CC. The statement therefore shows how the surplus/deficit on the provision of services recorded in the CIES of the CC is reconciled to show a zero cash balance by adjusting for transactions where there is no movement of cash.

**Auditor's Report** – This sets out the opinion of the CC's external auditor on whether the accounts present a true and fair view of the financial position and operations of the CC for 2019/20.

**Annual Governance Statement** – This is a statement by the CC and his Chief Finance Officer (CFO) on governance issues, and provides assurances on the systems of control which are maintained and on the way he conducts his business.

In addition to these financial statements, the annual accounts include information on the Police Officer Pension Account, which is managed by the CC, providing statements for pension account income and expenditure, assets and liabilities.

For a full picture of the costs of policing in Lancashire, from a reader's perspective, the PCC Group Accounts are the most useful as they contain all the transactions of the PCC and CC and disregard any technical adjustments between the individual sets of accounts. A link to these Statements has been included above.

### **Financial performance of the Chief Constable**

The PCC sets both the revenue budget and the capital investment programme and he allocates resources to the Chief Constable to provide an efficient and effective policing service to the people of Lancashire.

To assist the Chief Constable in managing the resources allocated, both the revenue budget and capital programme are devolved to officers within the Constabulary who are nearer to the point of policing delivery and therefore can ultimately influence costs. Pay budgets and costs are managed centrally, with an acceptance by the PCC that, although non-pay costs would be managed locally, budget holders would not individually be held to account but the Chief Constable's financial performance would be judged against the overall "cash limit" agreed with the PCC.

The PCC budget for 2019/20 was set against a Central Government core grant settlement of £193.745m alongside an additional government grant of £3.104m to support the cost of additional employer pension contributions to the police officer pension scheme.

The Police and Fire Minister, in his final settlement statement of 24 January 2019, made it clear that further additional funding for policing needed to be delivered through an increase to council tax, with the Home Office setting out a funding position that required PCCs to increase council tax for a band D property by £24 in 2019/20. The PCC, therefore, agreed an increase in Council Tax, from £177.45 in 2018/19 to £201.45 in 2019/20, equivalent to a £24 per annum (13.5%) increase for a Band D equivalent.

The initial budget allocated to the Chief Constable in 2019/20 was £278.651m compared to £260.804m in 2018/19, equivalent to an increase of £17.847m or 6.8%.

In managing the budget in 2019/20 the non-pay revenue budget continued to be managed by Operational Commanders and Heads of Departments but overseen by the relevant Chief Officer (Deputy Chief Constable, Assistant Chief Constables and Director of Resources) responsible for specific functional areas. Pay budgets were centralised with decisions on budgeted posts and vacancy management made through Strategic Resourcing Board and Vacancy/Redeployment Panel.

### **2019/20 Revenue Budget and Outturn**

The PCC set an initial overall budget of £286.085m for 2019/20 (net of specific grant funding of £3.448m) of which £278.651m was allocated to the Chief Constable. During the year £0.104m was transferred from the Office of the Police and Crime Commissioner (OPCC) to finance:

- Partnership Analysts (£0.070m);
- Specific additional posts (£0.021m);
- Specific non-pay requirements (£0.013m).

Taking account of the additional allocations, the annual budget available to the Chief Constable increased to £278.756m.

In addition, rules for Devolved Financial Management (DFM) allow the Chief Constable to carry forward any unused resources from the previous year to mitigate unforeseen cost pressures. The Chief Constable's share of DFM balances was £1.110m at 1 April 2019 and were applied in year to meet the cost of Police Contact Response Officers (PCRO) job evaluation, leaving DFM balances remaining at 31 March 2020 as £0.873m.

The following table provides a summary of spend, by Chief Officers' area of responsibility, compared to the revised budget for 2019/20 of £278.756m:

## NARRATIVE REPORT

Responsibility Area	Revised Budget	Actual Spend	Variance (-underspend/+overspend)
	£m	£m	£m
Centrally Managed Pay Budgets	219.676	218.089	-1.587
ACC Territorial Operations	11.576	13.175	+1.599
ACC Specialist Operations	3.264	4.142	+0.878
Deputy Chief Constable	0.761	0.727	-0.034
Director of Resources	23.168	23.343	+0.175
Sub Total Chief Constable's Devolved Resources	258.445	259.476	+1.031
Non-Devolved Resources	20.311	20.674	+0.363
Total Constabulary Budget	278.756	280.148	+1.394

The year-end position indicates a total overspend of £1.394m (0.5%), which was mainly attributable to:-

- the additional cost of overtime across the Constabulary of £2.02m, to meet increasing demands in general for policing services and the stretch on resources resulting from major incidents and special events;
- this can be compared with an underspend on centrally managed pay of £1.59m, due to lower than budgeted staffing and PCRO numbers by the end of the financial year. Officer recruitment was in line with targets set by the government to uplift police officer numbers, with 51 additional officers recruited during 2019/20;
- Savings against budget were also made in the pensions operating account. The number of actual ill health retirements compared to forecast was significantly lower, resulting in a budget saving of £0.83m;
- the delivery of change programmes through the "Futures" work resulted in implementation costs of £0.92m being incurred mainly in relation to disestablishment of posts;
- Operation Bermuda (see below) was an unfunded cost of £0.95m in 2019/20.

#### Significant Other Operational Costs in 2019/20

During 2019/20 significant demand was placed upon the Constabulary in relation to Operation Manilla (policing anti-fracking protests), Operation Bermuda (Investigation at Blackpool Victoria Hospital) and Operation Sheridan (a long running investigation into fraudulent activity at a local authority).

New investment included £3m into a Neighbourhood Task Force. The taskforce is split into proactive teams of four or five officers spread across nine areas in the county, with the responsibility for

tackling local priorities including drug dealing, anti-social behaviour and burglary, alongside disrupting organised crime group activity and targeting outstanding offenders.

There was also investment in Specialist target teams to tackle cross border crime and criminality, focusing on burglary and robbery and there has been an uplift in detectives following public feedback to prioritise investigations around major crimes, child exploitation and domestic abuse.

In the latter part of 2019/20, the Constabulary began to bear additional cost burdens related to Operation Talla (Covid-19).

**Operation Manilla** commenced in 2016/17 with additional costs incurred to date £8.4m (£1.5m 2019/20). Home Office grant funding received to date totals £7.17m (£1.27m 2019/20), equating to approximately 85% of additional costs. The remainder has been funded through use of the Operational Policing Reserve (£0.22m 2019/20).

Operation Manilla ceased in 2019. On a daily basis, the number of officers directly involved in the policing of the operation varied. As has been demonstrated a number of times when campaigners have carried out 'lock-ons', it was essential to have the number of officers at the site that were allocated to the operation. Public safety has been our main priority and having this number of officers available was essential for ensuring all parties remained safe.

**Operation Bermuda** commenced in January 2019, with costs borne to date £1.35m (£0.95m in 2019/20). Costs borne in 2019/20 were not supported by any Special Grant, adding to budgetary pressures.

Operation Bermuda will continue into 2020/21 with estimated unbudgeted costs of £0.9m. Subject to the approval of the PCC it is anticipated that a contribution from the Operational Policing Reserve will be made to meet at least part of the ongoing costs, which will be subject to continuous review.

Lancashire Constabulary began incurring costs for *Operation Talla* in March 2020. At the end of the financial year, £0.25m had been spent, relating to purchase of PPE equipment and additional cleaning materials. Further, an estimated loss of income for March totalled £0.19m – including National Driver Offender Retraining Scheme (£0.08m) and from policing of sporting events (£0.07m). Finally, some cost savings were made in March 2020 as a result of Operation Talla, totalling £0.11m and including fuel savings of £0.06m. The net impact of additional expenditure, lost income and cost savings for March 2020 was £0.34m. Operation Talla financial pressures continued at the time of writing into 2020/21.

### **Capital Funding and Outturn 2019/20**

The PCC initially approved a capital investment programme for 2019/20 of £25.966m and during the year approved new proposals from the Chief Constable as well as reducing the programme for slippage and underspends identified during the year. This resulted in an amended programme value of £16.873m for 2019/20.

The capital programme continued to reflect the strategic requirements agreed between the PCC and Chief Constable to invest in ICT infrastructure and Digital delivery, the Estate and Vehicle infrastructure. The investment reflects a combination of ensuring that a robust infrastructure is in place as required for an emergency 24/7 service, investment aimed at providing more effective and efficient service delivery and an enabler to achieve medium term revenue savings.

The capital programme, which primarily covers approved Strategies for ICT, Accommodation and Vehicle Replacement, is managed by the Heads of those Departments and governed through a series of strategic boards.

The following table summarises the position on the capital programme for 2019/20.

	<b>Programme Value £m</b>	<b>Actual Spend £m</b>	<b>Slippage £m</b>	<b>Variance £m</b>
IT Strategy	6.285	6.920	0.634	-0.001
Accommodation	5.142	1.477	-3.665	-
Vehicle Replacement	3.829	3.140	-0.689	-
Other Schemes	1.617	1.088	-0.529	-
<b>Total</b>	<b>16.873</b>	<b>12.625</b>	<b>-4.249</b>	<b>-0.001</b>

Regular reports were provided by the Chief Constable to the PCC which highlighted, throughout the year, those schemes that were at risk of not progressing in year or would be delayed, resulting in a lower level of expenditure in year than originally anticipated.

The actual spend in year of £12.625m enabled a number of important investments, particularly around ICT and digital delivery, to be undertaken in respect of the infrastructure supporting front line officers, device upgrade and replacement and the replacement of key systems. In addition, initial work was undertaken on developing new and improved accommodation strategies – primarily related to Skelmersdale and Pendle. Both of these projects will continue during 2020/21.

## Reserves

The usable reserves of the Group are held by the PCC and are available for the CC to utilise in the performance of his duties after consultation and approval of the PCC.

Earmarked reserve levels reduced during 2019/20 from £20.196m to £12.502m, a reduction of £7.694m. This reserve movement was planned primarily to support the cost of capital programmes (£6.812m) and the cost of disestablishment of existing posts (£0.821m).

General reserves reduced by £0.110m. This relates to the use of £0.237m of DFM balances, as previously outlined, and a small increase in the level of the general fund reserve – reflecting the residual balances of the PCC and Chief Constable's budgets after other reserve movements.

A statement of reserves at the end of 2019/20 is provided below. Total general reserves form 3.22% of the 2020/21 revenue budget (£312.93m).



	Position as at 1/4/19 £m	Movement in 2019/20 £m	Final Position as at 31/3/20 £m
<b><u>EARMARKED RESERVES</u></b>			
Transition Reserve	14.783	-7.633	7.149
Clothing Reserve	0.384	-0.083	0.301
POCA Equalisation Reserve	0.547	0	0.547
PCCA/Drugs Forfeiture Reserve	0.299	0073	0.372
VMU Reserve	0.040	0	0.040
Operational Policing Reserve	1.915	-0.224	1.691
Forensic collaboration reserve	0.034	-0.011	0.023
LFSA operational reserve	0.147	0.052	0.199
Wellbeing reserve	0.016	0.001	0.017
Regional Collaboration	0.056	-0.056	0
Road Safety Reserves	1.974	0.188	2.163
<b>Total Earmarked Reserves</b>	<b>20.195</b>	<b>-7.694</b>	<b>12.502</b>
<b><u>GENERAL RESERVES</u></b>			
DFM	1.111	-0.237	0.874
General Fund	9.065	0.139	9.204
<b>Total General Reserves</b>	<b>10.176</b>	<b>-0.098</b>	<b>10.078</b>

## Pension Liabilities

The pensions' liabilities shown on the CC balance sheet reflect the underlying commitment that the CC has in the long term to pay retirement benefits. Although recognition of these liabilities has a considerable impact on the CC's net worth, statutory arrangements for funding the deficit mean that the financial position of the CC remains robust.

At 31 March 2020 the net pensions' liability of the CC, calculated by the actuary, is £3,794m (an increase of £117m over the previous year's figure of £3,677m). The net liability is split between the Local Government Pension Scheme (£144m) and the Police Pension Schemes (£3,649m). The police schemes are unfunded, i.e. no investments or other assets exist to offset future liabilities.

Other elements affecting the change in liability are shown in detail in Note 15 to the accounts.

## Police Pension Account

A police pension account was set up on 1 April 2006 and administers all of the police pension schemes (the 1987, 2006 and the 2015 schemes). Under the Police Reform and Social Responsibility Act 2011, the account is to be managed by the CC and the accounts for 2019/20 follow the main statements.

Benefits payable are funded by contributions from employees and employers and any difference between benefits payable and contributions receivable is funded by an additional contribution by the PCC from the Police General Fund. Prior to 2015/16 this additional contribution was financed in full by a top-up grant from the Home Office received by the PCC.

From 1 April 2019 the actuarial valuation changed the employer contribution rate from 24.2% to 31%. The amount of additional contribution required from the PCC in 2019/20 was £51m (2018/19: £60m) financed from Home Office grant and the additional funding given to Policing authorities to cover the costs of the additional employer contributions.

## Operational Performance and Assessment

The Constabulary has maintained its strong track record in managing performance across its services. This was again reflected in the results of our latest HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service) "Police Efficiency, Effectiveness and Legitimacy (PEEL)" Inspection. This Inspection was conducted in July 2019 and published in February 2020.

The PEEL assessment of 'outstanding' in Efficiency and 'good' in Effectiveness and Legitimacy:

Year of report	Efficiency	Effectiveness	Legitimacy
2020	Outstanding	Good	Good

HMICFRS congratulated Lancashire Constabulary on its excellent performance in keeping people safe and reducing crime, with HMI Phil Gormley stating;

"The constabulary prevents crime and tackles anti-social behaviour well. Since the last inspection it has improved how it protects vulnerable people; working closely with partners to ensure it safeguards victims. But it needs to improve the way it investigates crime through better training and more effective supervision.

The constabulary's accuracy in terms of recording crime is assessed as good, having made improvements in how it does this since the last inspection.

I am particularly pleased with the way in which Lancashire Constabulary plans for the future. The force's leaders are ambitious. The force has a detailed understanding of changing demand and links this to its future financial planning and workforce development.

Senior leaders ensure that the workforce understands the importance of treating the public and each other with fairness and respect. The force continues to uphold an ethical culture and promote the standards of professional behaviour it expects.

Overall, I commend Lancashire Constabulary for sustaining its positive performance over the past year. I am confident that it is well equipped for this to continue."

Lancashire has led the approach nationally in the development of the Force Management Statement (FMS), and the prioritisation of investment based on its assessment of risk. The Constabulary have achieved this through ensuring that its FMS forms the basis for the delivery of its Business Planning cycle and this has underpinned its approach to future resourcing and investment. This has been a very deliberate and active methodology with significant engagement with the workforce and communities. This approach has now been adopted nationally as best practice.

Scrutiny of performance rests with the Police and Crime Commissioner (PCC) and, in holding the Chief Constable (CC) to account, the PCC established priorities for Lancashire Constabulary during 2019/20 that are aligned to the Police & Crime Plan:

1. Protecting Local Policing.
2. Tackling Crime and Re-Offending.
3. Supporting Vulnerable People and Victims.
4. Developing Safe & Confident Communities.

## **Protecting local policing**

### *Responding to calls for service*

Responding to calls for service is a key priority for the CC and the PCC. There have been considerable improvements to performance monitoring capabilities in the form of further developments to performance dashboards. These products have been key throughout the successful recent decant of the Force Control Room. Almost 285,000 999 calls were received throughout the year and 77% were answered within the 10-second target, with an abandonment rate of less than 1%. In the last quarter of the year, since January 2020, this increased to 88%.

In the year April 2019 to March 2020 there were 575,691 incidents that resulted in 270,266 deployments. The median time to arrive was 29.4 minutes across all incident types. In relation to responding to emergency (grade 1) calls, the median time to arrive was 10.3 minutes: the service level aim being to arrive within 15 minutes.

### *Special Constabulary*

The Special Constabulary was working towards an establishment of 259 officers, and this figure has recently been achieved. Plans have been drawn up to maintain this position throughout the ongoing regular officer and PCSO recruitment campaigns.

In the latter months of 2019/20, the Special Constabulary has consistently contributed in excess of 4500 hours per month in operational and training duties. A Specials' Board is now well established and is considering how to maximise opportunities for specials to contribute towards operational policing priorities.

### *Cadets*

Lancashire Constabulary has 458 Police cadets. Following a recent review of the Constabulary's Volunteer Police Cadet (VPC) Programme, progress is underway regarding the associated implementation plan. A small restructure of paid staff who deliver the VPC will ensure that the right people can be recruited to a role description and shift rota, which better reflects the work that they undertake.

A new "Lancashire Vision" strategy and safeguarding policy is under development, based on similar products presented to the National Police Chiefs' Council (NPCC). The Constabulary's relationship with the Prince's Trust continues to grow, with a new 5-year programme now being delivered; and a Cadet Board has been implemented to oversee all 700 cadet places across the County, including oversight of "mini police" schemes.

### *Lancashire Volunteer Partnership*

The Constabulary has been working closely with the Lancashire Volunteer Partnership (LVP) to review, support and progress its Citizens in Policing Programme (CIP). The new "Our Lancashire" platform is also being promoted to widen the Constabulary's engagement reach and provide front line staff with further preventative opportunities, both to reduce vulnerability and demand on the service.

As well as over 300 Police Support Volunteers (PSV), the Constabulary makes use of the shared resource offered by the LVP. LVP now has over 400 Community Support befriending volunteers and networking is in place to ensure the Constabulary makes best use of that resource in reducing vulnerability and demand on the service.

Although not Constabulary volunteers, the new Uniformed Community Champion Volunteer role is expected to fill a gap that the Constabulary is no longer able to provide, in support of local events and processions.

Such partnership working has also played a critical role in supporting the community across the County during Covid-19.

## Tackling Crime and Re-Offending

### *Recorded Crime*

Recorded crime has plateaued to a new norm, after initial year-on-year increases were observed in the earlier part of the year. These increases were deemed to be largely attributable to changes in crime recording practices, following interventions as a result of Her Majesty's Inspectorate of Constabulary Fire and Rescue Services' Crime Data Integrity inspections. Overall, there was a 12% decrease (from 164,861 to 144,742) in the year April 2019 to March 2020 when compared with April 2018 to March 2019. As can be seen in Table 1 below, this downward trend is replicated across the region and most similar group of forces, although the reduction in Lancashire is more marked.

Table 1. Recorded crime

AREA	%	Recorded 12 months to Mar 2019	Recorded 12 months to Mar 2020
England & Wales	+0.6%	5,199,378	5,231,651
Most Similar Group	-4.2%	1,286,561	1,233,162
North West Region	-7.1%	765,403	710,689
Lancashire	-12%	164,861	144,742

Robbery is the only crime category which has consistently bucked this trend, with a 5% increase (1186 offences from 1142 2018/19) overall and a 5% increase in Personal Robbery. However, it should be noted that lower total numbers mean that percentage changes appear more severe for robbery than other, higher volume crime types, such as burglary. Further, the quarter four data shows a 17% reduction in robbery when compared with the same quarter in 2018/19.

Residential burglary decreased by 17% with 7,410 recorded crimes, down from 8,967 during 2018/19. Violent crime also decreased overall by 10% (4,419 crimes) and 747 fewer sexual offences including rape were recorded, a reduction of 14%.

Recorded anti-social behaviour (ASB) incidents have increased (up 6,770 or 13% since 2018/19). Previously, a shift was seen where many ASB incidents were captured within public order offences. Public order offences reduced 31% to 10,627 in 2019/20.

The reoffending rate has increased slightly to 31.5% from 30% at the end of the last fiscal year. Four local Reducing Reoffending Boards are overseen by an independent Chair and feed into a Lancashire-wide Strategic Board, which provides the overall direction in helping reduce levels of reoffending and keeping Lancashire safe.

### **Violence Reduction Network (VRN)**

The VRN was established with a team of over 18 part and full-time staff seconded from a range of partners. In December, the VRN published a Lancashire-wide serious violence strategic needs assessment and their response strategy for the year ahead is currently being finalised. The network is funding and overseeing the delivery and evaluation of seven work streams, which include interventions for prisoners and their families; a diversion programme from police custody for young people; parenting support and knife crime reduction activities.

The Constabulary is working closely with VRN colleagues to link measures from the strategy to the work of the Community Safety Partnership via partnership analysts and to the tracking of operational activity through monthly checkpoints.

### **Knife Crime**

The Constabulary received Home Office funding to deliver a knife crime reduction programme, the key elements of which include deployment of knife crime assets (wands and arches), stop and search surge activity and community engagement work. An evaluation of the knife crime programme has been commissioned and will be completed by academics from the World Health Organisation Collaborating Centre for Violence Prevention at Liverpool John Moores University (LJMU).

The Constabulary's knife crime figures (to the end of March 2020) represent a stable picture overall when compared with the same period in 2018/19 (1131 and 1141 offences respectively).

Trauma Intelligence and Injury Group (TIIG) data pertaining to attendances at Accident and Emergency following assault, can help to enrich the picture of violence, including knife crime. Data is provided by multiple hospital trusts both within and outside of Lancashire to the TIIG at LJMU, who aggregate the figures and share them with key partners. The latest data shows that a knife or sharp object was the weapon used in just under 8% of assaults. This is the second highest weapon category, with three quarters of attendees reporting assault by another individual's body part, such as a hand or foot. The trend observed from partners' data is one of increasing numbers of individuals presenting to the county's hospitals with assault injuries inflicted with a knife or sharp object. North West Ambulance Service data also shows a pattern of increasing callouts for stabbing/gunshots and penetrating trauma when compared with the previous two years.

### **Homicide**

The number of homicides recorded in Lancashire for the year to December 2019 was 27. This figure represents an increase of almost 60% (58.5) on the previous calendar year (17) and places Lancashire behind only Greater Manchester in the North West and second of 8 forces, (behind only West Yorkshire; 33) within the most similar group of other forces. Last year's projections estimated that the Force Major Investigation Team (FMIT) would be required to investigate 12-17 homicides in 2019 but this was clearly exceeded.

The Force Intelligence Bureau recently completed a review of homicides in an attempt to identify any patterns and/or reasons behind the increase. No single factor was found to be consistently driving the increase, but substance use/dealing, organised crime, the use of weapons and increasing vulnerability in both perpetrators and victims may all be contributing in combination to the increases.

Homicides will continue to be closely monitored. The Constabulary is also conducting extensive analysis of the impact of increasing demand on investigative resources as part of the business planning cycle.

## **Supporting Vulnerable People and Victims**

**Combatting Domestic abuse** (DA) is a strategic priority across Lancashire. Domestic abuse crimes have shown a reduction in the last 12 months of 5% (-1194 offences). Also, there has been a slight reduction in both the number and proportion involving violence resulting in injuries (4,045, 19.5% in 19/20; 4,577, 21% in 18/19).

A “whole system” review of Multi Agency Risk Assessment Conferences (MARAC) processes has reached the stage of pilot implementation in the Preston area. The new, evidence-based approach is designed to provide a more timely, responsive and effective service, whereby a multi-agency case coordination team provides an interface between families experiencing high-risk DA and a wide range of support services. The model is based on trauma-informed, public health approaches to address root causes, build resilience within family units and provide long-term, sustainable change. The model will be implemented pan-Lancashire over the course of the next 12 months.

The initial findings from an OPCC jointly-commissioned Domestic Abuse and Sexual Violence gap analysis have recently been published and include a series of recommendations for improving joint working, access to services and the quality of survivors’ support pathways.

Operation Encompass is a police and education early information –sharing partnership, enabling schools to offer immediate support for children and young people experiencing domestic abuse. Over 2,500 referrals have been made to the scheme since April 2019.

## **Repeat victimisation**

A problem-solving (repeats) Power BI dashboard has been developed to assist with identifying repeat locations; repeat victims, suspects and missing individuals. It is recognised that many individuals sit across all three groups and this may be an indication of vulnerability. In 2019/20 across 129,587 investigations, almost 20,000 individuals were victimised twice or more.

**Child sexual exploitation** (CSE) crime has reduced by 3% in comparison to 2018/19. A Constabulary-wide review of CSE is underway, examining intelligence gathered and the nature of CSE crime, as well as identifying intrinsic links across CSE and Missing from Home cases. To date, the review has already recognised potential to maximise opportunities to identify common offenders, locations and victims through improved sharing and recording of intelligence. In excess of 150 crossovers between existing CSE operations have also been highlighted. This learning will assist the Constabulary in early identification of CSE and we may, in turn, expect the impact to be a positive increase in recording.

Plans are in place to explore partners’ data (health, education and social services) and to establish if the cohorts of at-risk individuals are comparable or if there are gaps in police knowledge.

Constabulary analysts are also collaborating, with the aim of maximising data opportunities to support the review. For example, exploring the potential of machine learning to review crime records and to identify CSE as well as associated individuals more efficiently.

**Hate crime.** Recorded hate crimes have reduced in volume (12%; -348) and equate to 1.8% of all recorded crimes in 2019/20. Under the county-wide strategic hate crime plan and governance of the Strategic Hate Crime and Cohesion Group (SHCCG) a number of long-term projects were realised this year. With all 14 local authorities in Lancashire already signed up to one cohesive plan, over the last 18 months partnerships have been formed with education and health and these were launched internally and externally during Hate Crime Awareness Week (HCAW). This work is based on instilling an appropriate organisational 'inclusion' and 'culture' in order to promote trust.

All colleges and universities across the county came together under a 4-principle approach to tackle hate crime. In support of this, a bespoke education video has been developed alongside the University of Central Lancashire (UCLan) and supported by the Commissioner and was shown to over 15,000 16+ students in Lancashire.

Lancashire Health Care Foundation Trust (LCFT) has worked with the Constabulary for 18 months to develop an inclusive, culture-based approach to hate crime awareness. Their strategy and delivery plan were launched in HCAW, with their training video partly funded through the OPCC. Their approach will be adopted across all areas of the trust in the North West and has prompted work with our local health partners as well as the Royal College of Nursing.

**Modern day slavery.** There has been a trend of an increasing number of reports throughout the year and there are multiple, live operations across the County. Throughout 2019, the Pan Lancashire Anti-Slavery Partnership (PLASP) and police jointly held multiple roadshows across the county aimed at raising public awareness. A lot of work has now been undertaken with the Business Community around 'Transparency in supply chains' and how this will assist in preventing Human Trafficking and MDS in the workforce. In December 2019, supported by the OPCC and LANPAC, the Constabulary with the PLASP held a Business Conference at Ewood Park during which the Business Pack was launched. This pack is accessible via the force website and is aimed at assisting companies in auditing and also in recognising MDS indicators. Accompanying this, the 'Business Pledge' was also launched and is to be included on all purchase order emails from our current suppliers for companies to voluntarily 'sign up' to helping eradicate MDS. The PLASP have conducted a number of multi-agency training sessions across Lancashire and the wider region, with a busy schedule of further training already planned throughout 2020.

**Missing from Home (MFH)** reports have decreased by 11% year on year. The Missing from Home action plan continues to be reviewed monthly by a working group, while work in the West of the county with Local Authorities around looked after children is progressing. This project seeks to embed new memorandums of understanding, processes, policies and enhanced information-sharing between police, care homes and accommodation providers, with the aim of developing a multi-agency "super-response" to missing people, (in particular, children and young people).

Academic partners at UCLan have completed two pieces of MFH research this year. The first identified key characteristics associated with children who go missing repeatedly and has been published in the journal "Policing and Society". The paper used Lancashire data and identified that less than 5% of children who go missing account for almost a third of missing reports. Further, those who go missing most often share key characteristics; being teenagers, in the care system and dependent users of drugs and/or alcohol. The findings of this research have implications for how the Constabulary could reduce the volume of MFH incidents, reduce repeats and manage risk. This is now being followed up with work investigating risk and protective factors through analysis of Return to Home interviews (RHIs).

## **Developing Safe & Confident Communities**

### *Satisfaction*

Public satisfaction presents a mixed picture for the last financial year, when compared with 2018/19.

- Burglary offences – slight increase of 1% to 68%
- Decreases observed in other areas:
  - ASB satisfaction is down 2% to 63%
  - A considerable decrease in satisfaction for victims of hate crime (down 10%).
  - The satisfaction rate for victims of domestic abuse is down 3% to 75%
  - User satisfaction for violent offences is stable at 72%

### *Confidence: Crime Survey of England and Wales (CSEW)*

In the 12-month period to December 2019, overall public confidence in Lancashire Constabulary remained stable, decreasing by only 0.3% to 72.8%. This is in line with the average across the Most Similar Group of other forces for the period (73.3%). The CSEW also gives a rating of local police and the percentage of people who think that the police are doing a good or excellent job in their local area. The Lancashire rate is 52% and the range across the MSG runs from 71% down to 50%, the MSG average being 55%.

In addition, the CSEW notes that the risk of personal crime in Lancashire is 3.8%, a slight increase from 3.1% in December 2018. The rates for risk of household crime remain around 10.5%, which is consistent with last year. The perception of high levels of ASB has also decreased slightly from 8.3% to 6.5%.

## **Financial Risks going forward**

The Medium-Term Financial Strategy (MTFS) is regularly updated to reflect available resources against the committed budgetary requirement. The ensuing "gap" is managed through the 'Futures Programme' which ensures the Force is able to remain efficient and effective within the context of a continuing challenging financial environment. The Chief Constable/Constabulary have an excellent track record in managing resources and this "ethos" together with the close working relationship between the PCC CFO and Chief Constable's CFO in managing reserves and balances assists in mitigating any financial risk to the overall budget and that of the Chief Constable.



DFM balances of £0.873m were available to the Chief Constable at the end of 2019/20 and will be the first call to mitigate the risk around unbudgeted and unforeseen costs arising in 2020/21. Beyond these resources is the Reserves held by the PCC which are set aside to assist with managing financial risks and pressures.

Allocated budgets are also closely scrutinised before they are finalised with a view to identifying any early non-pay savings that can be offset against the “gap” or are available in year to meet unbudgeted costs.

## **Financial Outlook**

The ongoing and potential future impact of Covid-19, uncertainty on the outcome of the Comprehensive Spending Review (CSR) and any impact from Brexit makes forward planning difficult. The future could provide a significant challenge for the PCC and the Constabulary. The development of the Force Management Statement (FMS) provides a forward look at demand pressures and investment requirements. The extent of meeting any investment requirement will depend on Government funding and any flexibility afforded to the PCC around Council Tax increases. The PCC and the Constabulary have a proven track record, as recognised by both HMICFRS and external audit reports, in their ability to identify and deliver financial savings and it is anticipated that this will continue. However, as the economic position becomes more difficult, it will be increasingly challenging to find savings.

Since 2011 the Constabulary has delivered savings of £83m and underlying cost pressures and service demands indicate that further savings of around £20m may be required over the period 2020/21 to 2022/23. In the context of significant savings already delivered this presents a challenge to the PCC and the Constabulary and work is already underway to develop plans on how these can be achieved.

**Specific Risks** include:

### ➤ **Impact of Covid-19**

The financial impact of Covid-19 to the Constabulary could be far reaching. As well as significant investment in personal protective equipment (PPE), additional cleaning equipment and materials and testing, the Constabulary has taken steps to ensure that officers and staff have been able to work safely and in line with Government guidance on social distancing and shielding. This has required further investment in areas such as ICT. Further, there has been an impact on established income streams such as National Driver Offender Retraining Scheme (NDORS) and policing events such as football matches. The financial impact in 2019/20 was £0.34m, but this related to impacts in March 2020 only – and has extended into 2020/21. Depending upon the extent of measures required and the length of time that Covid-19 continues to impact this could have a significant financial impact in the short and medium term. In collaboration with other forces, Lancashire Constabulary and the Police and Crime Commissioner will lobby government to seek to ensure that costs are fully recovered such as not to have a financial impact on policing across Lancashire.

### ➤ **Impact of Comprehensive Spending Review (CSR)**

Following a one-year settlement for 2020/21, funding for policing services beyond this year will be set out in the findings of the Comprehensive Spending Review that is scheduled to take place later in 2020. Until these are published the level of funding available for PCCs remains uncertain and the challenge of planning over the medium term remains difficult.

➤ ***Emergency Services Network (ESN) - Replacement of Airwave***

The replacement of the emergency services communications network 'Airwave' with the ESN programme has already 'slipped' by more than three years. There is a financial consequence of a delay in moving over to the new network that is potentially significant. Latest estimates of the costs to fall on Local Policing budgets have been made available and are stark in their impact with a potential tripling of costs for Lancashire over the medium term. Based on these projections the position for Lancashire would be unaffordable, which is a position shared by all Forces. The issues have been raised nationally by the NPCC and will require additional funding to be made available for the Constabulary to be in a position to fund this programme.

➤ ***Impact of future Local Government funding***

The impact of previous cuts to Local Authority budgets increased the demands faced by policing services particularly in relation to individuals with mental health issues. The impact of these changes is extremely difficult to measure but it has been identified that nearly 80% of calls received by the police relate to incidents that are not recorded as 'crime' with the vast majority relating to individuals with mental health issues that have reached a crisis point. Future CSR settlements for Local Authorities have the potential to heighten this challenge.

➤ ***Investment to deliver change***

The Constabulary has a clear ambition to transform the way it does business and delivers services. Much of this is based on delivery of an information technology infrastructure which provides a digital capability ranging from interaction with the public through to digital investigation of crime. In addition, the Constabulary plans to improve estate across the county through a comprehensive investment strategy. The ability to fund this investment will become increasingly challenging as the Constabulary draws down on Investment reserves set aside to meet this expenditure. Providing adequate and sustainable sources of finance will require an innovative approach to funding and a requirement wherever possible to generate cash efficiencies to support this.

Ian Cosh

Ian L Cosh MA, CPFA  
Director of Resources and Chief  
Constable's Chief Finance Officer

14 December 2020

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Chief Constable of Lancashire Constabulary's Responsibilities

The Chief Constable is required to:

- make arrangements for the proper administration of the financial affairs of Lancashire Constabulary and to secure that one of its officers has the responsibility for the administration of those affairs. In this instance, that officer is the Director of Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

I approve these Statements of Accounts for the year-ending 31 March 2020

*Andy Rhodes CBE QPM*

ANDY RHODES  
Chief Constable of Lancashire Constabulary  
14 December 2020

### The Chief Finance Officer's Responsibilities

The Chief Constable's Chief Finance Officer, the Director of Resources, is responsible for the preparation of the Statement of Accounts of the Chief Constable in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Director of Resources has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts is that upon which the auditor should enter a certificate and an opinion. It presents a true and fair view of the financial position of the Chief Constable of Lancashire Constabulary and his transactions as at 31 March 2020 and for the year then ended.

*Ian Cosh*

IAN L COSH MA, CPFA  
Director of Resources and the Chief Constable's Chief Finance Officer  
14 December 2020

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost, in the year, of policing services provided by the CC using the resources of the PCC, in accordance with generally accepted accounting practices.

2018/19 (re-stated) Net Exp £000		Notes	2019/20		
			Gross Exp £000	Gross Inc £000	Net Exp £000
234,176	Centralised Pay Budgets		257,739	-	257,739
35,668	Director of Resources		41,596	-	41,596
14,067	ACC-Territorial Ops.*		15,169	-	15,169
3,947	ACC-Specialist Ops.*		4,799	-	4,799
6,827	Deputy Chief Constable*		1,743	-	1,743
243,599	Constabulary Non-Devolved budgets		61,251	-	61,251
(356,259)	Funding received by CC from PCC	11	(371,342)	-	(371,342)
182,025	<b>Net Cost of Services</b>		<b>10,955</b>	-	<b>10,955</b>
85,379	Net Interest on Defined Benefit Liability				90,651
267,404	<b>Deficit on Provision of Services</b>				<b>101,606</b>
197,576	Re-measurements of pension assets/liabilities				15,141
197,576	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>15,141</b>
464,980	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>116,747</b>

\*The areas of responsibility covered by these budget holders changed from 1 December 2019. The revised responsibilities are listed below and the 2018/19 analysis has been restated for comparability:

Director of Resources	Estates, Fleet & Facilities Management, Finance, Procurement & Transactional Services, ICT, Legal Services, HR
ACC-Territorial Ops.	West, South, East, Specialist Operations, Contact Management, Corporate Communications
ACC-Specialist Ops.	Local Investigations, Serious Crime
DCC	Custody, Professional Standards, Corporate Development, Organisation Development, L& D.
CC Non-Devolved	Includes collaboration, injury pensions, grant funded projects and other miscellaneous items

## MOVEMENT IN RESERVES STATEMENT 2018/19 and 2019/20

This statement shows the movement in the 2018/19 and 2019/20 financial years on the different reserves held by the CC. At present, the only transactions shown in these statements relate to the Pensions Reserve and the Accumulated Absences Reserve (reflecting movements relating to police officers and police staff under the direction and control of the CC). All other reserves are managed by the PCC. The Deficit on the Provision of Services line (within the Comprehensive Income and Expenditure Statement) shows the true economic cost of providing the CC's services

	Note	General Fund Balance £000	Total Usable Reserves £000	Pensions Reserve £000	Accumulated Absences Reserve £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2018</b>		-	-	(3,212,263)	(4,973)	(3,217,236)	(3,217,236)
<b>Movement in reserves during 2018/19:</b>							
Total Comprehensive Income & (Expenditure)	8	(267,404)	(267,404)	(197,576)	-	(197,576)	(464,980)
Adjs between accounting basis & funding basis under regulations:		<b>267,404</b>	<b>267,404</b>	<b>(267,055)</b>	<b>(349)</b>	<b>(267,404)</b>	-
<b>Balance at 31 March 2019</b>		-	-	(3,676,894)	(5,322)	(3,682,216)	(3,682,216)
<b>Movement in reserves during 2019/20:</b>							
Total Comprehensive Income & (Expenditure)	8	(101,606)	(101,606)	(15,141)	-	(15,141)	(116,747)
Adjs between accounting basis & funding basis under regulations:		<b>101,606</b>	<b>101,606</b>	<b>(101,584)</b>	<b>(22)</b>	<b>(101,606)</b>	-
<b>Balance at 31 March 2020</b>		-	-	3,793,619	(5,344)	(3,798,963)	(3,798,963)

**BALANCE SHEET**

The Balance Sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the CC. The net assets (assets less liabilities) are matched by the reserves held by the CC. The reserves of the CC are not able to be used to provide services.

31 March 2019		Notes	31 March 2020
£000			£000
6,281	Short Term Debtors –Intragroup Debtor		7,704
<b>6,281</b>	<b>Current Assets</b>		<b>7,704</b>
(11,604)	Short Term Creditors	12	(13,049)
<b>(11,604)</b>	<b>Current Liabilities</b>		<b>(13,049)</b>
(3,676,893)	Pensions Liability	15	(3,793,618)
<b>(3,676,893)</b>	<b>Long Term Liabilities</b>		<b>(3,793,618)</b>
<b>(3,682,216)</b>	<b>Net Assets</b>		<b>(3,798,963)</b>
(3,676,893)	Pensions Reserve	9	(3,793,618)
(5,323)	Accumulated Absences Reserve	9	(5,345)
<b>(3,682,216)</b>	<b>Total Unusable Reserves</b>		<b>(3,798,963)</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the CC during the reporting period. Under the funding arrangement between the PCC and the CC the CC does not engage in investment and financing activities therefore all cash flows are classified as operating activities.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
267,404	Net deficit on the provision of services	101,606
(267,404)	Adjustments to net deficit on the provision of services for non-cash movements (Note 13)	(101,606)
<b>-</b>	<b>Net Cash Flows from Operating Activities</b>	<b>-</b>

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## 1. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources e.g. government grants and council tax by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted practices. It also shows how this expenditure is allocated for decision-making purposes between budget areas. Income and expenditure accounted for under generally accepted practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### 2019/20

	<b>Outturn position as reported to management</b>	<b>Adjustments to arrive at net amount chargeable to Police General Fund*</b>	<b>Net expenditure chargeable to Police General Fund</b>	<b>Adjustments between the funding and accounting basis*</b>	<b>Net expenditure Comprehensive Income &amp; Expenditure Statement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Chief Constable:</b>					
Centralised Pay Budgets	218,089	236	218,325	39,414	257,739
Director of Resources	23,343	18,253	41,596	-	41,596
ACC-Territorial Ops	13,175	1,994	15,169	-	15,169
ACC Specialist OPs	4,142	657	4,799	-	4,799
Deputy Chief Constable	727	1,016	1,743	-	1,743
Constabulary Non-Devolved Budgets	20,674	69,036	89,710	(28,459)	61,251
Funding received from PCC	-	(371,342)	(371,342)	-	(371,342)
<b>Net Cost of Services</b>	<b>280,150</b>	<b>(280,150)</b>	<b>-</b>	<b>10,955</b>	<b>10,955</b>
Other Income and Expenditure	-	-	-	90,651	90,651
<b>Deficit on provision of services</b>	<b>280,150</b>	<b>(280,150)</b>	<b>-</b>	<b>101,606</b>	<b>101,606</b>
<b>Opening General Fund Balance</b>			-		
In-year deficit					
<b>Closing General Fund Balance</b>			-		

*\*Further details are shown in tables that follow*

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2019/20  
NOTES TO THE ACCOUNTS

2018/19 (re-stated)

	Outturn position as reported to management	Adjustments to arrive at net amount chargeable to Police General Fund*	Net expenditure chargeable to Police General Fund	Adjustments between the funding and accounting basis*	Net expenditure Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
<b>Chief Constable:</b>					
Centralised Pay Budgets	205,130	95	205,225	28,951	234,176
Director of Resources	19,222	16,446	35,668	-	35,668
ACC-Territorial Ops	12,038	2,029	14,067	-	14,067
ACC Specialist OPs	3,240	707	3,947	-	3,947
Deputy Chief Constable	5,787	1,040	6,827	-	6,827
Constabulary Non-Devolved Budgets	18,806	71,719	90,525	153,074	243,599
Funding received from PCC	-	(356,259)	(356,259)	-	(356,259)
<b>Net Cost of Services</b>	264,223	(264,223)	-	182,025	182,025
Other Income and Expenditure	-	-	-	85,379	85,379
<b>(Surplus)/Deficit on provision of services</b>	264,223	(264,223)	-	267,404	267,404
<b>Opening General Fund Balance</b>			-		
In-year (surplus)/deficit			-		
<b>Closing General Fund Balance</b>			-		

\*Further details are shown in tables that follow

**Adjustments to arrive at net amount chargeable to Police General Fund**

These adjustments relate to items that are included within departmental budgets but excluded from the cost of services in the comprehensive income and expenditure statement.

**2019/20**

	Income reported in PCC CIES	Included in Other Inc & Exp	Movement in reserves-either budgeted or approved in year	PCC funding of Constabulary expenditure, both budgeted and in-year.	Total
	£000	£000	£000	£000	£000
<b>Chief Constable:</b>					
Centralised Pay Budgets	-	-	-	236	<b>236</b>
Director of Resources	3,430	329	84	14,410	<b>18,253</b>
ACC-Territorial Ops.	1,988	-	6	-	<b>1,994</b>
ACC-Specialist Ops.	713	-	-56	-	<b>657</b>
Deputy Chief Constable	1,187	-	-171	-	<b>1,016</b>
Constabulary Non-Devolved budgets	17,892	51,280	-136	-	<b>69,036</b>
Funding received from the PCC	-	-	-	(371,342)	<b>(371,342)</b>
<b>Net Cost of Services</b>	<b>25,210</b>	<b>51,609</b>	<b>-273</b>	<b>(356,696)</b>	<b>(280,150)</b>

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2019/20  
NOTES TO THE ACCOUNTS

2018/19

	Income reported in PCC CIES (re-stated)* £000	Included in Other Inc & Exp £000	Movement in reserves-either budgeted or approved in year £000	PCC funding of Constabulary expenditure, both budgeted and in-year. £000	Total £000
<b>Chief Constable:</b>					
Centralised Pay Budgets	-	-	-	96	<b>96</b>
Director of Resources	1,598	288	267	14,294	<b>16,447</b>
ACC-Territorial Ops.	1,999	-	30	-	<b>2,029</b>
ACC-Specialist Ops.	701	3	3	-	<b>707</b>
Deputy Chief Constable	1,027	-	12	-	<b>1,039</b>
Constabulary Non-Devolved budgets	17,246	57,297	(2,825)	-	<b>71,718</b>
Funding received from the PCC	-	-	-	(356,259)	<b>(356,259)</b>
<b>Net Cost of Services</b>	<b>22,571</b>	<b>57,588</b>	<b>(2,513)</b>	<b>(341,869)</b>	<b>(264,223)</b>

\*Reflects the impact of the management restructure on income reported in the PCC CIES.

\*\*Reflects the net impact of the structure changes. The gross expenditure impact, reflected in the CIES is shown in Note 4 to these accounts.

### Adjustments between the funding and accounting basis

The tables below provide a more detailed breakdown of the main technical adjustments to Net Expenditure Chargeable to Police General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. An explanation of what these adjustments represent follows these notes.

2018/19				2019/20		
Net change for pensions adjs (Note A)	Other statutory adjs (Note B)	Total Statutory Adjs		Net change for pensions adjs (Note A)	Other statutory adjs (Note B)	Total Statutory Adjs
£000	£000	£000		£000	£000	£000
28,629	322	28,951	Centralised Pay Budgets	39,393	21	39,414
153,047	27	153,074	Constabulary Non-Devolved budgets	(28,460)	1	(28,459)
<b>181,676</b>	<b>349</b>	<b>182,025</b>	<b>Net Cost of Service</b>	<b>10,933</b>	<b>22</b>	<b>10,955</b>
85,379	-	85,379	Other income and expenditure from Expenditure and Funding Analysis	90,651	-	90,651
<b>267,055</b>	<b>349</b>	<b>267,404</b>	<b>Difference between General Fund deficit and CIES Deficit on Provision of Services</b>	<b>101,584</b>	<b>22</b>	<b>101,606</b>

Note A - 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 PCC and CC as allowed by statute and the replacement with current and past service costs;
- For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Note B – 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 services this represents the change in accrued employee benefits such as annual leave and time off in lieu;

**2. EXPENDITURE AND INCOME ANALYSED BY NATURE**

The CC's expenditure and income is analysed by nature as follows:

	<b>2019/20</b>	2018/19
	<b>£000</b>	£000
<b>Expenditure</b>		
Employee expenses	321,103	481,237
Other service expenses	46,784	42,753
Charge for use of assets	14,410	14,294
Pensions interest cost	90,651	85,379
<b>Total expenditure</b>	<b>472,948</b>	<b>623,663</b>
<b>Income</b>		
Funding received from the PCC	(371,342)	(356,259)
<b>Total Income</b>	<b>(371,342)</b>	<b>(356,259)</b>
<b>DEFICIT ON PROVISION OF SERVICES</b>	<b>101,606</b>	<b>267.404</b>

**3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

Critical judgements for the PCC Group have been made by the PCC. These judgements can be seen in Note 3 to the PCC/PCC Group Statement of Accounts. The critical judgements that impact on the CC are:

- There remains a significant degree of uncertainty about future levels of funding for local government and police and crime commissioners. However, the PCC has determined that this uncertainty is not sufficient to provide an indication that the assets of the PCC might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### 4. PRIOR PERIOD ADJUSTMENTS

From 1 December 2019 the management reporting structure at the Constabulary changed and, as a consequence, the segments reported in the Comprehensive Income and Expenditure Statement also changed. Details of the revised responsibilities are shown at the foot of the Comprehensive income and Expenditure Statement. Although the structure was not in place during 2018/19, in order to assist comparability, the accounts have been adjusted to reflect the changes as if they existed at that time. The changes made to the Comprehensive Income and Expenditure Statement do not impact Net Cost of Service but impact individual lines as follows:

	<b>Original Exp 2018/19 £000</b>	<b>Re-stated Exp 2018/19 £000</b>	<b>Adjustment £000</b>
<b>Impact on individual lines:</b>			
<b>Chief Constable:</b>			
ACC Territorial Ops	13,977	18,809	+4,832
ACC Specialist Ops	3,990	3,958	-32
Deputy Chief Constable	4,854	2,084	-2,770
Director of Resources	34,994	35,669	+675
Head of Change	2,752	-	-2,752
Centralised Pay	236,017	234,176	-1,841
Constabulary Non-Devolved	241,700	243,598	+1,898
Impact on Net Cost of Service	182,025	182,025	-

These changes do not impact any of the other financial statements.

#### 5. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The following amendments have been made to accounting standards or new accounting standards that have been issued on or before 1 January 2020 but not yet adopted by the Code.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

None of the above amendments are expected to have any material impact on the accounts of the CC.

In addition to the above amendments a new standard IFRS 16 – Accounting treatment for Leases which was due to be introduced from 1st April 2020 but has now been deferred to 1st April 2021.

The aim of this standard is to increase visibility of lease commitments as well ensuring more consistent financial reporting of lease assets. Under the new standard most leases will now be classified as finance leases and will appear on the balance sheet.

The processing of collating information is well underway but at this stage the resulting changes to the primary statements has not yet been identified.

However, it is anticipated that there will be a nil impact on the PCC's accounts as the current rental costs which appear in the CIES will be replaced by depreciation, MRP and interest charges at similar levels.

The position will be reviewed during 2020/21 and any amendments needed will be clearly shown in next year's Statement of Accounts

6. **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 PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the CC balance sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. Included within the Defined Benefits Note 15 is a sensitivity analysis that looks at the impact on net pensions' deficit of each of the significant actuarial assumptions. For instance, a 1% reduction in the discount rate assumption would result in an increase in the pension liability of the CC of around £825m. However, the assumptions act in a complex way. During 2019/20, the CC's actuaries advised that the net pensions' liability had increased by £82m as a result of changes in financial assumptions. This included a reduction of 0.2% in the discount rate of all the schemes, which increases the liability, along with 1% increases in assumptions for inflation, salary and pension increases which result in further increases.
Pensions Assets	The value of the assets of the LGPS is dependent on a professional judgement based on information available at the time of making the valuation. The current COVID-19 pandemic is impacting financial markets in all sectors and at the valuation date it is not considered that valuers can rely upon previous comparable market evidence to fully informal opinions of value. As a result, there is a risk that the value of property investments may be under or over-stated. Valuers are faced with an unprecedented set of circumstances this year, on which to base a judgment. Valuations have therefore been reported based on 'material valuation uncertainty' as set out in VGPA 10 of the RICS Global Valuation Standards. Less certainty, and a higher degree of caution, should be attached to the valuation of property holdings than would normally be the case.	The total of property assets for the CC as outlined in Note 28 is £33.038m (including Property held within Investment Funds).  There is a risk that this asset may be over / understated in the accounts.



## 7. **Events after the Balance Sheet date**

### Accounting Policy

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.

The Statement of Accounts was authorised for issue by the CC's CFO on 25 November 2020. 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 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **McCloud / Sargeant judgement**

In December 2018 the Court of Appeal ruled against the government in the two cases of Sargeant and McCloud, relating to the firefighter unfunded pension schemes and the pension arrangements for the judiciary. The Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. On 27 June 2019 the Supreme Court refused the government's application for permission to appeal the ruling.

On 16 July 2020 consultation documents were published which contained the proposed remedy regarding the McCloud/Sargeant issue for all public sector pension schemes including the Police Pension Scheme.

Included in the proposal for the Police Pension Scheme are details of which members are eligible for remedy. In particular, those who were members of a pension scheme on or before 31 March 2012 and on or after 1 April 2015 will be in scope to choose between their 2015 Scheme or legacy scheme benefits for the period April 2015 to April 2022.

The approach used by our actuary when calculating the past service cost in respect of McCloud/Sargeant in the 2018/19 pension liabilities and the current service cost in respect of McCloud/Sargeant in the 2019/20 accounts was in line with the eligibility criteria set out in the published consultation i.e. members joining the scheme after 31 March 2012 were not eligible and therefore not included in the calculations

In respect of the LGPS Scheme the key feature of the proposed remedy was that the final salary scheme underpin is to be extended to a wider group of members for service up to 31 March 2022.

The calculations of the additional liabilities and service costs have generally been done in line with the proposed underpin in the consultation. However there are some minor changes to the underpin for all members who were active on or before 31 March 2012 (e.g. it can now apply historically to members leaving service after 1 April 2014), and the calculation will apply retrospectively even in those cases where a member no longer has a benefit entitlement from the Fund. Other than in exceptional circumstances it is expected that the impact of these minor proposed changes to be nil.

Furthermore, when calculating the potential cost of the McCloud judgment as part of the 2019 actuarial valuations allowance was taken for the final salary underpin to apply in respect of future leavers with deferred benefits, so the further changes in the consultation do not give rise to any additional liabilities in respect of future leavers.

Based on this the consultation is noted as a post balance sheet non-adjusting event within these accounts.

**NOTES TO THE MOVEMENT IN RESERVES STATEMENT**

**8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the CC in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the PCC to meet future revenue expenditure. The adjustments are made against the General Fund Balance.

	2019/20 £000	2018/19 £000
<b>Adjustments to Revenue Resources</b>		
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		
• Pensions costs (transferred to (or from) the Pensions Reserve)	101,584	267,055
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	22	349
<b>Total Adjustments</b>	<b>101,606</b>	<b>267,404</b>

**9. Unusable Reserves**

Accounting Policy

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and they do not represent usable resources for the PCC; these reserves are explained in the relevant policies below.

	31 March 2020 £000	31 March 2019 £000
Pensions Reserve	(3,793,618)	(3,676,893)
Accumulated Absences Account	(5,345)	(5,323)
<b>Total Unusable Reserves</b>	<b>(3,798,963)</b>	<b>(3,682,216)</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits in accordance with statutory provisions. The CC accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the employer's contributions are made to the pension funds or any pensions for which the CC is directly responsible are eventually paid. The negative balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources 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.

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
<b>Balance at 1 April</b>	<b>(3,676,893)</b>	<b>(3,212,263)</b>
Re-measurements of the net defined benefit (liability)/ asset	(15,141)	(197,576)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(201,426)	(365,547)
Employer's pensions contribution and direct payments to pensioners payable in the year	99,842	98,492
<b>Balance at 31 March</b>	<b>(3,793,618)</b>	<b>(3,676,894)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement and police officers lieu time 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.

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
<b>Balance at 1 April</b>	<b>(5,323)</b>	<b>(4,973)</b>
Settlement or cancellation made at the end of the preceding year	5,323	4,973
Amounts accrued at the end of the current year	<u>(5,345)</u>	<u>(5,323)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(22)	(350)
<b>Balance at 31 March</b>	<b>(5,345)</b>	<b>(5,323)</b>

## 10. Officers' Remuneration

### Accounting Policy Short Term Employee Benefits

#### ***Benefits payable during employment***

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and 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. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year (referred to as accumulated absences). The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

#### ***Termination Benefits***

Termination benefits are amounts payable to police staff, including PCSOs as a result of a decision by the CC, to terminate a staff member's employment before the normal retirement date or a staff member's decision to accept voluntary redundancy and are charged to the CIES at the earlier of when the CC can no longer withdraw the offer of those benefits or when the CC recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police General Fund balance to ultimately be charged with the amount payable by the Group 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 cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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The remuneration paid to the senior officers of the Constabulary is as follows:

**Senior Officers and Relevant Police Officers 2019-20**

Post Holder Information (Post title only)	Notes	Salary (including allowances)	Bonuses	Expense Allowances	Benefits in Kind	Total Remuneration excl. pension contribs.	Pension contribs.	Total Remuneration
		£	£	£	£	£	£	£
Chief Constable - A Rhodes		166,684			3,817	<b>170,501</b>	50,986	<b>221,487</b>
Deputy Chief Constable - A	Note 1	65,208			2,087	<b>67,295</b>	19,281	<b>86,576</b>
Deputy Chief Constable - B	Note 1	79,557			4,385	<b>83,942</b>	24,663	<b>108,605</b>
Assistant Chief Constable – Territorial Operations & Contact Management -C	Note 2	45,118				<b>45,118</b>	13,987	<b>59,105</b>
Assistant Chief Constable – Territorial Operations & Contact Management -D	Note 2	59,868				<b>59,868</b>	18,270	<b>78,138</b>
Assistant Chief Constable – Specialist Operations B		112,365		64		<b>112,429</b>	27,236	<b>139,665</b>
Director of Resources		114,557			4,935	<b>119,492</b>	16,118	<b>135,610</b>
Head of Change	Note 3							

Note 1 Post covered by two officers over the year. A – 1st April 2019 – 17<sup>th</sup> September 2019; B – 18<sup>th</sup> September 2019 – 31<sup>st</sup> March 2020.

Note 2 Post covered by two officers over the year: C-1<sup>st</sup> April – 17<sup>th</sup> September 2019; D – 24<sup>th</sup> September 2019 – 31<sup>st</sup> March 2020.

Note 3 Head of Change is seconded from HMICFRS. Remuneration costs totalling £64,412 for the period 1st April 2019 to 10<sup>th</sup> November 2019 have been paid direct to Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

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**Senior Officers and Relevant Police Officers 2018-19**

Post Holder Information (Post title only)	Notes	Salary (including allowances)	Bonuses	Expense Allowances	Benefits in Kind	Total Remuneration excl. pension contribs	Pension Contribs.	Total Remuneration
		£	£	£	£	£	£	
Chief Constable B - A Rhodes		163,613	-	-	3,823	<b>167,436</b>	38,910	<b>206,346</b>
Deputy Chief Constable		136,134	-	1,692	5,068	<b>142,894</b>	32,099	<b>174,993</b>
Assistant Chief Constable - Territorial Divisions & Contact Management		104,560	-	-	2,211	<b>106,771</b>	25,303	<b>132,074</b>
Assistant Chief Constable - Specialist Operations - A	Note 1	102,254	-	1,251	-	<b>103,505</b>	20,258	<b>123,763</b>
Assistant Chief Constable (temp) - Specialist Operations - B	Note 1	19,894	-	-	(1,279)	<b>18,615</b>	4,711	<b>23,326</b>
Director of Resources		112,548	-	-	10,462	<b>123,010</b>	15,757	<b>138,767</b>

Note 1 Post covered by two officers over the year. A – 1<sup>ST</sup> April 2019 - 31<sup>st</sup> March 2020. B – 1<sup>st</sup> April 2019 – 3<sup>rd</sup> June 2019.

Note 2 Head of Change is seconded from HMICFRS. Remuneration costs totalling £36,269 for the period 1st Nov 2019 to 31st March 2019 have been paid direct to Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

The CC employed an estimated 5,300 full time equivalents during 2019/20 (5,000 in 2018/19). In addition to the senior and relevant officers outlined in the note above, the following employees received remuneration of greater than £50,000 for the year (excluding employer's pension contributions):-

	2019/20			2018/19		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£130,000 - £134,999	1	-	1			
£115,000 - £119,999		1	1			
£100,000 - £104,999	-	-	0	1	-	1
£95,000 - £99,999	-	-	-			
£90,000 - £94,999	3	-	3	2	-	2
£85,000 - £89,999	5	-	5	2	1	3
£80,000 - £84,999	10	-	10	9	-	9
£75,000 - £79,999	5	2	7	7	3	10
£70,000 - £74,999	6	3	9	8	3	11
£65,000 - £69,999	6	1	7	4	2	6
£60,000 - £64,999	37	4	41	19	3	22
£55,000 - £59,999	144	6	150	130	3	133
£50,000 - £54,999	230	10	240	218	8	226
<b>Total</b>	<b>447</b>	<b>27</b>	<b>474</b>	<b>400</b>	<b>23</b>	<b>423</b>

NB Remuneration includes gross pay, before the deduction of employees' pension contributions, together with benefits declared to HM Customs & Excise on form P11D and redundancy payments paid in the year. It does not include employers' pension contributions.

Senior Officers posts that are included in the Officers Remuneration note have been excluded.

The table above includes a number of police staff who appear as a consequence of a one-off redundancy payment. The numbers and banding affected are shown below:

	2019/20	2018/19
£115,000 - £119,999	1	
£85,000 - £89,999	-	1
£75,000 - £79,999	-	2
£70,000 - £74,999	-	1
£60,000 - £64,999	1	1
£55,000 - £59,999	3	1
£50,000 - £54,999	2	-
	<b>7</b>	<b>6</b>

### Exit packages

The numbers of exit packages with total cost per band and total cost of the compulsory redundancy and other departures are set out in the table below. It should be noted that the exit package costs shown in the table reflect the total cost to the organisation including, where appropriate, cost of pension enhancements:



**2019/20:**

<b>Bandings</b>	<b>Number of Compulsory Redundancies</b>	<b>Number of Other Departures</b>	<b>Total cost of exit packages in each band £</b>
£0 – £20,000	0	9	52,873
£20,001 - £40,000	2	5	214,901
£40,0001 - £60,000	0	4	206,136
£60,001 - £100,000	0	1	73,128
£100,001 - £150,000	0	2	227,904
£250,001 - £300,000	0	1	275,346
<b>Total</b>	<b>2</b>	<b>22</b>	<b>1,050,288</b>

**2018/19:**

<b>Bandings</b>	<b>Number of Compulsory Redundancies</b>	<b>Number of Other Departures</b>	<b>Total cost of exit packages in each band £</b>
£0 - £20,000	-	12	67,418
£20,001 - £40,000	1	6	202,403
£40,001 - £60,000	1	1	118,645
£60,001 - £100,000	-	2	148,991
100,001 - £150,000	1	1	239,668
<b>Total</b>	<b>3</b>	<b>22</b>	<b>777,125</b>

**11. PCC Funding of the Chief Constable**

Accounting Policy

The PCC's funding of CC's expenditure takes the form of "Intragroup funding" and is shown as income in the CC's CIES and expenditure in the PCC's CIES. There is no actual transfer of cash involved in this transaction as all the resources belong to the PCC. The CC is, in effect, consuming the resources of the PCC but, for the purpose of reflecting the arrangement the transactions are reported as such. The accruals concept applies equally to the Intragroup Funding in that revenue is funded upon recognition on the understanding that the PCC has ultimate responsibility for working capital balances.

Funding for PCC resources consumed at the request of the CC represents the funding of the in-year costs recognised in the CC CIES and is calculated as follows:

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2018/19 £000		2019/20 £000
623,663	Provision of services deficit in CC CIES prior to PCC funding	<b>472,948</b>
(365,547)	Adjustment for net IAS19 pensions charges included in cost of service but funded by CC pensions reserve	(201,426)
98,492	Replace with actual employer contribution funded by PCC	99,842
(349)	Adjustment for movement in accumulated absence accrual funded by CC accumulated absence reserve	(22)
<b>356,259</b>	<b>PCC funding for PCC resources consumed at the request of the CC</b>	<b>371,342</b>
	Consisting of:	
14,294	Fair value adjustment for CC consumption of PCC property & equipment	14,410
341,965	Other resources	356,932
<b>356,259</b>	<b>Total PCC resources consumed at the request of the CC</b>	<b>371,342</b>

**Note:** The fair value adjustment to reflect the CC's use of PCC property & equipment is broken down as follows:

2018/19 £000		2019/20 £000
5,109	Buildings	4,611
7,573	Vehicles, Plant and Equipment	3,104
1,612	Intangible Assets	6,695
<b>14,294</b>	<b>Net Expenditure</b>	<b>14,410</b>

## 12. Creditors

31 March 2019 £000		31 March 2020 £000
	Creditors comprise:	
4,342	Tax creditors	4,604
5,322	Other Entities and Individuals –Accumulated Absences	5,345
1,939	-Other employment-related	3,100
<b>11,603</b>	<b>Total</b>	<b>13,049</b>

## 13. Cash Flow Statement -Adjustments to Net Deficit on the provision of services for non-cash movement

2018/19 £000		2019/20 £000
(1,869)	Net increase/(decrease) in revenue debtors	1,424
1,520	Net (increase)reduction in revenue creditors	(1,446)
(267,055)	Pension liability	(101,584)
<b>(267,404)</b>	<b>Total</b>	<b>(101,606)</b>

## 14. Related Parties

The PCC Group (PCC and CC) is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the Group 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 Group.

Central government has effective control over the general operations of the Group: it is responsible for providing the statutory framework within which the Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Details of transactions with government departments are set out in the PCC/PCC Group Statement of Accounts.

The PCC has direct control over the Group's finances, including responsibility for funding of all pensions' liabilities, and is responsible for setting the Police and Crime Plan. The CC retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

A survey of the related party interests of the CC and members of his senior management team and their immediate family members was carried out in preparing the Statement of Accounts. No material related party interests were disclosed.

### **Jointly Controlled Operations/Collaboration**

The PCC Group is party to a number of collaborations (both regional and national). In all instances the Group's accounts reflect their share of income, expenditure and cash flows arising from the structure of the arrangement. As the PCC receives all income and funding, any income receivable from the structure of the arrangement will be credited to the CIES of the PCC. As the CIES of the CC contains the expenditure arising from these collaborations the PCC credits the CC with an equivalent amount through the intra-group funding.

CIPFA Guidance on Accounting for Collaboration has been considered in determining the nature of the relationships and, as most of the north west regional arrangements have joint control through a strategic management board and a general arrangement document has been agreed and signed by all PCC's and CCs in the region, it is considered that most are correctly classified as joint operations.

Some arrangements are of a collaborative nature but are classified as third party payments. Others involve officers from individual forces undertaking tasks and roles on a regional basis but funded by a lead force from grants made by the Home Office or are self-funded from fees and charges.

The following groups the arrangements into:

Collaboration – Joint Operations

Collaboration – Third party payments

Collaboration – Grant/Self-funded.

## Collaboration -Joint Operations

The North West Regional Organised Crime Unit (formerly TITAN) was established in April 2009 bringing together the six regional police forces in collaboration to tackle serious and organised crime across the north-west. It encompasses the work of a number of teams with Merseyside as the lead force. The accounts reflect Lancashire's share of the income and expenditure of the various arrangements as follows:

2018/19 PCC Group Net Exp	2019/20		
	Grant Income (PCC CIES)	Expenditure (CC CIES)	PCC Group Net Exp
£000	£000	£000	£000
652 Regional Crime Unit	-	686	686
- Regional Asset Recovery	(167)	167	-
27 Regional Intelligence Unit	(42)	87	45
471 Confidential Unit	(31)	525	494
500 Technical Surveillance unit	(37)	548	511
278 Protected Persons Service	-	276	276
132 Prisoner Intelligence	(84)	218	134
13 Operational Security Officer	(17)	31	14
388 Operations 2	-	400	400
189 Operations 3	(262)	466	204
131 Business Support	-	184	184
<b>2,781</b>	<b>(640)</b>	<b>3,588</b>	<b>2,948</b>

Lancashire also contributed £0.035m in 2019/20 (£0.027m in 2018/19) to the cost of a collaboration coordinator post within Merseyside.

The following joint operations have Cheshire as lead force:

2018/19 PCC Group Net Exp	2019/20		
	Income (PCC CIES)	Expenditure (CC CIES)	PCC Group Net Exp
£000	£000	£000	£000
152 Joint Underwater Search Unit	(61)	213	152
251 Motorways and ANPR	-	18	18
25 Firearms Collaboration	-	-	-
67 Emergency Services Network	(4)	76	72
<b>495</b>	<b>(65)</b>	<b>307</b>	<b>242</b>

Lancashire withdrew from the Firearms Collaboration during 2018/19 and the Motorway arrangement from 1 April 2019.

The Learning and Development collaboration ended September 2019. It was a joint operation between Lancashire and Cumbria. Lancashire's share of the costs were £2.7m (£2.6m in 2018/19).

During 2017/18 the Constabulary and University of Central Lancashire (UCLAN) entered into a 10 year joint operation partnership agreement to create a Lancashire Forensic Academy based at Police Headquarters. During 2019/20 UCLAN contributed to the following:-

2018/19 Exp		2019/20 Exp
		£000
238	Rental of accommodation/facilities	238
400	Staff/student contact	400
51	Operating budget	51
250	Capital contribution towards building works/equipment	0
<b>939</b>		<b>689</b>

The Constabulary made no capital contribution to building works/equipment (£0.250m in 2018/19) and contributed £0.051m (£0.051m in 2018/19) to the annual operating budget and the accounts reflect this contribution.

### **Assets and Liabilities:**

Debtors and creditors in respect of the above arrangements have remained in the balance sheets of the lead forces by mutual agreement of all forces involved, on the basis of materiality. Similarly, any debtors, creditors and assets of the Lancashire Forensic Academy remain in the balance sheet of the PCC and Group.

In 2013/14 the PCC for Merseyside purchased and refurbished a building to accommodate the Regional Crime Unit, the Regional Intelligence Unit and the Regional Asset Recovery Team. The cost of this asset was fully funded by a capital grant received from the Home Office. The premises were purchased in the name of and are owned by the PCC for Merseyside and the current value of this asset is included within the balance sheet of the PCC for Merseyside. If the regional arrangements are ever terminated the Home Office has the option of recovering the grant received to fund the building. If this option was not exercised, the sale proceeds would be divided between the participating forces (Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales).

### **Collaboration – Third Party Payments**

The only significant one of these arrangements is the payment made towards the National Police Air Service (NPAS) which was £1.077m in 2019/20 (£1.064m in 2018/19).

### **Collaboration – Grant/Self-funding**

In a small number of collaboration arrangements Lancashire provided seconded officers to support the arrangements and was fully reimbursed by Greater Manchester Police (GMP). GMP were lead force and received grant funding from the Home Office to cover all expenditure. All expenditure and income has been reflected in the Greater Manchester Police CIES with Lancashire's CIES adjusted to show no transactions.

## 15. Defined Benefit Post- Employment Benefits

### Accounting Policies

Police officers and police staff have the option of belonging to one of four separate pension schemes:

- 1987 Police Pension Scheme for Police Officers;
- 2006 Police Pension Scheme for Police Officers;
- 2015 Police Pension Scheme for Police Officers;
- Local Government Pension Scheme for Police Staff

The Police Pension Schemes are unfunded arrangements for uniformed police officers with defined benefit pension arrangements which are governed by statute.

The Lancashire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS), applies to other employees and is administered by Lancashire County Council. The LGPS is a contributory defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Public Service Pensions Act 2013). Teachers, police officers and fire-fighters are not included within the scheme as they come within other national pension schemes.

The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (Amendment) Regulations 2018
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund was carried out at 31 March 2019, and at that date showed a funding level of 100%. The weighted average duration of the liabilities of the Fund as a whole is 16 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

The investments of the Fund are managed by external investment managers, including the Local Pensions Partnership (LPP), a joint venture owned, in equal shares, by Lancashire County Council and the London Pension Fund Authority (LPFA). LPP manages the administration and investment functions on behalf of the two partner authorities.

All the schemes provide index linked defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the CC and determined by the individuals pensionable pay and pensionable service. Details of how the schemes operate can be found on the LCC's "Your Pension Service" website at the link below:

[www.yourpensionservice.org.uk](http://www.yourpensionservice.org.uk)

The Local Government Scheme and the Police Pension Schemes are accounted for as defined benefits schemes, as follows:

**Local Government Scheme:**

Police staff and PCSOs are members of the Local Government Pension Scheme, a funded defined benefit scheme, which is managed by Lancashire County Council. The PCC funded an employer's contribution of 14% during 2019/20 along with a cash contribution of £2m towards the deficit, being the final of three annual payments (14% in 18/19 along with a cash contribution of £2m).

The liabilities of the Local Government Pension Scheme attributable to the staff employed by the CC are included in the balance sheet on an actuarial basis using the projected unit credit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using discount rates which vary according to the duration of the employer's liability, with an average of 2.3% (2.5% in 2018/19), based on the weighted average of "spot yields" on AA rated corporate bonds.

The assets of the Local Government Pension Fund attributable to the PCC Group are included in the balance sheet at their fair value. The valuation at fair value has been classified into three levels according to quality and reliability of information used to determine fair values and in line with the fair value hierarchy. Further detail as to how it was determined which assets were included in each level can be found later in this note on Page 55.

**Police Officers:**

From April 2015 the 2015 Police Pension Scheme replaced the 1987 and 2006 Police Pension Schemes. With the exception of some officers closest to retirement, who are covered by full or tapered transitional provisions, all police officers have moved to the new scheme. The 2015 Police Pension Scheme is a Career Average Revalued Earnings (CARE) scheme and replaces final salary schemes. It is governed by the Police Pensions Regulations 2015 and related regulations in the Public Service Pensions Act 2013.

As transitional arrangements are in place, some members will remain in the 1987 and 2006 Police Pension Scheme and, more significantly, the benefits members have accrued will be retained and hence the liabilities reported in the balance sheet will remain with the CC.

All the police officer schemes provide defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the CC. The employers' contribution for each serving officer is common to both schemes (31% of pensionable pay from 1 April 2019). This is set nationally and is subject to review. A police pension account was set up on 1 April 2006 which administers all of the police pension schemes.

Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS19. The net liability and a pensions reserve incorporating all three pension schemes have been recognised in the CC balance sheet, as have entries in the CC CIES for movements in the asset/liability relating to the defined benefit schemes. Transfers into and out of the schemes, representing joining and leaving police officers are recorded on a cash basis in the Police Pension Account as a result of the time taken to finalise the sums involved. In accordance with the Police Reform and Social Responsibility Act 2011, the Police Pension Account is administered by the CC for Lancashire and is included in both the CC and PCC Group Statements of Accounts.

The liabilities of all the schemes are attributable to the CC and are included in the balance sheet on an actuarial basis using the projected unit credit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (2.5% in 2019/20), based on the weighted average of "spot yields" on AA rated corporate bonds.

### **Injury Awards:**

Injury awards are paid to police officers under the Police (Injury Benefits) Regulations 2006 and entitlement is dependent on the salary, service and also degree of disablement of the member at the time the injury is incurred. Accordingly, the actuaries have calculated the defined benefit obligation as at 31 March 2020 including allowances for the following:

- the actuarial value of the injury pensions that are currently in payment;
- advance provision for the part of the injury pensions that are accrued up to 31 March 2020 and are not yet in payment, for members still in service, in the same way that provision is made for accrued pensions for members still in service for the 1987, 2006 and 2015 Schemes.

In addition, an ongoing "service cost" is also calculated which represents the cost of one year's accrual of injury benefits in relation to members in service. Therefore, in line with the 2019/20 CIPFA Code of Practice Guidance Notes (Module 6, Para. B72) the assumption that such awards are "not usually subject to the same degree of uncertainty as the measurement of post-employment benefits" has been rebutted and injury awards are therefore accounted for, under IAS 19, in the same manner as the main police pension schemes. Liabilities are included on the CC balance sheet within the pensions, liabilities and shown separately in the notes to the accounts.

The change in the net pension liability has to be analysed into the following components:

Service cost, comprising:

**Current service cost:** represents the future service cost to the employer of one year's accrual of pension benefits for active members, calculated on the actuarial assumptions used at the start of the year for IAS19 purposes. The interest on the service cost is included within the service cost - allocated in the CIES across activity areas;

**Past service and curtailments costs:** these are normally the result of increased benefits being awarded in the event of members retiring early during the year. Changes in scheme benefits and any augmentation of benefits for active members would also give rise to past service costs – debited to the Surplus or Deficit on the Provision of Services in the CIES;

**Administrative expenses:** these are the costs of running the fund, attributable to the employer, and do not include any investment management expenses which are allowed for under "Re-measurements". These costs are debited to the Surplus or Deficit on the Provision of Services in the CIES;

**Net interest on the net defined benefit liability (asset):** net interest expense for the PCC Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time, charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – considering any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

**Re-measurements,** the components of which pass through the other comprehensive income and expenditure section of the CIES and are made up as follows:



**Re-measurements (assets)** – these are set out in IAS19 as being the return on assets net of interest on assets, so this reflects the extent to which the investment returns achieved are different from the interest rate used at the start of the year. However, for multi-employer schemes such as LGPS, which do not have asset values which are formally segregated between employers, additional adjustments can arise in the year in which a new set of actuarial valuation results is brought into account for IAS19 purposes. In particular, the approach to calculating the IAS19 assets and liabilities in between full actuarial valuations is approximate in nature. At each valuation, the position is reassessed, with the assets (and liabilities) attributable to each employer being fully recalculated. Following each full actuarial valuation, it can therefore be necessary to put through some adjustments to reflect this recalculation. The adjustment is not explicitly catered for under IAS19 and it has been presented as part of the re-measurement on assets and referred to as "Experience gain/loss on assets".

**Re-measurements (liabilities)** –these are subdivided into:

*Gain/loss on financial assumptions and gain/loss on demographic assumptions* –under the accounting standards the assumptions will normally differ between the start and end of the employer's financial year. Changes in actuarial assumptions show the effect of this difference, calculated at the end of the financial year;

*Experience gains/losses on liabilities* –as mentioned earlier, the approach to calculating the IAS19 figures in between actuarial valuations is approximate in nature. At each triennial valuation, the position is reassessed, with the assets and liabilities attributable to each employer fully recalculated. The adjustment to the liabilities which arises from this recalculation is known as an "experience gain/loss on liabilities". Experience gain/loss on liabilities is normally zero in between full actuarial valuations. However, the figures shown this year reflect the effect of CPI Inflation to September.

*Contributions paid to the pension fund* – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In the case of the Police Pension scheme, this includes any contribution made by the PCC to meet the deficit on the Pension Fund.

In relation to retirement benefits, statutory provisions require the general fund balance to be ultimately charged with the amount payable by the PCC/PCC Group to the pension funds or directly to 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 the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Governance and Risk Management:**

The liability associated with the employer's pension arrangements is material to the employer, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

### **Lancashire County Pension Fund**

#### **Governance:**

Management of the Fund is vested in Lancashire County Council as administering authority of the Fund. Lancashire County Council has appointed a Pension Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.

**Funding the liabilities:**

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding strategy statement. The most recent valuation was carried out as at 31 March 2019, which showed that the Fund's liabilities were covered by the fund's assets, equivalent of a funding level of 100%. The fund's employers are paying additional contributions over a period of between 13 and 16 years in order to meet any shortfall.

The weighted average duration of the PCC Group's defined benefit obligation is 21 years for staff employed by the CC and 20 years for staff employed by the PCC, measured on the actuarial assumptions used for IAS19 purposes. The PCC Group anticipates to pay £25.1m contributions to the LGPS in 2020/21. Of this, £0.1m is expected to be paid in respect of the PCCs own staff.

**Risks and Investment strategy:**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to sure there is sufficient liquidity to meet the Fund's forecast cash flow.

**Market Risk:**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

**Other Price Risk:**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

**Interest Rate Risk:**

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors.

**Currency risk:**

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

**Credit risk:**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. Credit risk is minimised by ensuring that counterparties meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

**Liquidity risks:**

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

**Other risks:**

Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the employer's cash flow.

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

**Amendments, curtailments and settlements:**

The provisions of the Fund were amended with effect from 1 April 2014. For service up to 31 March 2014 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the Fund's administering authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the employer's assets and liabilities as a result of employing members who have accrued benefits with the employer.

**Police Pensions Schemes**

**Governance:**

These arrangements are managed by the employer, although this essentially involves administering the plan, including managing its cash flows. The requirement to set up Police Pension boards has resulted in the setting up of a North West region Police Pension board which is administered by the Constabulary. The Board comprises employer representatives as well as representatives of the individual scheme managers and carries out a variety of activities to assess governance arrangements.

**Funding the liabilities:**

Given that the arrangements are unfunded, the contributions payable are simply those which are sufficient to meet the benefit outgo as and when it arises. As mentioned above, this benefit outgo is largely underwritten by central government. The weighted average duration of the liabilities is 18 years in respect of the 1987 scheme, 33 years in respect of the 2006 scheme and 34 years in respect of the 2015 scheme (injury awards have a duration of 24 years), measured on the actuarial assumptions used for IAS19 purposes. The PCC Group anticipates to pay £113.3m contributions to the Police Schemes in 2020/21.

**Investment Risks:**

There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the arrangements for meeting part of the benefit outgo, which could increase the employer's contributions to them.

**Other risks:**

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

**McCloud / Sargeant judgement**

The Chief Constable of Lancashire, along with other Chief Constables and the Home Office, currently has around 250 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sergeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. On 16 July 2020 the Treasury issued a consultation paper on its proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

**Impact on pension liability**

This would lead to an increase in Police Pension Scheme liabilities and our actuaries (Mercers), using specific assumptions and applying these across the Police scheme as a whole, have estimated the potential increase in scheme liabilities for Lancashire Police to be approximately 6.5% of pension scheme liabilities or £203.2m. This increase was reflected in the IAS19 Disclosure as a Past Service Cost in the 2018-19 accounts. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure was made in 2018-19 for the McCloud judgment. This corresponds to a 0.8% £4.2m increase in liabilities. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

### Guaranteed Minimum Pension (GMP)

UK and European law require pension schemes to provide equal benefits to men and women in respect of the service after 17 May 1980 and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. The 26 October 2018 Lloyds Bank court judgement provided further clarity in this area but as yet Government policy in this area has yet to be determined.

There is therefore a possibility that all public sector schemes will be required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021. Following discussions with our actuaries we have included the additional indexation liabilities in the accounting figures. The additional liabilities have been included in past service liabilities as a "past service cost". The impact on the Police Pension Fund liability is approximately £19m and on the Local Government Pension Scheme is approximately £1.4m.

### Compensation Claims

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June for non-pecuniary claims and September for pecuniary claims. As at 31st March 2020, it is not possible to estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

### Transactions Relating to Post-Employment Benefits

We recognise the cost of post-employment/retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the employers' contributions payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement. The following transactions have been made during the year:

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2019/20  
NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Awards		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000		£000		£000		£000	
<b>Comprehensive Income and Expenditure Statement (CIES)</b>								
<b>Cost of Services:</b>								
<b>Service Cost comprising:</b>								
• Current service cost	18,360	15,498	66,173	47,810	4,570	8,856	89,103	72,164
• Past service/Curtailment costs	2,330	4,549	19,007	203,195	-	-	21,337	207,744
• Admin. Expenses	335	260	-	-	-	-	335	260
<b>Financing and Investment Income and Expenditure:</b>								
• Net Interest expense	3,041	2,936	82,360	77,459	5,250	4,984	90,651	85,379
<b>Total Post-Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES</b>	<b>24,066</b>	<b>23,243</b>	<b>167,540</b>	<b>328,464</b>	<b>9,820</b>	<b>13,840</b>	<b>201,426</b>	<b>365,547</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:</b>								
<b>Re-measurement of the net defined benefit liability, comprising:</b>								
• Re-measurements (assets)	1,703	(30,205)	-	-	-	-	1,703	(30,205)
• Experience (gains)/losses on Liabilities	9,282	-	(3)	-	(1)	-	9,278	-
• Actuarial (gains)/losses arising on changes in demographic assumptions	(19,148)	-	(55,719)	-	(3,195)	-	(78,062)	-
• Actuarial (gains)/losses arising on changes in financial assumptions	10,903	30,260	66,193	182,834	5,125	14,687	82,221	227,781
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,740</b>	<b>23,298</b>	<b>10,471</b>	<b>511,298</b>	<b>1,929</b>	<b>28,527</b>	<b>15,141</b>	<b>563,123</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(24,066)	(23,243)	(167,540)	(328,464)	(9,820)	(13,840)	(201,426)	(365,547)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>								
• Employers' contributions payable to scheme	10,740	9,853	86,060	85,472	-	-	96,800	95,325
• Retirement benefits paid to pensioners	-	-	-	-	3,042	3,167	3,042	3,167

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Awards		Total	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Present Value of the defined benefit obligation</b>	533,228	505,178	3,429,215	3,337,264	220,225	211,518	<b>4,182,668</b>	<b>4,053,960</b>
<b>Fair value of plan assets</b>	(389,049)	(377,066)	-	-	-	-	<b>(389,049)</b>	<b>(377,066)</b>
<b>Net liability arising from defined benefit obligation</b>	<b>144,179</b>	<b>128,112</b>	<b>3,429,215</b>	<b>3,337,264</b>	<b>220,225</b>	<b>211,518</b>	<b>3,793,619</b>	<b>3,676,894</b>

The liabilities show the underlying commitments that the CC has in the long run to pay retirement benefits in respect of police officers and staff under his direction and control.

The total liability of £3,793.618m has a considerable impact on the net worth of the CC as recorded in the balance sheets, resulting in a net liability of £3,798,613m (including £5.344m for accumulated absences).

However, statutory arrangements for funding the liability mean that the financial position remains healthy:

- The deficit on the Local Government Pensions scheme will be made good by increased contributions over the remaining working life of the employees, as assessed by the scheme actuary and as funded by the PCC.
- Finance is only required to be raised to cover police pensions and injury awards when the pensions are actually paid.

**CC share of Assets and Liabilities in Relation to Post-employment Benefits**

**Reconciliation of the present value of the scheme liabilities:**

<b>Funded Scheme –Local Govt Pension Scheme</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	<b>505,178</b>	<b>448,177</b>
Current Service Costs	18,360	15,498
Interest on pensions liabilities	12,551	12,028
Contributions by scheme participants	3,526	3,274
Actuarial gains –changes in demographic assumptions	(19,148)	-
Actuarial (gains)/losses –changes in financial assumptions	10,903	30,260
Experience gains on liabilities	9,282	-
Benefits paid	(9,754)	(8,608)
Past Service/Curtailment Costs	2,330	4,549
<b>31 March</b>	<b>533,228</b>	<b>505,178</b>

<b>Unfunded Liabilities</b>	<b>Police Pension Schemes</b>		<b>Injury Benefits</b>	
	<b>2019/20</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>1 April</b>	<b>3,337,264</b>	<b>2,911,438</b>	<b>211,518</b>	<b>186,158</b>
Current Service Costs	66,173	47,810	4,570	8,856
Past service costs	19,007	203,195	-	-
Interest on pensions liabilities	82,360	77,459	5,250	4,984
Contributions by scheme participants	14,418	14,228	-	-
Experience gains/(losses) on liabilities	(3)	-	(1)	-
Actuarial (gains)/losses –changes in financial assumptions	66,193	182,834	5,125	14,687
Actuarial gains –changes in demographic assumptions	(55,719)	-	(3,195)	-
Benefits paid	(100,478)	(99,700)	(3,042)	(3,167)
<b>31 March</b>	<b>3,429,215</b>	<b>3,337,264</b>	<b>220,225</b>	<b>211,518</b>

**Reconciliation of the fair value of the scheme assets:**

<b>Funded Scheme –Local Govt Pension Scheme</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	<b>377,066</b>	<b>333,510</b>
Interest on plan assets	9,510	9,942
Admin Expenses	(335)	(260)
Employer Contributions	10,739	9,853
Contributions by scheme participants	3,526	3,274
Re-measurements (assets)	(1,703)	29,355
Benefits paid	(9,754)	(8,608)
<b>31 March</b>	<b>389,049</b>	<b>377,066</b>



CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2019/20  
NOTES TO THE ACCOUNTS

Unfunded Schemes	Police Pension Schemes		Injury Benefits	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
<b>1 April</b>	-	-	-	-
Employer Contributions	86,060	85,472	3,042	3,167
Contributions by scheme participants	14,418	14,228	-	-
Benefits paid	(100,478)	(99,700)	(3,042)	(3,167)
<b>31 March</b>	-	-	-	-

**Local Government Pension Scheme assets comprised:**

	Fair Value Input Level (if relevant)	31 March 2020 £000	31 March 2019 £000
<b>Cash and Cash Equivalents</b>		<b>4,651</b>	<b>2,193</b>
<b>Bonds</b>			
<u>By Sector</u>			
Corporate	1/2	9,716	4,422
UK index-linked	3	0	13,254
<b>Sub-Total Bonds</b>		<b>9,716</b>	<b>17,676</b>
<b>Property</b>			
<u>By Type</u>			
Retail	2	-	9,077
Commercial	2	5,442	26,067
<b>Sub-Total Property</b>		<b>5,442</b>	<b>35,144</b>
<b>Private Equity</b>			
Overseas	3	31,094	28,979
<b>Sub-Total Private Equity</b>		<b>31,094</b>	<b>28,979</b>
<b>Other Investment Funds</b>			
Overseas Pooled Equity	1	174,903	166,214
Credit Funds	3	61,410	26,773
Infrastructure	3	53,637	53,303
Property	3	27,596	5,771
Pooled Fixed Income	1	20,600	41,014
<b>Sub-Total Other Investment Funds</b>		<b>338,146</b>	<b>293,075</b>
<b>TOTAL ASSETS</b>		<b>389,049</b>	<b>377,067</b>

## Allocation into Fair Value Hierarchy

### Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples include quoted equity investments, unit trusts, UK pooled fixed income funds, overseas pooled fixed income funds, UK and overseas quoted fixed interest securities. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

### Level 2

Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Such instruments include bonds secured on affordable housing assets. The technique for valuing these assets is independently verified.

The bonds secured on affordable housing assets are based on long term expectations of interest rates, inflation and credit spreads in the housing association sector.

The valuation of directly held properties is carried out by independent valuers, Avison Young on an individual property basis rather than as a portfolio, by qualified surveyors and in accordance with the RICS Professional Standards, Global and UK, RICS Valuation – Professional Standards – 2017. Avison Young have advised that as a firm, due to the COVID-19 pandemic, they can attach less weight to previous market evidence for comparison purposes and that they are faced with unprecedented circumstances on which to base a judgement. The valuation of direct property is reported on the basis of 'material valuation uncertainty'. This does not mean that the valuation cannot be relied upon but that less certainty can be attached to the valuation than would otherwise be the case

### Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include internally managed overseas equity funds, overseas quoted fixed income investments, pooled UK fixed income investments, private equity, infrastructure and indirect overseas property investments, which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings, public market comparatives and estimated future cash flows.

The values of the investment in private equity and infrastructure are based on valuations provided to the private equity and infrastructure funds in which Lancashire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually mainly, and at the end of December. Due to the uncertainty in the financial markets caused by the current COVID-19 pandemic, there is a risk that the valuation of these investments may have an increased level of uncertainty this year and that the estimated valuations may be misstated. There is a wide range of outcomes resulting in a particularly high degree of uncertainty about the ultimate trajectory of the pandemic and the actions and time needed to return to a more 'steady state' in the market. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The current COVID-19 pandemic is impacting financial markets in all sectors and at the valuation date it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value. As a result, there is a risk that the value of indirect property investments may be under or over stated. Valuations have therefore been reported on the basis of 'material valuation uncertainty' as set out in VGPA 10 of the RICS Global Valuation Standards.

**Property Funds**

The properties were valued at open market value at 31 March 2020 by independent property valuers Avison Young in accordance with the Royal Institute of Chartered Surveyors' Valuation Global Standards 2017 (the Red Book). As a result of the COVID19 pandemic and the impact of the virus on the market, the valuation at 31 March 2020 is reported on the basis of 'material valuation uncertainty'.

**Cash and cash equivalents**

Cash comprises of cash in hand and on demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels etc. The Police Schemes, Injury Benefits and the Local Government Pension Fund liabilities have been assessed by Mercer Resource Consulting Ltd, an independent firm of actuaries, estimates being based on the last full valuations of the schemes. The principal assumptions used by the actuary have been:

<b>Local Government Pension Scheme</b>	<b>2019/20</b>	<b>2018/19</b>
Mortality assumptions:		
Longevity at 65 for current pensioners (LGPS):		
Men	22.3	22.8
Women	25	25.5
Longevity at 65 for future pensioners (LGPS):		
Men	23.8	25.1
Women	26.8	28.2
Rate of inflation: CPI	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.3%	2.5%

	<b>Police Officers 1987 Scheme</b>		<b>Police Officers 2006 Scheme</b>		<b>Police Officers 2015 Scheme</b>		<b>Injury Awards</b>	
	<b>2019/20</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2018/19</b>
Longevity at 60 for current								
Men	27.0	27.1	27.0	27.1	27.0	27.1	24.4	24.5
Women	29.1	29.1	29.1	29.1	29.1	29.1	26.4	26.5
Longevity at 60 for future								
Men	29.2	29.1	29.2	29.1	29.2	29.1	26.6	26.4
Women	31.3	31.1	31.3	31.1	31.3	31.1	28.6	28.4
Rate of inflation: CPI	2.1%	2.2%	2.1%	2.2%	2.1%	2.2%	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%	3.6%	3.7%	n/a	n/a	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%	2.2%	2.3%	2.2%	2.3%	2.2%	2.3%
Rate of revaluation of CARE pensions	n/a	n/a	n/a	n/a	3.35%	3.45%	n/a	n/a
Rate for discounting scheme	2.3%	2.5%	2.3%	2.5%	2.3%	2.5%	2.3%	2.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The methods used to carry out the sensitivity analyses presented in the notes below for the material assumptions are the same as those the employer has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

**Local Government Pension Scheme:**

	Impact on Defined benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	14,097	-14,097
Rate of inflation (increase or decrease by 1%)	113,840	-113,840
Rate for discounting scheme liabilities (increase or decrease by 1%)	-111,460	111,460
Rate of increase in salaries (increase or decrease by 1%)	18,460	-18,460
Rate of change in 2019/20 investment returns (increase or decrease by 1%)	-3,920	3,920

**Police Officer Pension Schemes and Injury Benefits:**

	Impact on the Defined Benefit Obligation in the Scheme			
	Police Pension Schemes		Injury Benefits	
	Increase in Assumption £000	Decrease in Assumption £000	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	94,710	-94,710	6,185	-6,185
Rate of inflation (increase or decrease by 1%)	676,280	-676,280	52,530	-52,530
Rate for discounting scheme liabilities (increase or decrease by 1%)	-661,900	661,900	-51,250	51,250
Rate of increase in salaries (increase or decrease by 1%)	120,280	-120,280	33,210	-33,210

16. **Expenditure on Publicity**

The CC's CIES includes £0.816m (£0.601m in 2018/19) in respect of certain categories of publicity including communication and consulting with Lancashire residents; this information is published in accordance with section 5(1) of the Local Government Act 1986. The categories are:

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Publicity	764	594
Advertising –Recruitment	52	7
<b>Total Costs</b>	<b>816</b>	<b>601</b>

17. **External Audit Costs**

In 2018/19 the following fees are included in the CC's CIES relating to external audit.

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Fees payable to Grant Thornton, auditors appointed under the Local Audit and Accountability Act 2014, with regard to external audit services carried out under the <i>Code of Audit Practice</i> prepared by the Comptroller and Auditor General in accordance with s19 of the Local Audit and Accountability Act.	17	14
<b>Total Costs</b>	<b>17</b>	<b>14</b>

18. **Contingent Liabilities**

As the PCC funds all expenditure incurred by the CC and holds all reserves, the responsibility for disclosing contingent liabilities is his.

## **OTHER SIGNIFICANT ACCOUNTING POLICIES**

### **i. General**

The Statement of Accounts summarises the CC's transactions for the 2019/20 financial year and the position at the year-end 31 March 2020. The financial statements 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) and the Accounts and Audit Regulations 2015.

Notes relating to specific items in the financial statements include corresponding accounting policies. The accounting policies below relate to policies with no accompanying note.

Given the funding arrangements in place between the PCC and the CC it is felt appropriate to produce the accounts on a going concern basis.

### **ii. Cost Recognition**

The PCC pays for all expenditure including salaries of police officers, police community support officers and police staff. There is no transfer of real cash between the PCC and CC and the latter does not have a bank account into which monies can be received or paid from. Costs are recognised in the CC's Accounts to reflect the PCC's resources consumed in the direction and control of day-to-day policing at the request of the CC. The Accounts also reflect the CC's utilisation and consumption of PCC owned assets in the delivery of policing with a fair value charge being included that is equivalent to depreciation charges of property, plant and equipment, amortisation of intangible assets, and impairment from obsolescence or physical damage.

### **iii. Accruals of Expenditure**

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

Supplies are recorded as expenditure when they are consumed.

Expenses in respect of services received (including services supplied by police officers, police staff and police community support officers) are recorded as expenditure when the services are received rather than when payments are made.

### **iv. Working Capital**

The PCC has the responsibility for managing financial relationships with third parties and has legal responsibility for discharging the contractual terms and conditions of suppliers. All payments are made and income received by the PCC, with no cash transactions taking place in the name of the CC.

### **v. Exceptional Items**

When items of income and expenditure are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the CC's performance.

**vi. VAT**

All payments are made by the PCC and all income received by the PCC, with VAT reclaims being made by the PCC under the PCC Group VAT registration arrangements. Expenditure recorded in the CC's CIES excludes any amounts relating to VAT.

**vii. Overheads and Support Services**

Overhead budgets are held as separate budgets and reported to management in the same way as operational budget with no ultimate re-apportionment across operating segments.



CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2019/20  
POLICE PENSION ACCOUNT

**POLICE PENSION ACCOUNT**

The CC administers the Police Pension Fund Account (the Account) on behalf of the PCC, in accordance with the Police Reform and Social Responsibility Act 2011. Amounts debited and credited to the Account are specified by legislation, the Police Pension Fund Regulations 2007 [Statutory Instrument 2007 No 1932], (the Regulations). During the year all payments and receipts are made to and from the Police Fund, which is held by the PCC. This statement shows the income and expenditure for each of the 1987, the 2006 and the 2015 Police Pension Schemes.

POLICE PENSIONS ACCOUNT	NOTES	2019/20				2018/19			
		1987 scheme £000	2006 scheme £000	2015 scheme £000	Total £000	1987 scheme £000	2006 scheme £000	2015 scheme £000	Total £000
<b>Contributions receivable</b>									
Employer contributions at 21.3% of pensionable pay	3	(5,934)	(358)	(26,971)	(33,263)	(5,497)	(299)	(16,713)	(22,509)
Early Retirements		(1,433)	-	(73)	(1,506)	(2,318)	-	(249)	(2,567)
		<b>(7,367)</b>	<b>(358)</b>	<b>(27,044)</b>	<b>(34,769)</b>	<b>(7,815)</b>	<b>(299)</b>	<b>(16,962)</b>	<b>(25,076)</b>
Officer Contributions		(2,740)	(145)	(11,533)	(14,418)	(3,699)	(158)	(10,371)	(14,228)
<b>Total Contributions Receivable</b>		<b>(10,107)</b>	<b>(503)</b>	<b>(38,577)</b>	<b>(49,187)</b>	<b>(11,514)</b>	<b>(457)</b>	<b>(27,333)</b>	<b>(39,304)</b>
<b>Transfers In</b>		<b>(99)</b>	<b>(13)</b>	<b>(770)</b>	<b>(882)</b>	<b>(39)</b>	<b>-</b>	<b>(651)</b>	<b>(690)</b>
<b>Benefits Payable</b>									
Pensions		83,087	44	540	83,671	79,650	43	319	80,012
Commutations and lump sum retirement benefits		17,063	13	178	17,254	20,167	(31)	201	20,337
Lump sum death benefits		90	-	241	331	-	6	-	6
<b>Total Benefits Payable</b>		<b>100,240</b>	<b>57</b>	<b>959</b>	<b>101,256</b>	<b>99,817</b>	<b>18</b>	<b>520</b>	<b>100,355</b>
<b>Payments on Account of Leavers</b>									
Transfer values out		-	40	11	51	-	-	-	-
Refund of contributions		-	-	52	52	2	-	33	35
<b>Total Payments on Account of Leavers</b>		<b>-</b>	<b>40</b>	<b>63</b>	<b>103</b>	<b>2</b>	<b>-</b>	<b>33</b>	<b>35</b>
<b>Net amount payable/(receivable) for the year contribution from Police Fund</b>		<b>90,034</b>	<b>(419)</b>	<b>(38,325)</b>	<b>51,290</b>	<b>88,266</b>	<b>(439)</b>	<b>(27,431)</b>	<b>60,396</b>
Contribution from the Police Fund not met by Home Office grant	2	-	-	-	-	(748)	(41)	(2,275)	(3,064)
Additional contribution from the Police Fund met by Home Office grant		(90,034)	419	38,325	(51,290)	(87,518)	480	29,706	(57,332)
<b>Net amount payable/(receivable)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NET ASSET STATEMENT

31 March 2019 £000		31 March 2020 £000
(616)	Unpaid pensions benefits	(305)
-	Payment in Advance	-
616	Amounts owed from/(to) PCC's General Fund	305
-	<b>Net Assets</b>	-

## NOTES TO THE FINANCIAL STATEMENT

### 1. Basis of preparation

The Police Pension Account combines the accounting transactions of three pension schemes; the 1987 Scheme, which was set up in 1987 and the 2006 Scheme which was created by the Home office under the Police Pension Regulations 2006 and the most recent 2015 Scheme, established under the Police Pension Regulations 2015 .

From April 2015 the 2015 Police Pension Scheme replaced the 1987 and 2006 Police Pension Schemes. With the exception of some officers closest to retirement, who are covered by full or tapered transitional provisions, all police officers have moved to the new scheme. The 2015 Police Pension Scheme is a Career Average Revalued Earnings (CARE) scheme and replaces final salary schemes. It is governed by the Police Pensions Regulations 2015 and related regulations in the Public Service Pensions Act 2013.

This financial statement has been prepared in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932) and CIPFA Code of Practice 2019/20. It summarises the transactions of the Pension Account. It does not take account of obligations to pay pensions and benefits which fall due after the end of the financial year – these obligations are considered by the actuary when valuing the schemes liabilities and are reflected in the CIES and balance sheets of the CC and the PCC Group.

This statement does not form part of the Statement of Accounts for either the PCC or the CC but has been audited as a separate statement and is covered by the audit opinion on Page 66.

All the pension schemes are unfunded and have no investment assets. Benefits payable are funded by contributions from employees and employers (in this instance the PCC) and any difference between benefits payable and contributions receivable is funded by an additional contribution by the PCC from/to the Police General Fund, which, in 2019/20 is financed in full by top-up grant from the Home Office.

### 2. Actuarial Valuation

From 1 April 2019 the actuarial valuation changed the employer contribution rate from 21.3% to 31.0%. This additional contribution is met by the additional funding received for Police Pension Costs.

3. **Accounting policies**

**General**

The financial statements have been prepared on an accruals basis except for transfers to and from the account and contributions refunded, which are treated on a cash basis.

**Employers' Contributions**

The employers' contribution rate for all the pension schemes is set nationally, based on a percentage of pensionable pay. The rate is subject to triennial revaluation by the Government Actuary's Department, timed to coincide with the revaluation of the local government pension scheme. The rate for 2019/20 was set at 31% (18/19 was 21.3%).

**Employees' Contributions**

Police officer contributions are deducted from officer salaries. Contribution rates range between 11% and 15.05% dependent upon on the range the police officer's salary falls into and whether the officer is a member of the 1987, 2006 or the 2015 scheme.

4. **Net Asset Statement**

The net asset statement does not include liability to pay pensions and other benefits after the 31 March 2020. These liabilities remain ultimately with the PCC Group and have been reflected in the CC and PCC Group Balance Sheets. Details of these liabilities can be found in Note 15 to the main statement of accounts.



## Independent auditor's report to the Chief Constable of Lancashire Constabulary

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Chief Constable of Lancashire Constabulary (the 'Chief Constable') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Chief Constable's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Chief Constable's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Chief Constable's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Chief Constable's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Chief Constable will continue in operation.

### Emphasis of Matter – effects of Covid-19 on the valuation of Pension assets

We draw attention to Note 6 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension assets as at 31 March 2020. As disclosed in Note 6 to the financial statements, the value of the assets of the LGPS is dependent on a professional judgement based on information available at the time of making the valuation. The current COVID-19 pandemic is impacting financial markets in all sectors and at the valuation date it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value. As a result, there is a risk that the value of property investments may be under or over-stated. Valuations have therefore been reported on the basis of 'material valuation uncertainty' as set out in VGPA 10 of the RICS Global Valuation Standards. Less certainty, and a higher degree of caution, should be attached to the valuation of property holdings than would normally be the case.

Our opinion is not modified in respect of this matter.

### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the Chief Constable 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. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Chief Constable will no longer be provided.

The Chief Constable is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

##### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable for Lancashire Constabulary in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Murray

Iain Murray, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

14 December 2020



**Lancashire Constabulary**  
**Draft Annual Governance Statement**  
**2019 - 20**



**Scope of Responsibility**

Governance is about how the Chief Constable and PCC ensure that they are doing the right things, in the right way, for the right outcomes, in a timely, inclusive, open, transparent and accountable manner.

Lancashire Constabulary is responsible for ensuring that its business is conducted in accordance with the relevant law and proper standards relating to financial management and corporate governance. It also has a statutory duty to secure value for money in the use of public funds.

The Police Reform and Social Responsibility Act 2011 (PRSR), the Strategic Policing Requirement and the national Policing Protocol Order outline the key roles and responsibilities of the Chief Constable and PCC.

The Chief Constable holds office under the Crown and is appointed by the Police and Crime Commissioner (PCC) for Lancashire.

The Chief Constable is solely responsible for operational policing matters, the direction and control of police personnel and for maintaining appropriate risk management processes, governance arrangements and ensuring there is a reliable system of internal control which support those functions.

The Police and Crime Commissioner (PCC) for Lancashire is responsible for holding the Chief Constable to account for the exercise of those functions. This statement reports on the governance arrangements in place.

Production of the Annual Governance Statement by the Chief Constable is a requirement under the Accounts and Audit Regulations 2015 and ensures that a reliable system of internal controls can be demonstrated

**The Governance Framework**

A framework of governance and internal control has been established, comprising the systems and processes, culture and values by which the Constabulary is directed and controlled, and the activity through which it accounts to and engages with communities. It enables the Constabulary to monitor achievement against the strategic objectives, agreed with the PCC and outlined in the Police and Crime Plan, to consider whether those objectives have delivered efficient, effective services and value for money.

A Code of Corporate Governance has been approved and adopted which also outlines how the Chief Constable and PCC will ensure robust and effective governance arrangements to support the exercise of those functions:

<https://lancashire-pcc.gov.uk/wp-content/uploads/2016/09/Code-of-Governance-Framework.pdf>

A joint Constabulary and OPCC 'Scheme of Consent/Delegation' sets out both the broad legislative context and local regulatory framework, within which the Chief Constable and PCC will work to fulfil their statutory function of securing an efficient and effective police force.

The system of internal control is a significant part of that framework and is based on an ongoing process designed to provide reasonable (rather than absolute) assurance of the effectiveness of risk management protocols. It is based on a dynamic process designed to identify and evaluate the risks to achievement of the Constabulary's priorities, aims and objectives and to ensure that they are managed and mitigated in an efficient, effective and economical way.

The governance framework has been in place up to and including the year ending 31 March 2020 and up to the date of approval of the Statement of Accounts.

### **Internal Financial Controls**

Internal financial control systems are in place to minimise the risk of loss and unlawful expenditure and help to deliver value for money.

The key documents that set out the internal financial controls are:-

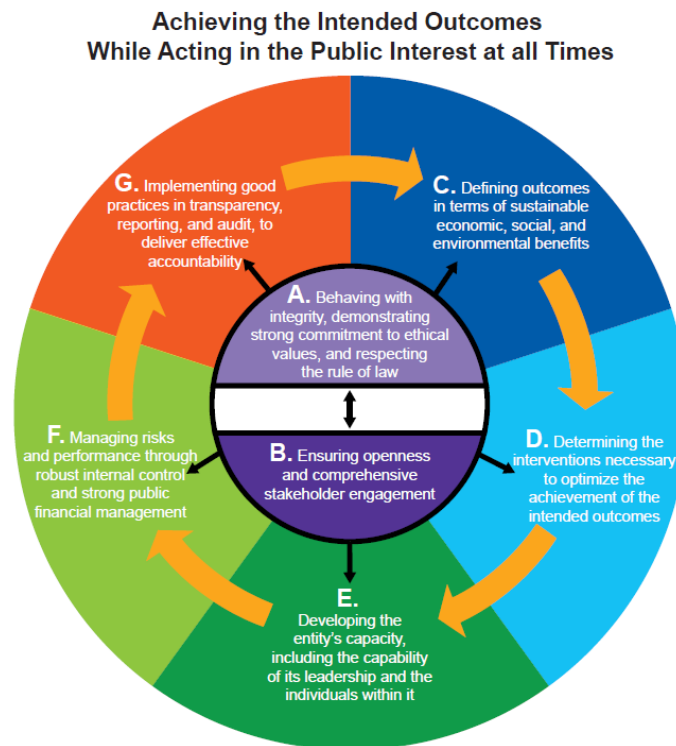
- Financial Regulations – to secure the proper administration of the Chief Constable's financial affairs;
- Contract Standing Orders - to ensure procedures are followed in respect of contracts for the supply of goods and services;
- Chief Constable's Scheme of Delegation - to assign authority and responsibility to officers and staff to carry out specific activities or functions;
- Chief Constable's Financial Instructions – to provide guidance on the operation of specific financial processes.

### **Good Governance in the Police Service**

The Chartered Institute for Public Finance and Accountancy (CIPFA) has identified the seven principles of good governance for public services; those specifically relating to local policing services are:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable economic, social and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management;
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The diagram below is taken from the International Framework: Good Governance in the Public Sector and illustrates how the principles relate to each other.



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

The Constabulary has adopted the national Code of Ethics for policing as part of its established overall approach to values led behaviour, supported by the existing standards it has outlined in the code of conduct.

Police Officers and Staff are subject to relevant codes of conduct and the standards of behaviour expected by the Constabulary, in line with its stated values and the College of Policing Code of Ethics.

Code of Ethics training and awareness has been provided to all officers and staff and written into job application forms and statement of particulars.

The Constabulary has adopted the College of Policing's Competency and Values Framework which strongly upholds the principles of the Code of Ethics for use in promotion processes and the PDR/CPD processes for all officers and staff.

The Joint Audit and Ethics Committee provides governance over ethical matters for both the PCC and Chief Constable organisations. The Committee comprises an Independent chair and members to provide independent scrutiny and assurance over the ethics framework, supported by a Tactical Ethics Committee within the Constabulary, which considers and advises on ethical dilemmas.

The Constabulary has a robust complaints process, managed by the Professional Standards Department (PSD), which is responsible for the receipt, recording and investigation of public complaints and misconduct allegations. The PSD also has specific responsibilities to support the Independent Office for Police Conduct (IOPC) (formerly Independent Police Complaints Commission (IPCC)) in discharging their statutory role.

The Professional Standards Department routinely analyses complaints and misconduct data to identify emerging trends and lessons to be learned, which are disseminated to the workforce through a range of internal communications media.

All officers and staff are subject to policies and procedures covering discipline, grievance and standards of conduct and professional behaviour, including access to the Constabulary integrity line (whistle blowing).

The Constabulary has a counter corruption strategy, which defines how it will manage alleged corruption issues within the Force.

The Constabulary also takes part in the National Fraud Initiative which carries out data matching of the Constabulary's data with data from other public sector bodies.

Professional standards matters are monitored by the Constabulary, with an action plan to oversee the implementation of recommendations arising from HMICFRS inspections of integrity and legitimacy.

The Constabulary has established processes for registering business interests and an electronic recording system for gifts and hospitality, which are routinely audited.

The Constabulary has arrangements in place to address fraud and corruption and to enable officers and staff to report any issues of concern in confidence.

The Head of Legal Services is the Chief Constable's Monitoring Officer and advises on the rule of law and ensures decision making is legally sound and compliant with the Governance Framework.

## **2. Ensuring openness and comprehensive stakeholder engagement.**

The Constabulary has a range of strategies, adapted to ensure the most appropriate and effective communication and consultation is achieved with both the public and partners. This approach embraces a range of traditional and new media, including social media platforms, such as Twitter, Facebook and Instagram.

The Constabulary has a system of online engagement, called 'In the Know' (ITK), which circulates updates on crime and incidents at a very local level. Members of the public can sign up to receive the information most relevant to them, in the format of their choice. There are also ambitious new plans in place to improve digital engagement with the communities, through the external facing website which facilitated much greater self-service and access to information.

The Constabulary is a key partner in Community Safety Partnerships (CSPs) in every local area, engaging with partner agencies to ensure best value for public money in delivering community safety outcomes for the public. In addition, the Constabulary has been recognised as a service leader in developing and implementing co-located partnership place based working, to deliver more effective interventions in safeguarding the most vulnerable victims and dealing with the most prolific offenders and challenging families.

Neighbourhood policing teams hold community engagement events to allow members of the community to voice concerns, highlight issues and influence priorities. The Constabulary is also delivering digital engagement opportunities to improve levels of engagement with the community through the launch of the Lancashire talking programme. This information is also included as part of the wider priority setting process for the Force.

In support of the Prevention priority the Constabulary has committed to be a pilot in the Modernising Neighbourhood Policing Development Programme.

The Constabulary routinely surveys members of the community and victims of crime to assess levels of satisfaction and confidence with the service provided. Quality of service issues are identified and tracked at both team and individual officer level, to allow remedial action to be taken where necessary. Complaints and Satisfaction and Confidence data are monitored as part of the core performance framework and are routinely reported to the PCC, through the Strategic Scrutiny meeting and the Joint Audit and Ethics Committee.

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

The Constabulary has established a clear Purpose, Objective, and set of values. The Purpose is: **to keep people safe and feeling safe and when needed, we can be trusted to consistently deliver competent and compassionate service 24/7.** The Constabulary has a commitment to its core policing services; Contact and Response, Local Policing and Serious Crime and Investigation and is underpinned by the expectation that officers and staff adhere to a set of values that are outlined in the Code of Ethics.

Value for money is a strategic priority for the Constabulary and the financial context in which the Constabulary operates makes achieving value for money and delivering the necessary savings a critical objective for the force. HMICFRS have consistently found, in their Valuing the Police (VtP) Inspection programme and the PEEL inspections, that the Constabulary is well prepared to deal with financial challenges.

The PEEL Inspection for 2019 rated Lancashire as 'outstanding' for Efficiency in its understanding of demand and planning for the future, ensuring financial plans and workforce plans are clearly aligned and managed effectively.

The budget and medium-term financial strategy (MTFS) are set by the PCC, with regular updates around budget monitoring and progress provided throughout the year.

The MTFS sets out the financial assumptions and demands upon the Constabulary and sets out options to address any funding shortfalls to ensure sustainability.

The Business Planning process linked to the Force Management Statement will address the demands on the Constabulary and highlight areas for investment and opportunities to harness efficiencies and productivity gains.

The local policing priorities for the County, on which the Constabulary focuses each year, are determined by the PCC in consultation with the Constabulary, its partners, stakeholders and the communities of Lancashire. In addition, the Constabulary and PCC are required to maintain a regional and national policing capability, in compliance with the Home Office Strategic Policing Requirement.

The Constabulary has a statutory responsibility with Lancashire County Council and Community Safety Partnerships to develop local profiles which form the basis of commissioning opportunities and local partnership plans.

The policing priorities agreed with the PCC form part of the Lancashire-wide community safety priorities, which are identified each year by the Lancashire Community Safety Partnership Board. There are also a regular series of meetings held with Lancashire local authority chief executives and senior leads from other public sector agencies such as Fire and Rescue and North West Ambulance service, at which information on joint priorities and common issues is shared.

#### **4. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

At the start of each financial year, the Constabulary and PCC agree a programme of internal and external audit work, which is reported back through the Joint Audit and Ethics Committee, responsible for enhancing public trust and confidence in the governance of the PCC and the Constabulary. It also assists the PCC in discharging his statutory responsibility for holding the Chief Constable to account. Minutes of the Joint Audit and Ethics Committee are published on the OPCC website.

The Constabulary is subject not only to internal and external audit procedures, but also to an extensive and intrusive inspection regime, through HMICFRS and its fellow criminal justice inspectorates; the results of these inspections are published nationally. The Constabulary responds to any issues highlighted during this process by developing action plans to address areas for improvement and has a governance process to oversee this work and link to continuous improvement.

The Constabulary takes an inclusive, consultative and transparent approach to corporate decision making, with appropriately documented scrutiny around the operational need and organisational implications of decisions taken, including the financial costs and the organisational and operational risks and consequences, in every case. These are published on the Constabulary's intranet SharePoint site.

The Constabulary has an internal scheme of responsibility, which outlines the relevant financial authority to each budget holder. There is an internal process for submitting business cases to the Director of Resources, where amounts exceed approved responsibility limits. Devolved budgets are routinely monitored and reported upon to ensure financial efficacy, and the Director of Resources provides regular updates on the financial position and scenarios for budget planning. In addition, the Chief Constable, as a corporation sole, makes decisions and raises issues in his own right, governed by a similar robust process.

The Constabulary change programme is overseen by the Futures Assurance Board with a bi monthly governance structure that considers risk management and benefits realisation with bespoke programme management attached to the change delivery.

Items outside of the delegated authority of the Chief Constable's CFO are submitted to the Joint Management Board (JMB) for approval by the PCC. In addition, to strengthen the transparency of decision making, those items approved by the Constabulary's Director of Resources/Head of Finance, Procurement & Transactional Services are reported to the PCC for information and to ensure that he remains informed of decisions being made under delegated authority.

Statutory accounts, including opinion from External Auditors, are prepared in accordance with relevant legislation and are scrutinised by the Joint Audit and Ethics Committee prior to approval by the Chief Constable and the PCC and publication.

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

Costed HR Plans are produced by the Constabulary each year which outline the workforce numbers of the organisation and its training provision; it is presented to the PCC on an annual basis. HR data is scrutinised by the PCC at the monthly Management Board Meeting and quarterly at the Strategic Scrutiny meeting.

The Constabulary has a Workforce Development Plan, with a framework of governance meetings that support their implementation, across a range of key people themes. This is designed to ensure that the organisation makes appropriate investment in its people, even as resources are becoming increasingly stretched. A rigorous approach to matching resources to demands is also carried out through detailed resourcing to ensure that sufficient resources are in place to provide capacity to meet operational requirements.

The Constabulary has established a Professional Development Review Programme (PDR), which supports the management of performance and has introduced a new Continuous Professional Development (CPD) process that offers the opportunity for both development and improvement where these are applicable. This offers value for money in reducing bureaucracy at the frontline, whilst ensuring that performance and quality are appropriately managed and maintained.

A HR Case Management process has been introduced to support managers in challenging and managing under-performance, to ensure that the Constabulary is achieving best value for money from its workforce, whilst providing appropriate support for officers and staff to achieve their best. This is part of an early intervention approach by the constabulary to identify early signs of staff vulnerability and address these before they emerge in more problematic ways.

Training needs analysis informs an annual Costed Learning and Development Plan, which outlines training costs, needs and commitments. Evaluation is undertaken at the point of delivery with service users. The Constabulary is committed to ensuring that leaders at all levels have the right skills to deliver effective leadership in the challenging environment they face and that they can deliver the leadership commitment to **"know your staff, know your stuff, know yourself"**. The Workforce Capabilities Board provides the governance over the future proofing of the workforce.

The Constabulary is continuing to take an innovative approach to supporting both the physical and emotional well-being of its workforce; the Well-being Strategy is designed to support the Constabulary's wider activity in implementing cultural change. Well-being Ambassadors have been introduced across the force, in all divisions and departments, to support officers and staff in need and recent further investment has been agreed for the Health Services function to ensure that the capacity, capability and condition of employees is maintained. The role of the Chief Constable as the national police service lead for Wellbeing ensures the Constabulary is at the forefront of embedding wellbeing support across the organisation.

The Constabulary conducts regular Staff Engagement Surveys and publicises the work it has undertaken and delivered in response to the issues raised in the survey

Internally, the Constabulary has an innovative staff engagement tool known as 'The Buzz'. This provides a forum for staff to raise issues of concern directly to the Chief Constable and other senior leaders across the organisation and gives the opportunity for direct responses in return. It has proved to be a popular platform for myth and rumour-busting on a range of issues and Buzz Ambassadors enable anonymous posting for those who are reluctant to post directly. The Constabulary has also supplemented 'The Buzz' with a 'Buzz-o-meter', a quick annual survey to encourage even more staff to have their say and which gives a comparative position across time.

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

The Constabulary has an established risk management policy and procedures. The Corporate Risk Register is reported through all management boards for information and action as appropriate.

The Constabulary works closely with the OPCC in taking forward key areas of business and joint monthly strategic planning meetings are held.

The Chief Officer team of the Constabulary have specific areas of responsibility, including key elements of internal control, which are outlined within job descriptions and reviewed via annual appraisal and Continuous Professional Development (CPD) activities.

Performance against priorities is tested through a robust framework, which ensures that the Chief Constable and PCC are kept informed about crime, resource and financial management performance. Performance information is monitored and scrutinised by Chief Officers and the PCC Executive at a range of forums, including the monthly Operations Board, Strategic Management Board and the quarterly Strategic Scrutiny meeting, at which the PCC formally holds the Chief Constable to account. A record of the Strategic Scrutiny meeting is published on the OPCC website.

The PCC also meets regularly with the Chief Officers of the Constabulary on a less formal basis, to receive updates and discuss issues around organisational and operational performance.

The Strategic Resourcing Board provides organisational direction to ensure the most efficient, effective, flexible and responsive use of officers and staff across the County. The Board receives requests for changes to structures (outside the Futures Programme) and considers the impact of turnover of officers and staff alongside the restructuring required within the organisation and the impact this has on establishment levels.

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

In accordance with the requirements of the Financial Management Code of Practice, a Joint Audit and Ethics Committee has been established.

The Chief Constable's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government as set out in the CIPFA Statement on 'The role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable'. The Chief Constable's Chief Finance Officer is the Director of Resources who is the Constabulary's professional advisor on financial matters.

The Constabulary contributes to the OPCC Transparency Scheme which provides published information in accordance with the Information Commissioner's Publication Scheme for the Police Service.

The Statement of Accounts will be formally approved by the PCC and Chief Constable in November 2020.



## **Overall Assurance Summary.**

No system of internal control can provide absolute assurance against material misstatement or loss.

However, on the basis of the review of the sources of assurance set out in this Statement, we are satisfied that the Chief Constable has in place satisfactory systems of corporate governance and internal control which facilitate the effective exercise of their functions and which include arrangements for the effective management of risk.

## **Review of Effectiveness.**

The Chief Constable is responsible for conducting an annual review of the effectiveness of the governance framework, including the system of internal control and audit. The review has been conducted by the Chief Officer team and takes account of comments from both internal and external audit and inspectorate reports.

The review involves gathering examples of effective controls, mitigation of risks and the overall efficiency and effectiveness of the organisation. The evidence gathered is documented in a separate record which is used to support the certificates of assurance signed by each of the chief officer team.

**Taking all these factors into account, the Constabulary system of internal control for 2019/20 is considered to be both satisfactory and effective.**

## **Ensuring Effective Governance of Organisation Risks.**

### **(i) Report on Areas for Action 2019/20**

Within the 2018/19 Annual Governance Statement the review of effectiveness identified five areas where further action was required in 2019/20 and the following shows progress made.

#### **1. Financial Pressures**

The redesign of operational policing has been introduced during 2019/20 and the information delivered through the Force Management Statement has driven the allocation of resources. Investment in additional resources has been realised through an increase to the council tax precept, this has improved public confidence in the localities where this resource has been deployed.

The national programme for the delivery of additional officers was announced in 2019/20 and the initial steps have been taken to deliver Lancashire's share of this increase.

Strong financial control through the monitoring process has continued and this has been recognised with an 'outstanding' rating from HMICFRS for use of resources.

#### **2. ISO Accreditation**

ISO accreditations for ISO 17020 (General Criteria for the Operation of Various Types of Bodies Performing Inspection) and ISO 17025 (General requirements for the competence of testing and calibration laboratories is the main ISO standard used by testing and calibration laboratories) were secured during 2019/20. These accreditations substantiated Lancashire's reputation for forensic testing capability.

### **3. Brexit**

Significant planning has taken place for the impact of Brexit throughout the year. Whilst this activity has been paused briefly due to Covid 19, the activity has resumed and will continue into the new year.

### **4. Mental Health Illness Demand**

Considerable work was undertaken during 2019/20 to support mental health illness within Lancashire communities. This includes the creation of frequent attender teams, improved staffing and responsiveness of the mental health action line, commissioning of alternative places of safety across Lancashire, creation of a budget for 24/7 Crisis Home management teams, creation of Mental Health Tac Advisors and the creation of SPOCs for inpatient facilities to improve staff/patient safety and wellbeing. However, this issue requires ongoing and further action due to the ongoing pressures on Police resources and the impact on the community.

### **5. Investigative Resilience**

The force has continued to maintain a primary focus for further investment on our investigative function, with particular emphasis on managing vulnerability. Over the last 3 years the Constabulary has already invested £8 million in this portfolio (with £1.2 million or 21 officers in safeguarding and exploitation teams in 2018), and plans to invest a further £4.4 million in 2020/21. This is a combined investment of 267 officers and staff during this period. In the last 12 months we have successfully uplifted investigation hubs with 35 Professionalising Investigations Programme (PIP) 1 and PIP 2 staff and redesigned our Force Major Investigations Team.

#### **(ii) Areas for Action in 2020/21**

##### **1. Financial Pressures**

There remains uncertainty over the timing of government announcements on police funding for 2021/22 and the levels of funding to be allocated. This creates uncertainty in the short and medium term. The government continue to provide assurance that 'Uplift' funding will be prioritised but there is no assurance at this stage regarding core funding streams. Financial planning cannot be assured until this point. This relates to revenue budgets and capital investment strategies.

Action to address: Effective engagement with NPCC and OPCC. Effective financial planning and agile options analysis.

Action Owner: Director of Resources

##### **2. Covid-19**

The impact of Covid-19 is wide reaching and includes the hard costs borne by the Constabulary, impacts on operational delivery and more medium term financial and operational plans.

Actions to address: Effective financial planning, engagement with Home Office over Covid-19 financial implications, effective resource planning to mitigate against risks to operational delivery.

Action Owners: Director of Resources; Covid-19 Gold Command

### 3. Demand Capacity

It is clear that the demands placed upon the policing service continue to change beyond the impact of COVID. The type of crime being dealt with is increasingly complex and resource intensive and the amount of these types of crime is rising significantly. In addition, cuts to services in other areas of the public sector, such as mental health care, mean that more people are committing crimes or presenting a risk of harm to either themselves or other members of the public. This clearly represents a further increase in the demands placed upon policing resources.

Action Owners: This, along with the other key risks identified in the risk register, will be monitored closely and regularly reported upon to the monthly Senior Management Board.

#### Summary

The Constabulary has been advised on the implications of the review of effectiveness of the governance framework by the Joint Audit and Ethics Committee, and that they continue to regard the arrangements as being fit for purpose.

The Constabulary proposes to take steps over the coming year to address the matters outlined above to provide further assurance of its governance arrangements. The Force is satisfied that these steps will address the issues highlighted during the review of effectiveness, and will monitor their implementation as part of the next review.

#### Signed:

*Andy Rhodes CBE QPM*

**Chief Constable  
Andy Rhodes**

**Date: 14<sup>th</sup> December 2020**

*Ian Cosh*

**Chief Finance Officer  
Ian Cosh**

**Date: 14<sup>th</sup> December 2020**

## GLOSSARY OF TERMS

### **Accounting Policies**

The specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting financial statements.

### **Accrual**

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

### **Actuary**

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.

### **Actuarial gains and losses**

A change in pension fund liability due to the effects of differences between the previous actuarial assumptions and what has actually occurred. Outcomes are better or worse than the actuary had predicted or assumed – for example, because the fund's assets earn more than expected, salaries do not increase as fast as assumed or members retire later than assumed.

### **Amortisation**

An annual charge to the revenue account that spreads the cost of an asset over a period of time.

### **Appropriation**

A contribution to or from a financial reserve.

### **Budget**

A statement which reflects the PCC's policies in financial terms and which sets out its spending plans for a given period.

### **Capital expenditure**

Spending on buying or improving assets that have a long-term benefit – for example land, buildings and roads. Capital expenditure is also known as 'capital spending', 'capital outlay' and 'capital payments'.

### **Cash balance**

Cash available to invest on the money market.

### **Cash Equivalents**

Short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Cash transactions**

Cash amounts entering or leaving the accounts – for example, to pay for goods or services, or income from fees and charges.

### **Change in Accounting Estimate**

An adjustment of the carrying amount of an asset or liability that results from an assessment of the present status and future benefits or obligations. These changes occur as a result of new information, and are not corrections of errors.

### **CIPFA**

The Chartered Institute of Public Finance and Accountants is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

### **Contingent liabilities**

Liabilities relating to a known set of circumstances which may or may not arise. They can also be liabilities which are likely to arise but which are very difficult to measure until future developments make things clearer.

### **Corporate governance**

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

**Council Tax precept**

The Council Tax charged by one authority (the precepting authority) which is collected by another authority (the billing authority). The PCC's Council Tax income is charged through a precept on the district councils' collection funds.

**Creditors**

Amounts owed by the PCC for work carried out, goods received or services provided, which had not been paid by the date of the balance sheet.

**Current assets and liabilities**

Current assets are cash, cash equivalents and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term.

By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

**Current service cost (IAS 19)**

The increase in the PCC's defined benefit scheme obligation (pension scheme liability) as a result of employees' service during the current year.

**Curtailed cost (IAS 19)**

Additional pension scheme liabilities as a result of redundancies and efficiency retirements during the year.

**Debtors**

Amounts owed to the Authority which had not been paid by the date of the balance sheet.

**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.

**Depreciation**

Charges to the income and expenditure account to reflect a decrease in the value of assets as a result of use or ageing.

**Discretionary benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the PCC's discretionary powers.

**Devolved financial management (DFM)**

The PCC's budget management system. The budget is managed by those who make the decisions in each area of responsibility ('accountable officers').

**Employer's pension contributions**

Payments to the pension scheme made by the Authority for current employees.

**Fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Fixed assets**

Assets intended to be used for several years – for example, buildings, machinery and vehicles.

**General Fund**

The main revenue fund used to provide police services. Income to the fund consists of the precept on the collection funds, government grants and other income.

**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.

**Historic cost**

The cost of an asset at the time it was bought.

**Impairment**

This is where the useful working life of an asset is significantly reduced – for example, because of damage to a piece of equipment or changes in technology which mean that a service can be provided more efficiently in other ways. When the amount at which the asset is held exceeds the amount the authority could receive for the asset, an impairment loss is recognised.

**Interest cost (pensions)**

The expected increase in the value of pension scheme liabilities because benefits are one year closer to being paid.

**Inventory**

Raw materials and consumable goods bought but not yet used at the end of the accounting period.

**Market value**

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

**Materiality**

The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by a reader.

**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 pension liability**

The amount the pension scheme will have to pay out in the future, less the value of pension fund assets.

**Non-cash adjustments**

Changes in debtors' and creditors' balances over the year.

**Operating lease**

A lease where ownership of the goods remains with the company leasing them to the PCC.

**Operational assets**

Assets used for day-to-day activities – for example, land, buildings, furniture and equipment.

**Past service cost or gain (IAS19)**

The increase or decrease in pension scheme liabilities as a result of changes to benefits earned in previous years – for example, because of early retirement or changes to pension scheme regulations.

**Pension enhancements**

Additional pension benefits (such as added years on early retirement) awarded to scheme members in line with the county council's general conditions of employment.

**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 (Pensions)**

An accrued benefits valuation method in which the scheme liabilities make allowance for the projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (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.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

**Provisions**

Funds set aside to cover specific past expenses, where the exact cost or timing is still uncertain.

**Public Works Loan Board (PWLB)**

A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Related party**

A person or organisation which has influence over another person or organisation.

**Reserves**

Amounts set aside in one year's accounts which can be spent in later years. Some types of reserve can only be spent if certain conditions are met.

**Specific grants**

Government grants for a particular service.