

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY

STATEMENT OF ACCOUNTS

2024/25

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STATEMENT OF ACCOUNTS 2024/25

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NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS

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 their own right, their 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:

Audit of Accounts - Lancashire Police Crime Commissioner (lancashire-pcc.gov.uk)

The governance framework reinforces the PCC's position in control of the budget whereby the CC has a budget delegated to them 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:

<https://www.lancashire-pcc.gov.uk/transparency/governance-documents/>

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 2024/25 (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 2024/25 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 2025 (referred to as 2024/25).

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 their 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 2024/25.

Annual Governance Statement – This is a statement by the CC which states their position on governance issues and provides assurances on the systems of control which are maintained and, on the way, they conduct their 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 for Lancashire's spending power in respect of 2024/25 was agreed at £394.097m and, after taking account of specific grants, the net budget requirement was set by the Police and Crime Commissioner in February 2024 at £367.083m funded as follows:

	£m	
Police grant	244.613	67%
Council Tax	<u>122.470</u>	33%
	367.083	

Funding received from central government increased from £231.528m in 2023/24 to £244.613m in 2024/25. In addition to this increase there was an increase in the specific grant provided by government for the uplift programme. This grant is only received if every additional officer identified for the uplift programme is recruited.

The Commissioner raised £122.470m from council tax in 2024/25 made up as follows:

	£m
Council tax precept 2024/25	122.288
Council Tax surplus 2023/24	<u>0.182</u>
	122.470

This represents £263.40 for each Band D property in the County, an increase of £11.95 (4.75%) over the 2023/24 charge.

2024/25 Revenue Budget and Outturn

The final budget allocated to the Chief Constable in 2024/25 was £365.752m. In managing the budget in 2024/25 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 Chief Operating Officer) responsible for specific functional areas. Pay budgets were centralised with decisions on budgeted posts and vacancy management made through the Strategic Resourcing Board.

The following table provides a summary of spend, by Chief Officer area of responsibility, compared to the final budget:

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2024/25
NARRATIVE REPORT

	Budget £m	Spend £m	Variance £m	%
Chief Constable:				
Pay costs	305.105	305.428	0.323	0.11
ACC Territorial Operations	7.362	7.357	-0.005	-0.07
ACC Specialist Uniform Operations	5.759	6.203	0.444	7.71
ACC Crime	3.778	4.606	0.828	21.91
Chief Operating Officer	35.015	34.499	-0.516	-1.47
Deputy Chief Constable	1.504	1.497	-0.007	-0.47
Sub total	358.523	359.590	1.067	0.30
Non-DFM budget	7.229	5.762	-1.467	-20.29
Total Constabulary Budget	365.752	365.352	-0.400	-0.11
PCC:				
Office of the PCC	1.812	1.863	0.051	2.81
Communications	0.130	0.127	-0.003	-2.31
Prevention	1.006	0.754	-0.252	-25.04
Victim and Domestic Abuse services	0.680	0.720	0.040	5.93
Sub total	3.628	3.465	-0.163	-4.49
Non-DFM	1.869	1.961	0.092	4.95
Total PCC	5.497	5.426	-0.070	-1.28
TOTAL BUDGET	371.249	370.778	-0.471	-0.13

The revenue budget for the Constabulary underspent by £0.401m (0.11%), alongside a PCC revenue budget underspend of £0.07m (1.28%), giving a total underspend of £0.471m (0.13%).

The year-end position is made up of several elements, with some of the main variances outlined below:

Variance (£m)		
1.058	Agency staff costs	Agency staff required to cover essential roles that were vacant during the year
0.282	Overtime	
-0.736	Staff vacancies	A small saving arose due to the timing of vacancies during the year
0.808	Under delivery of income for training for external organisations	Due to the prioritisation of training new recruits, in force training requirements and a lack of demand from other forces.
0.523	Regional Toxicology collaboration	The regional toxicology collaboration led by Merseyside Police has been delayed due to the unit failing to achieve accreditation status. This has resulted in the renewal of the contract with ASI for forensic services and a 'double cost'
0.273	Ill Health Pensions	The injury element of police officer pensions is index linked, and costs vary according to the mix of ranks of officers taking ill health retirements.
0.146	Dangerous dogs	The change in legislation has caused increased costs in kennelling due to seizures under the act
0.996	Operation Eskin	Cost incurred by Lancashire in response to the murder of three children in Southport and the subsequent protests and incidents of disorder
-0.793	Op Eskin grant	Government agreed to fund the majority of costs for the operation
-0.621	Pension costs	Advance payment of contributions has generated a saving on the budget
-0.560	Energy	Energy budgets have underspent due to advanced purchase of energy baskets under the contract with a new supplier combined with a reduction in market price
-0.591	Airwave	The successful challenge to the cost increase by the provider has reduced the cost and generated a saving
-0.427	Income	Additional, one-off additional income from police confiscations
-0.317	Telephony	New telephony contract has delivered a saving
-0.249	Prevention	An underspend on the budget set aside for prevention activity due to the timing of programmes during the year

2024/25 Capital Funding & Outturn

Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets which amounted to **£30.902m** are shown in the financial statements of the commissioner.

The capital expenditure is partially funded from borrowing. The PCC needs to pay the cost of this borrowing out of his own resources and therefore must ensure such borrowing is prudent, sustainable, and affordable in the long run. The borrowing is met by a mixture of long and short-term loans and the use of internal cash balances. The majority of long-term loans have been taken with the PWLB and are taken in line with long term need. The borrowing strategy is outlined in the 2024/25 Treasury Management Strategy, a copy of which can be found on the PCC's website at the following link:

<https://www.lancashire-pcc.gov.uk/transparency/financial-information/financial-strategy/>

The PCC maintains a rolling five-year capital forecast and resources are set aside to finance future capital expenditure. As at 31 March 2025 the PCC has set aside £2.888m in earmarked reserves to support capital expenditure.

Reserves

The general reserves (DFM and general fund) at 31 March 2025 are £15.992m and represent around 3.8% of the 2025/26 budget of £424.764m. Other earmarked reserves total £11.18m including £3.76m held in reserves that has resulted from assets recovered from criminals that will be invested in local communities and operational policing across Lancashire.

The PCC's Chief Finance Officer believes that the level of reserves remains appropriate and in particular, the level of general reserves is considered sufficient to meet any unexpected or unusual financial issues during the financial year 2025/26.

Further detail on movement in reserves can be found in the movement in reserves statement and in Notes 8 and 9 to the accounts.

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 2025 the net pensions' liability of the CC, calculated by the actuary, is £2,489.6m (a reduction of £362m over the previous year's figure of £2,852m). The net liability is split between the Local Government Pension Scheme (£1.8m) and the Police Pension Schemes (£2,487.8m). 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 2024/25 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 2024 the actuarial valuation changed the employer contribution rate from 31% to 35.3%. The amount of additional contribution required from the PCC in 2024/25 was £54.8m (2023/24: £56m) 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 was inspected by Her Majesty’s Inspectorate of Constabulary Fire and Rescue Service (HMICFRS) Police Efficiency, Effectiveness and Legitimacy (PEEL) inspection programme, reporting in December 2024. The results are shown below.

Outstanding	Preventing and deterring crime and antisocial behaviour, and reducing vulnerability
Good	Recording Data About Crime Police Powers and treating the public fairly and respectfully Managing offenders and suspects Building, supporting and protecting the workforce Leadership and force management
Adequate	Responding to the Public Investigating crime
Requires Improvement	Protecting vulnerable people
Inadequate	N/A

The original Plan on a Page Was refreshed in early 2025. The strategic vision has been developed – “Preventing and fighting crime. Keeping our communities and people safe. Doing the right things, in the right way, for the right reasons”. A four-pillar plan details how the Constabulary will deliver this:

- Placing victims and vulnerable people at the heart of everything we do
- Prevent crime and anti-social behaviour, respond effectively to appropriate demand
- Effectively investigate, deliver the best outcomes for all and bring offenders to justice
- Ensure a capable workforce that are motivated to be the best they can be.

The Police and Crime Commissioner (PCC) continue to hold the Chief Constable (CC) to account for delivery of their statutory duties and to ensure that the Constabulary supports delivery of the priorities detailed in The Police and Crime Plan. Lancashire’s Police and Crime Plan 2024-2029 identified four key priorities:

1. Prevent violence against women and girls
2. Tackle Crime and anti-social behaviour (ASB)
3. Get tough on serious violent crime
4. Rebuild public trust and confidence

The Police & Crime Plan for Lancashire 2024/2029 - Lancashire Police Crime Commissioner

Quarterly Accountability meetings continue to monitor performance against both these priorities and the National Crime and Policing Measures, as detailed below.

Accountability Board Meetings - Lancashire Police Crime Commissioner (lancashire-pcc.gov.uk)

Key National Priorities for Policing

The Elected Local Policing Bodies (Specified Information) (Amendment) Order 2021 was implemented in May 2021. This Order provides that information relating to a police force's performance against the Government's published national priorities for policing, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) performance reports on the force, and complaint handling must be published.

A critical element of Home Secretary's strategic priority for there to be a relentless focus on cutting crime are the new National Crime and Policing Measures, which set out the Government's key national priorities on crime. These measures fall under the following headings (data comparisons are made against a 2019 pre-pandemic baseline):

- Reduce murder and other homicides
- Reduce serious violence
- Disrupt drugs supply and county lines
- Reduce neighbourhood crime
- Tackle cyber crime
- Improve satisfaction among victims with a particular focus on victims of domestic abuse

Lancashire Constabulary's performance against these measures to the year ending 31st March 2025, is summarised below:

Reduce murder and other homicides

In the 12 months up to March 2025 Lancashire Constabulary has seen the number of recorded homicides reduce from 20 (12-month period leading up to March 2024) to 15 (up to March 2025), a reduction of 25%. These are thankfully relatively small numbers, and there has not been any pattern or series within these incidents.

Reduce serious violence

When looking at the use of firearms there have been a number of different definitions used, which in the past has presented a confusing picture. For the purpose of the National Measures, we have utilised the new definition (from Dec 2024): discharges of lethal barrelled firearms (shotgun, handguns, rifles (excluding air rifles), machine guns, other converted imitation firearms and disguised firearms) where the weapon is 'Fired'.

Utilising this new definition, the 12 months up to March 2025 has seen firearms discharges in Lancashire increase to 8, from 2 in the 12 months leading up to March 2024. We are satisfied that this increase is down to recording changes rather than an increase in firearms related incidents.

Another indicator for Serious Violence is to look at the prevalence of violence with knives. Using the Home Office (ADR) definition of 'Knife Crime' the constabulary has seen a 5% decrease in recorded crime since last year, from 1,371 offences to 1,301.

We also use NHS data as a proxy measure to verify the data in this area, and as an indicator of direction of travel. The measure used is the number of individuals aged under 25 who present to emergency departments with assault injuries where the weapon was a knife, blade or sharp object. For the 12 months leading up to March 2025, this figure has decreased slightly compared to the that of the same period in 2024 with volumes down from 73 to 68.

Overall, there has been no significant change (less than 1% difference) in the prevalence of 'Violence with Injury' HO classifications in the 12 months to March 2025 when compared to the previous year. This is a slight decrease of 8 crimes from 17,014 to 17,002.

Disrupt drugs supply and county lines

One measure of the disruption activity targeting drugs supply and county lines offending is the number of disruptions carried out against serious organised crime. In the 12 months leading up to March 2025 there were 3,349 overall disruptions recorded, with 2,252 arrests and 271.51kg of class A drugs seized. This is a large increase in activity - in the same period leading up to March 2024 there were 1,723 overall disruptions recorded, with 1,488 arrests and 272kg of Class A drugs seized.

Reduce neighbourhood crime

Neighbourhood crime, defined as Burglary (Residential), Robbery (Personal), Vehicle Offences, and Theft from Person, saw a decrease of 26% in the 12 months leading up to March 2025 compared to the same period in 2024, from 16,993 to 12,560. This remains at a lower level following a reduction during COVID, with 2024/25 neighbourhood crime volumes 33% lower than the 12 months to March 2020.

Tackle cybercrime

The number of recorded online/cyber-enabled crimes has decreased during the 12 months leading to March 2025 to 4,387 from 5,152 in the 12 months leading up to March 2024, which is a decrease of 15%.

Improve satisfaction among victims

Year-on-year comparisons shows a decrease in overall victim satisfaction (-6%). This is due to the introduction of the online victim of crime survey in November 2023, which has considerably lower satisfaction results than the previous telephone survey (Telephone survey 66% - 12 months to March 2023, Online survey 48% - 12 months to March 2025).

Satisfaction amongst victims of domestic abuse has decreased (-8%) year-on-year. In the 12 months to March 2025, domestic abuse victims that were satisfied with the way they were treated was 81% compared to 88% in the previous period.

Recorded Crime and Outcomes

Recorded Crime					
Crime Type	2022/23	2023/24	2024/25	% Change	Trend
All Crime	130,886	128,651	129,098	0.3%	
Burglary - Residential	4,859	3,347	3,312	-1.0%	
Robbery of Personal Property	965	1,043	941	-9.8%	
Rape	1,446	1,497	1,734	15.8%	
Other Sexual Offences	3,444	3,407	3,968	16.5%	

In the 2024/25 financial year, the overall volume of crime has increased slightly from the previous year, with slight decreases in recording of Burglary (Residential) and Robbery of Personal Property. We have seen increases in the number of sexual offences (rapes and other sexual offences) recorded. The trends and patterns are analysed, and the increases are discussed in performance scrutiny meetings. Lancashire's trend is reflective of the national (England & Wales) trend for sexual offences which has also seen an increase. Of note, there have been changes to the rules for the way some of these offences are recorded which has contributed to the increase.

During the same period, we have also seen significant increase in our positive crime outcomes. Looking at 2024/25 in comparison with 2023/24, there was an increase in positive investigative outcomes for overall crime as well as each priority crime type except for Rape, which has seen a slight decrease, but is still higher than in 2022/23. A programme of work is ongoing to drive continuous improvement in investigative quality.

Positive Investigation Outcomes					
Crime Type	2022/23	2023/24	2024/25	Change	Trend
All Crime	13.3%	17.5%	21.5%	4.0%	
Burglary - Residential	6.8%	10.8%	14.7%	3.9%	
Robbery of Personal Property	13.7%	13.1%	17.2%	4.1%	
Rape	7.3%	10.5%	8.9%	-1.6%	
Other Sexual Offences	13.0%	15.6%	17.0%	1.4%	

Crime Recording

The Constabulary conducts reviews of incident data to ensure that all crimes reported are recorded in line with the Home Office Counting Rules (HOCR). These reviews apply the same methodology as the HMICFRS Crime Data Integrity Review and are broken down into 3 categories. A statistically representative sample of crimes are audited, and the proportion of crimes which were accurately recorded form a percentage reflecting compliance with HOCR for each category. These are then combined to give an overall crime recording rate for the force. Service recovery is completed on the missing crimes.

From the latest PEEL report published by HMICFRS in December 2024, there was an overall crime recording rate of 96.9% for all reported crimes (excluding fraud). There was a 96.2% recording rate for sexual offences and 95.0% for violent offences.

Call Demand and Performance

Efficient and Effective Policing					
Measure	2022/23	2023/24	2024/25	Change	Trend
999 calls answered within SLA (10 seconds)	74.0%	91.8%	95.6%	3.8%	
% 101 calls abandoned (first point of contact)	6.9%	4.9%	1.3%	-3.6%	
% 999 calls abandoned	1.5%	0.2%	0.2%	0.0%	

2024/25 saw further improvement in the service level agreement for answering 90% of 999 calls within 10 seconds, with an increase of 3.8 percentage points from 2023/24, following an increase of 17.8 percentage points in the previous year. A significant change programme took place during 2023 (the Target Operating Model) which has contributed to this performance increase.

Further improvement has been seen in addressing our abandonment rate for 101 calls and our 999-call abandonment rate has remained at the same level following improvement last year and remains below our target of 1% abandonment. The improvement in 101 rates has been driven both by the continued use of a switchboard to triage calls, and the 2023 change programme to route demand to the best-placed resource.

Financial outlook

The Chief Constable, in conjunction with the PCC, maintains a multi-year financial strategy to deliver efficient and effective financial management for the organisation.

The longer-term financial position is reviewed regularly based on best estimates of the likely level of cost pressures, grant income and council tax receipts. Based on this environment and further savings of up to £37.8m are currently forecast to be required for the period to 2028/29. This is in addition to the £7.4m of savings that will be delivered in 2025/26 and represent a significant challenge for the PCC and the Constabulary.

Business planning programmes are underway to develop proposals for how the further savings can be achieved.

The PCC and the Constabulary have a proven track record, as recognised by both HMIC 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 continues to be extremely challenging, it will be increasingly difficult to find savings on the scale required.

The level of funding and demand pressures for 2025/26 and future years remains uncertain.

Specific Risks include:

Inflation and pay award

- The 'general' rate of inflation has fallen in recent months, and current forecasts expect the rate to fall further in the coming months. The rate at which inflation will reduce is still uncertain and is different for different types of expenditure. In particular the cost of insurance is increasing at a rate that is significantly higher than general inflation and this cost in particular will be closely monitored as part of the continuing financial planning process in preparation for setting future years' budgets.
- The pay award for policing in September 2024 was a significant increase of 4.75%. The government has provided grant funding to support PCCs in meeting the cost pressure this represents. Forecasts of the pay award in future years remain uncertain as they will be affected by the rate of inflation and other cost of living pressures.
- Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

Maintaining the Police Uplift and the Neighbourhood Policing Guarantee

- The uplift and neighbourhood policing programmes have a direct impact on how the budget is managed.
- The government has been clear that failure to maintain these allocations will mean a reduction in funding.
- This affects how savings can be delivered as police officer pay represents around 58% of the total budget for the organisation.
- A risk has been identified nationally that this could lead to staff being made redundant and police officers filling staff roles to meet savings targets whilst maintain the uplift number of officers.
- This doesn't represent the best use of resources or maximise value for money.

Delivering the capital programme

- There is an ambitious capital programme for the forthcoming period which impacts directly upon the revenue budget and medium-term financial planning.
- There is a risk that both internal and external factors could delay the delivery of projects which will in turn impact upon the budget position and future years of the programme.

Future government funding

- A spending review to determine the level of funding for the period 2026/27 to 2028/29 will be completed in early summer 2025
- There is significant risk in any assumption made for government funding in future years but the announcement of a three-year settlement later this year will mitigate a significant element of this uncertainty.

Additional government funding

- Lancashire receives a significant amount of additional funding for a number of areas including for Serious Violence, Violence Against Women and Girls and for Victims of Domestic and Sexual Abuse.
- It is expected that the multi-year settlement announcement made later this year will confirm these funding streams for the next three years but if not the case, then significant uncertainty will remain.
- The uncertainty of this funding makes effective financial planning extremely problematic, particularly when planning future service delivery.

Emergency Services Network (ESN) - Replacement of Airwave

- The emergency services communications network 'Airwave' replacement programme has already 'slipped' by several years. There is a financial consequence of a delay in moving over to the new system that is not yet clear.
- There is also a capital requirement for the equipment that will be required to operate on the new system that will impact upon future years' capital investment programme.
- The financial impact of these is not yet fully known with estimated provision included in the draft capital programme based on best available information. When further information is received from the Home Office the financial forecast will be updated

Impact of the Police Pensions Remedy

- The Government introduced changes to public sector pensions and introduced revised pension arrangements for Police Officers in 2015. As part of the implementation a series of protection measures were put in place to protect those officers within 10 years of their normal retirement date.
- This policy was successfully challenged in the Courts and was found to be discriminatory on the basis of age. The Government has recently announced its proposals to remedy the discrimination. Whilst these proposals will take some time before they are in place, initial indications are that the cost of administering the remediation will be an additional cost on police forces and the ultimate cost of the remedy may require an increase in employer contributions of 10%.
- This will form detailed discussion with the Government and the extent to which sufficient funding is made available will be a key element of the discussion.

Conclusion

The overall financial health of the Constabulary budget at the end of the 2024/25 financial year remains strong. The PCC and the Constabulary have been able to demonstrate:

- Strong financial control through service redesign reviews that has led to significant savings and reprioritised investment
- Strong delivery arrangements through achieving the delivery of savings early and ensuring funding is available to support the costs of any downsizing the organisation in future years
- Flexibility in ensuring resources are targeted to priority areas and that high-level service delivery is achieved

All of these are characteristic of organisations with well-managed finances. These together with a strong balance sheet that has resources set aside to mitigate against identified risks, as well as risks that may emerge during a year, place the Commissioner in a strong position to manage the significant financial challenges in the years ahead.



Dan Rogers CPFA
Chief Constable's Chief Finance Officer
17th December 2025

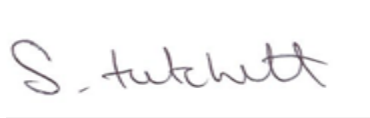
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 Chief Financial Officer.
- 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 2025



Sacha Hatchett (BA Hons) M.St
Chief Constable of Lancashire Constabulary
17th December 2025

The Chief Finance Officer's Responsibilities

The Chief Constable's Chief Finance Officer 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 Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

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 their transactions as at 31 March 2025 and for the year then ended.



DAN ROGERS CPFA
Chief Constable's Chief Finance Officer
17th December 2025

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.

2023/24			2024/25			
Gross Exp (Restated) £000	Gross Inc (Restated) £000	Net Exp (Restated) £000		Gross Exp £000	Gross Inc £000	Net Exp £000
277,559	0	277,559	Centralised Pay Budgets	291,141	0	291,141
60,269	0	60,269	Chief Operating Officer	62,442	0	62,442
7,968	0	7,968	ACC Territorial Ops*	7,731	0	7,731
5,141	0	5,141	ACC Crime	5,364	0	5,364
8,012	0	8,012	ACC Specialist Uniform Operations*	8,658	0	8,658
1,989	0	1,989	Deputy Chief Constable	2,608	0	2,608
38,638	0	38,638	Constabulary Non- Devolved budgets	43,875	0	43,875
0	(463,176)	(463,176)	Funding received by CC from PCC	0	(492,995)	(492,995)
399,577	(463,176)	(63,599)	Net Cost of Services	421,818	(492,995)	(71,177)
		133,742	Net Interest on Defined Benefit Liability			137,010
		70,143	Deficit on Provision of Services			65,833
		(66,618)	Re-measurements of pension assets/liabilities			(440,578)
		(66,618)	Other Comprehensive (Income) & Expenditure			(440,578)
		3,525	Total Comprehensive (Income) & Expenditure			(374,745)

*The areas of responsibility covered by these budget holders changed from 1 April 2024. The revised responsibilities are listed below, and the 2023/24 analysis has been restated for comparability:

ACC Territorial Operations East, South & West Divisions, Media & Engagement, ASB & POP Command
 ACC Specialist Uniform Operations Operations, Contact Management, Sporting & Special Event Policing

MOVEMENT IN RESERVES STATEMENT 2023/24 and 2024/25

This statement shows the movement in the 2023/24 and 2024/25 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
Balance at 31 March 2023		0	0	2,869,025	8,792	2,877,817	2,877,817
Movement in reserves during 2023/24:							
Total Comprehensive Income & (Expenditure)	8	70,143	70,143	(66,618)	0	(66,618)	3,524
Adjustment to Pension Reserve as detailed in Note 9		0	0	308	0	308	308
Adjs between accounting basis & funding basis under regulations:		(70,143)	(70,143)	71,169	(1,026)	70,143	0
Balance at 31 March 2024		0	0	2,873,884	7,766	2,881,650	2,881,650
Movement in reserves during 2023/24:							
Total Comprehensive Income & (Expenditure)	8	65,833	65,833	(440,578)	0	(440,578)	(374,745)
Adjs between accounting basis & funding basis under regulations:		(65,833)	(65,833)	67,304	(1,471)	65,833	0
Balance at 31 March 2025		0	0	2,500,610	6,295	2,506,905	2,506,905

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-Mar-24 £000		Notes	31-Mar-25 £000
0	Short Term Debtors –Intragroup Debtor		0
0	Current Assets		0
(29,672)	Short Term Creditors	12	(17,351)
(29,672)	Current Liabilities		(17,351)
(2,851,978)	Pensions Liability	15	(2,489,554)
(2,851,978)	Long Term Liabilities		(2,489,554)
(2,881,650)	Net Liabilities		(2,506,905)
2,873,884	Pensions Reserve	9	2,500,610
7,766	Accumulated Absences Reserve	9	6,295
2,881,650	Total Unusable Reserves		2,506,905

The unaudited accounts were issued on 1st August 2025, and the audited accounts were authorised for issue on 17 December 2025.

Signed :



Dan Rogers, Chief Finance Officer

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.

2023/24		2024/25
£0		£0
70,143	Net deficit on the provision of services	65,833
(70,143)	Adjustments to net deficit on the provision of services for non-cash movements (Note 13)	(65,833)
0	Net Cash Flows from Operating Activities	0

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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.

2024/25

	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
Chief Constable:					
Centralised Pay Budgets	305,428	1,799	307,227	(16,087)	291,141
Chief Operating Officer	34,485	27,957	62,442	0	62,442
ACC Territorial Operations	7,357	374	7,731	0	7,731
ACC Crime	4,606	758	5,364	0	5,364
ACC Specialist Uniform Operations	6,201	2,456	8,658	0	8,658
Deputy Chief Constable	1,497	1,110	2,608	0	2,608
Constabulary Non-Devolved Budgets	5,811	93,154	98,965	(55,090)	43,875
Funding received from PCC	0	(492,995)	(492,995)	0	(492,995)
Net Cost of Services	365,386	(365,386)	(0)	(71,177)	(71,177)
Other Income and Expenditure	0	0	0	137,010	137,010
Deficit on provision of services	365,386	(365,386)	(0)	65,833	65,833
Opening General Fund Balance			0		
In-year deficit			0		
Closing General Fund Balance			0		

*Further details are shown in tables that follow

2023/24 (restated)

	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
Chief Constable:					
Centralised Pay Budgets	283,956	1,374	285,330	(7,772)	277,559
Chief Operating Officer	31,704	28,565	60,269	0	60,269
ACC Territorial Operations	7,358	610	7,968	0	7,968
ACC Crime	4,196	945	5,141	0	5,141
ACC Specialist Uniform Operations	6,000	2,012	8,012	0	8,012
Deputy Chief Constable	1,544	445	1,989	0	1,989
Constabulary Non-Devolved Budgets	7,550	86,916	94,466	(55,828)	38,638
Funding received from PCC	0	(463,176)	(463,176)	0	(463,176)
Net Cost of Services	342,309	(342,309)	(0)	(63,599)	(63,599)
Other Income and Expenditure	0	0	0	133,742	133,742
Deficit on provision of services	342,309	(342,309)	(0)	70,143	70,143
Opening General Fund Balance			0		
In-year deficit			0		
Closing General Fund Balance			0		

*Further details are shown in tables that follow

Analysis of Changes to 2023/24 resulting from changes in responsibilities

	Original Net Exp 23/24	Revised Net Exp 23/24	Change
Centralised Pay Budgets	277,559	277,559	0
Chief Operating Officer	60,269	60,269	0
ACC Territorial Ops	8,978	7,968	-1,010
ACC Crime	5,170	5,141	-29
ACC Specialist Uniform Operations	6,933	8,012	1,079
DCC	1,989	1,989	0
Constabulary Non-DFM	38,679	38,638	-41
Funding from the PCC	(463,176)	(463,176)	0
Net Cost of Service	(63,599)	(63,600)	0

Analysis of Changes to 2023/24 resulting from changes in responsibilities

	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
ACC-Territorial Ops	(893)	(117)	(1,010)	0	(1,010)
ACC Crime	0	(29)	(29)	0	(29)
ACC Specialist Uniform Operations	893	187	1,079	0	1,079
Constabulary Non-Devolved Budgets	0	(40)	(40)	0	(40)
Net Cost of Services	0	0	0	0	0

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.

2024/25

	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
Chief Constable:					
Centralised Pay Budgets	0	0	0	1,799	1,799
Chief Operating Officer	(30)	513	5,350	22,124	27,957
ACC Territorial Operations	0	24	350	0	374
ACC Crime	0	(94)	732	119	758
ACC Specialist Uniform Operations	0	(389)	2,846	0	2,456
Deputy Chief Constable	0	685	426	0	1,110
Constabulary Non- Devolved budgets	54,785	(1,923)	40,292	0	93,154
Funding received from the PCC	0	0	0	(492,995)	(492,995)
Net Cost of Services	54,755	(1,185)	49,995	(468,952)	(365,386)

2023/24 (restated)

	Income reported in PCC CIES	Included in Other Inc & Exp	Movement in reserves- either budgeted or approved in year	Adjustment for Capital Purposes	PCC funding of Constabulary expenditure, both budgeted and in-year.	Total
	£000	£000	£000		£000	£000
Chief Constable:						
Centralised Pay Budgets	0	0	0	0	1,374	1,374
Chief Operating Officer	382	1,077	5,652	21,454	0	28,565
ACC Territorial Operations	0	72	656	0	0	727
ACC Crime	0	12	841	120	0	974
ACC Specialist Uniform Operations	0	(1,194)	3,019	0	0	1,825
Deputy Chief Constable	0	(23)	468	0	0	445
Constabulary Non-Devolved budgets	56,000	(1,308)	32,265	0	0	86,956
Funding received from the PCC	0	0	0	0	(463,176)	(463,176)
Net Cost of Services	56,382	(1,364)	42,900	21,575	(461,802)	(342,309)

Analysis of Changes to 2023/24 resulting from changes in responsibilities

	Included in Other Inc & Exp	Movement in reserves- either budgeted or approved in year	Total
ACC Territorial Ops*	(117)	0	(117)
ACC Crime	(29)	0	(29)
ACC Specialist Uniform Operations*	187	0	187
Constabulary Non-Devolved Budgets	(40)	0	(40)
Net Cost of Services	0	0	0

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.

2023/24 (restated)				2024/25		
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
(6,798)	(974)	(7,772)	Centralised Pay Budgets	(14,699)	(1,387)	(16,087)
(55,776)	(52)	(55,828)	Constabulary Non-Devolved budgets	(55,007)	(83)	(55,090)
(62,573)	(1,026)	(63,599)	Net Cost of Service	(69,706)	(1,471)	(71,177)
133,742	0	133,742	Other income and expenditure from Expenditure and Funding Analysis	137,010	0	137,010
71,169	(1,026)	70,143	Difference between General Fund deficit and CIES Deficit on Provision of Services	67,304	(1,471)	65,833

No effect on the above for 2023/24 resulting from changes in responsibilities

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:

	2023/24	2024/25
	£000	£000
Expenditure		
Employee expenses	314,585	331,641
Other service expenses	63,417	67,933
Charge for use of assets	21,575	22,244
Pensions interest cost	133,742	137,010
Total expenditure	533,319	558,828
Income		
Funding received from the PCC	(463,176)	(492,995)
Total Income	(463,176)	(492,995)
DEFICIT ON PROVISION OF SERVICES	70,143	65,833

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical judgements for the PCC Group have been made by the PCC in conjunction with the Chief Constable.

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.

The critical judgements made in the Statement of Accounts are:

Comprehensive Income and Expenditure Statement (CIES)	Recognised in PCC CIES	Recognised in CC CIES	Judgement
Income	YES	YES	The Financial Management Code of Practice (FMCP) for the Police Service, issued by the Secretary of State, makes it clear that the PCC is the recipient of funding relating to policing and crime reduction, including government grants and precepts and other sources of income. This is supported in the PCC's Scheme of Corporate Governance which states that 'all funding to the Chief Constable must come via the Commissioner'. Therefore, the PCC recognises all income receivable in its single entity financial statements and in turn provides funding to the CC to undertake day-to-day policing and crime reduction services during the year.
Expenditure – employee costs of police officers	NO	YES	In recognising employee costs the PCC has considered the requirements of IAS19. This does not use control of risks and rewards in determining recognition but rather considers which body is responsible for incurring employee expenditure. In making this judgement however, the underlying substance of who the employment is incurred for has been considered and not just the legal form. Police Officers are employees of the Crown, and they represent the most significant cost of operational policing which the CC is solely responsible for. The full IAS19 costs of police officers are therefore reflected in the CC's financial statements.
Expenditure – employee costs of civilian staff	YES (for staff in Office of PCC)	YES (for all other staff)	The majority of police civilian staff are employed by the CC. These staff are considered to be employed to support the operational policing role of the CC, and this expenditure is recorded in the CC's financial statements. The employee costs reported in the financial statements of the PCC relate to staff employed in the Office of the PCC who support the strategic role of the PCC.
Other Direct Expenditure	YES (for costs relating to the Office of PCC)	YES (for all other direct costs)	The majority of other direct expenditure is employee driven (e.g. rent, rates, building maintenance, power, light, heat, telephones, transport, etc.). The costs are recognised in the financial statements of the entity which recognises the employee's costs.

Balance Sheet (BS)	Recognised in PCC CIES	Recognised in CC CIES	Judgement
Interest payable/receivable	YES	NO	The PCC holds all cash balances, loans and investments. The CC does not hold a bank account, and no cash transactions take place between the two bodies.
Property Plant and Equipment (including assets held for sale)	YES	NO	The PCC has legal title to long term assets, the power to determine whether the assets are sold and receives all the sales proceeds. The PCC controls the services provided through the long-term assets, who they are provided to, and controls the residual value at the end of the contractual arrangement. It is therefore considered that the PCC will receive the future benefits from the assets. The PCC charges the CC a fair value for the assets which reflects depreciation and impairment/revaluation losses chargeable to the CIES.
Current Assets	YES	YES *	The majority of current assets are recognised on the PCC's balance sheet. Inventories are recognised on the PCC's Balance Sheet as the PCC controls the services provided through the assets. The majority of debtors are recognised on the PCC's as the PCC is the recipient of all funding and is therefore considered to receive the future benefits. Cash and cash equivalents and short-term investments are recognised on the PCC's balance sheet as the PCC is in receipt of all income and funding and makes all payments. The CC does not hold a bank account, and no cash transactions take place between the two bodies.
Current Liabilities	YES	YES *	The majority of the current liabilities are recognised on the PCC's balance sheet. The PCC has responsibility for managing financial relationships with third parties and has legal responsibility for discharging the contractual terms and conditions of suppliers. Provisions relating to insurance risks are recognised in full on the PCC's Balance Sheet. Whilst the PCC and the CC are jointly responsible for approving risk management and strategy, the PCC is ultimately responsible for financial liabilities affecting the Police Fund. Provisions relating to officers and staff under the direction and control of the CC are recognised on the CC's Balance Sheet.
Long-term liabilities	YES	YES *	The PCC and CC each recognise pension liabilities relating to staff under their direction and control. The treatment of other long-term liabilities and provisions is consistent with the treatment of current liabilities outlined above.
Usable Reserves	YES	NO	The PCC has the responsibility of deciding upon the level of general balances and earmarked reserves. The CC must present a business case to the PCC for one-off expenditure items to be funded from earmarked reserves and/or general balances.
Unusable Reserves	YES	YES *	The PCC and CC each recognise the pensions reserve and accumulated absences account balances relating to staff under their direction and control. The remaining unusable reserves are held in relation to property, plant and equipment and are therefore recorded on the balance sheet of the PCC.
Leases Assets and Liabilities	YES	NO	As part of the transition to IFRS 16 the PCC has judged that the arrangements under which the Chief Constable has used the assets of the PCC do not meet the definition of a lease. It has been assessed that due to there being no contractual arrangement for the use of the assets that a lease does not exist and as such all assets and leases are shown within the PCC accounts only.

* Balances reported on the CC's balance sheet relate to assets/liabilities/reserves arising from officers/staff under the direction and control of the CC

4. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments however there are adjustments to the opening balances due to the transition to IFRS 16.

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 2025 but not yet adopted by the Code:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)
- IFRS 17 Insurance Contracts

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

Alongside of this the 2025/26 code outlines changes to the measurement of non-investment assets including adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.

These will be considered and will be reflected in the 2025/26 accounts, and any changes will be applied prospectively as per the code.

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 2025 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 £0.485m. However, the assumptions act in a complex way. During 2024/25, the CC's actuaries advised that the net pensions' liability had reduced by £0.362m as a result of changes in financial assumptions. This included an increase of 0.9% in the discount rate of all the schemes, which increases the liability, along with 0.1% decreases in assumptions for inflation, salary and pension increases which offset this.

Pensions Assets	The value of the assets of the LGPS are dependent on a professional judgement based on information available at the time of making the valuation. The effects of the global pandemic could have a material effect on these calculations but at this stage the effects cannot be quantified with any degree of certainty.	The total of property assets for the CC as outlined in Note 15 is £48.521m (including Property held within Investment Funds). It should be noted that the proposed method of projecting from the previous valuation results is not as accurate as performing a full valuation at the disclosure date. However, we have been advised by the actuary that a 1% increase in investment returns would result in an increase of £5.989 m in the value of the Pensions Assets
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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 are 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.

The Statement of Accounts was authorised for issue by the CC's CFO on 17 December 2025.

Where events taking place before this date provided information about conditions existing at 31st March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

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.

	2023/24 £000	2024/25 £000
Adjustments to Revenue Resources		
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)	(71,169)	(67,304)
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	1,026	1,471
Total Adjustments	(70,143)	(65,833)

9. Unusable Reserve

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-Mar-24	31-Mar-25
	£000	£000
Pensions Reserve	2,873,884	2,500,610
Accumulated Absences Account	7,766	6,295
Total Unusable Reserves	2,881,650	2,506,905

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.

	31-Mar-24	31-Mar-25
	£'000	£'000
Balance at 1 April	2,869,025	2,873,884
Adjustments to Opening Balance to match Actuary report balances for 23/24	308	
Re-measurements of the net defined benefit (liability)/ asset	(66,618)	(440,578)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	187,030	191,119
Employer's pensions contribution and direct payments to pensioners payable in the year	(115,861)	(123,815)
Balance at 31 March	2,873,884	2,500,610

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.

	31-Mar-24	31-Mar-25
	£'000	£'000
Balance at 1 April	8,792	7,766
Settlement or cancellation made at the end of the preceding year	(8,792)	(7,766)
Amounts accrued at the end of the current year	7,766	6,295
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	(1,026)	(1,471)
Balance at 31 March	7,766	6,295

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.

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

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2024/25
NOTES TO THE ACCOUNTS

Senior Officers and Relevant Police Officers 2024/25

Post Holder Information (Post title only)	Note	Salary (including allowances) £	Bonus £	Expenses Allowances £	Compensation for loss of employment £	Benefits in Kind £	Total Remunerations exc Pensions Contributions £	Employers Pensions Contributions £	Total Remuneration £
Chief Constable - S Hatchett		192,513					192,513	67,957	260,470
Deputy Chief Constable - S Mackenzie		159,030					159,030	56,138	215,168
Assistant Chief Constable - Crime		118,880		877			119,756	41,953	161,709
Assistant Chief Constable - Territorial Operations		120,192					120,192	42,352	162,544
Assistant Chief Constable - Specialist Operations A	Note 1	55,031					55,031	19,062	74,093
Assistant Chief Constable - Specialist Operations B	Note 1	68,395		456			68,851	23,711	92,562
Assistant Chief Constable - Specialist Operations C	Note 1	11,842					11,842	4,137	15,979
Chief Operating Officer		133,191				6,215	139,406	20,378	159,784
Chief Finance Officer - s151 Officer		96,756					96,756	14,804	111,560

Note 1 - Post covered by 3 individuals during the year. Officer A retired from position during the year. 1st April 2024 - 31 August 2024, Officer B was Seconded from GMP, from 8th July 2024 to 28th February 2025. Officer C – 24th February to 31st March 2025.

Senior Officers and Relevant Police Officers 2023/24

Post Holder Information (Post title only)	Note	Salary (including allowances) £	Bonus £	Expenses Allowances £	Compensation for loss of employment £	Benefits in Kind £	Total Remuneration exc Pensions Contributions £	Employers Pensions Contributions £	Total Remuneration £
Chief Constable A - C Rowley	Note 1	182,520					182,520	55,567	238,087
Chief Constable B - S Hatchett	Note 1	15,886					15,886	4,897	20,783
Deputy Chief Constable B - S Hatchett	Note 2	135,084					135,084	41,903	176,987
Deputy Chief Constable C - S Mackenzie	Note 2	13,136					13,136	4,046	17,182
Assistant Chief Constable - Crime C	Note 3	105,924		2,453			108,377	32,862	141,239
Assistant Chief Constable - Crime D	Note 3	9,590		103			9,693	2,972	12,665
Assistant Chief Constable - Crime E	Note 4	4,495		613			5,108	689	5,797
Assistant Chief Constable - Territorial Operations F	Note 5	94,915		2,885			97,800	27,483	125,283
Assistant Chief Constable - Territorial Operations G	Note 5	26,603		187			26,789	8,190	34,979
Assistant Chief Constable - Specialist Operations H	Note 6	88,339					88,339	26,769	115,108
Assistant Chief Constable - Specialist Operations F	Note 6	30,446					30,446	9,288	39,734
Chief Operating Officer		126,068				6,215	132,283	19,288	151,571
Chief Finance Officer - s151 Officer		91,474					91,474	13,996	105,470
Assistant Chief Constable - Regional Collaboration Lead	Note 7	55,215		3,167			58,382	15,980	74,362

Note 1 - Post covered by two officers during the year. A - 1st April 2023 to 31st March 2024, with post holder retiring 31st March 2024. B - 29th February 2024 to 31 March 2024, who has continued in role. Annualised Salary of Officer B is £184,272

Note 2 - Post covered by two officers during the year. B - 1st April 2023 to 28th February 2024. C - 29th February to 31st March, who has continued in role. Annualised Salary of Officer C is £152,373

Note 3 - Post covered by two officers during the year. C - 1st April 2023 to 28th February 2024. D - 1st March - 31st March 2024, who has continued in the role

Note 4 - Officer E retired 7th April 2023 and was on leave throughout the period employed in 23/24

Note 5 - Post covered by two officers during the year. F - 1st April 2023 to 7th January 2024. G - 8th January 2024 to 31st March, who has continued in the role

Note 6 - Post covered by two officers during the year. H - 1st April to 10th December 2023. F - 8th January to 31 March 2024, who has continued in the role

Note 7 - Costs of post are recharged across the six Regional North West Forces (Merseyside, GMP, Cheshire, Cumbria, North Wales and Lancashire). Officer transferred to another force on 3rd September 2023

The CC employed an estimated 5870 full time equivalents during 2024/25 (5950 in 2023/24). 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):-

	2023/24			2024/25		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£125,000 - £129,999	0	0	0	0	0	0
£120,000 - £124,999	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
£105,000 - £109,999	0	0	0	2	0	2
£100,000 - £104,999	2	0	2	3	0	3
£95,000 - £99,999	3	0	3	5	0	5
£90,000 - £94,999	8	0	8	10	2	12
£85,000 - £89,999	7	0	7	5	1	6
£80,000 - £84,999	10	3	13	7	5	12
£75,000 - £79,999	5	4	9	9	1	10
£70,000 - £74,999	14	1	15	31	4	35
£65,000 - £69,999	51	3	54	138	3	141
£60,000 - £64,999	149	7	156	232	9	241
£55,000 - £59,999	255	8	263	401	21	422
£50,000 - £54,999	535	29	564	643	53	696
Total	1039	55	1094	1486	99	1585

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

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

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

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:

2024/25

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20000	1	12	£47,868
£20001 - £40000	0	1	£30,000
£40001 - £60000	0	0	£0
£60001 - £80000	1	0	£76,063
£80001 - £100000	0	0	£0
£100001 - £150000	1	0	£108,512
£150001 - £200000	0	0	£0
Total	3	13	£262,443

2023/24

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20,000	1	10	£82,402
£20,001 - £40,000	1	1	£69,647
£40,001 - £60,000	0	0	£0
£60,001 - £80,000	0	0	£0
£80,001 - £100,000	0	0	£0
£100,001 - £150,000	0	0	£0
£150,001 - £200,000	0	0	£0
Total	2	11	£152,049

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:

2023/24		2024/25
£000		£000
533,319	Provision of services deficit in CC CIES prior to PCC funding	558,828
(187,030)	Adjustment for net IAS19 pensions charges included in cost of service but funded by CC pensions reserve	(191,119)
115,861	Replace with actual employer contribution funded by PCC	123,815
1,026	Adjustment for movement in accumulated absence accrual funded by CC accumulated absence reserve	1,471
463,176	PCC funding for PCC resources consumed at the request of the CC	492,995
	Consisting of:	
21,575	Fair value adjustment for CC consumption of PCC property & equipment	22,244
441,601	Other resources	470,751
463,176	Total PCC resources consumed at the request of the CC	492,995

Note: The depreciation and amortised charge is broken down as follows:

2023/24		2024/25
£000		£000
11,051	Buildings	11,819
9,939	Vehicles, Plant and Equipment	9,661
585	Intangible Assets	764
21,575	Net Expenditure	22,244

12. Creditors

31-Mar-23 £000		31-Mar-24 £000
	Creditors comprise:	
5,684	Tax creditors	5,706
7,766	Accumulated Absences	6,295
3,438	Other employment-related	3,170
12,784	Intragroup Creditor	2,180
29,672	Total	17,351

Note:

An upfront payment for LGPS Employer's contribution was made in 2023/24 for three financial years.

The intragroup creditor is made up of the outstanding element of the LGPS Prepayment of £11.056m offset by £8.876m creditor workings (comprising of the Taxation and other employment related creditors)

13. Cash Flow Statement -Adjustments to Net (Surplus)/Deficit on the provision of services for non-cash movement.

2023/24 £000		2024/25 £000
(7,426)	Net increase/(decrease) in revenue debtors	0
(13,453)	Net (increase)reduction in revenue creditors	12,321
(49,263)	Pension liability	(78,154)
(70,143)	Total	(65,833)

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.

15. Defined Benefit Post- Employment Benefits

Accounting Policies

Police officers and police staff currently belong 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 Pensions Scheme for Police Staff

There are unfunded arrangements for uniformed police officers. They are 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 Police Staff 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 firefighters 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 2016.

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/four years.

A full actuarial valuation took place in March 2025. However, the results will not be known until Autumn 2025, so the rates shown in this year's accounts are based on the valuation that took place in 2022.

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 PCC Group and determined by the individuals pensionable pay and pensionable service. Details of how the schemes operate can be found on the Local Pensions Partnership website at the link below:

<https://www.localpensionspartnership.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, PCSOs and staff of the Office of the PCC are members of the Local Government Pension Scheme, a funded defined benefit scheme, which is managed by Lancashire County Council. The PCC Group paid an employer's contribution of 15.3% (16.3% reduced to 15.3% to offset surplus funds) for employees of the Chief Constable and 14.3% (16.8% reduced to 14.3% to offset surplus funds) for employees of their Office during 2024/25. The Chief Constable contribution for three years (including FY 23/24) was made upfront at a cost of £32.5m. The upfront payments resulted in interest savings of £1.775m

The liabilities of the Local Government Pension Scheme attributable to the PCC Group 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 5.9% for the staff employed by the PCC and 5.8% for the staff employed by the CC (4.9% in 2024/25), 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 52.

Police Officers:

From April 2015 the 2015 Police Pension Scheme replaced the 1987 and 2006 Police Pension Schemes. Apart from 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.

Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS19. The net liability and a pensions reserve incorporating both pension schemes have been recognised in the PCC and PCC Group balance sheets, as have entries in the PCC and PCC Group 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 Constabulary and is included in both the CC and PCC Group statements of accounts.

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.8% (4.9% in 2023/24), 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 2025 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 2025 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 2024/25 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 PCC Group balance sheet within the pensions' liabilities and shown separately in the notes to the accounts.

The change in the net pension liability must 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 as part of non-distributed costs;
- **administrative expenses:** these are the costs of running the fund, attributable to the employer, and does 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 – taking into account 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"; These have been adjusted in 2024-25 for the impact of the asset ceiling calculations.
- **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 full 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.

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 Police General Fund balance to be 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 based on 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 for which results are available was carried out as at 31 March 2022, 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.

A valuation was carried out at 31 March 2025, but the results are not expected until Autumn 2025.

The weighted average duration is 22 years for staff employed by the CC, measured on the actuarial assumptions used for IAS19 purposes.

Risks and Investment strategy:

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the 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 20 years in respect of the 1987 scheme, 31 years in respect of the 2006 scheme and 41 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 paying £111.97m contributions to the Police Schemes in 2025/26.

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 Remedy

The McCloud remedy window ran from 1 April 2015 to 31 March 2022. Eligible members will be able to elect which scheme they wish to receive benefits from for this period. Due to the differing benefits structures, we expect the majority of eligible police members to elect to take legacy scheme (1987 Scheme or 2006 Scheme) benefits for the remedy period.

An allowance for McCloud remedy was first included in the 2018/19 disclosures as a past service cost for four years remedy service from 2015-2019. This past service cost was attributed proportionally to the 1987 and 2006 schemes. For subsequent years to 2021/22, an allowance was made in the 2015 service costs for the annual accrual of additional remedy service.

Now that the remedy window is closed, all McCloud related liabilities have moved for eligible members for the period 2019 to 2022 to the associated legacy schemes. This means all McCloud liabilities are held within the legacy scheme where benefits are expected to be paid from.

As a result, there is no underlying change in method/approach to the IAS19 liability estimate. The IAS 19 liability estimate will therefore roll-forward the McCloud impact with a further 1 year of benefits recognised.

Virgin Media Court Case

In June 2023, a High Court Judgement in the case of Virgin Media vs NTL Pensions Trustees II Limited provided a ruling related to Section 37 of the Pension Scheme Act 1993 and changes to scheme rules.

Here the “scheme” is the LGPS as a whole, rather than any specific LGPS Fund. As such any relevant changes and considerations are overseen by Government rather than at individual fund level. The current understanding is that while HM Treasury are still assessing the implications, they believe that any relevant amendments to public service schemes would have been made by legislation.

Therefore, their view the general position in public law is that legislation remains valid until it is revoked or repealed by subsequent legislation or, in the case of regulations, specifically declared void by a court.

Given the uncertainty over the applicability of the ruling for the LGPS, any potential Government response if it is found to apply, and unknown impact on benefits if it were to be confirmed that amendments to the LGPS are required, we have decided in conjunction with our actuary to not make any allowance for the Virgin Media judgement.

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 2024/25
NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Police Officer Pension Scheme		Injury Awards		Total	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Comprehensive Income and Expenditure Statement (CIES)								
Cost of Services:								
· Current service cost	11,812	11,589	32,434	32,983	8,522	8,999	52,768	53,571
· Past service/Curtailment costs	88	75	0	0	0	0	88	75
· Admin. Expenses	432	483	0	0	0	0	432	463
Financing and Investment Income and Expenditure:								
· Net Interest expense	(1,447)	97	127,260	128,514	7,929	8,399	133,742	137,010
Total Post-Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES	10,885	12,224	159,694	161,497	16,451	17,398	187,030	191,119
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:								
Re-measurement of the net defined benefit liability, comprising:								
· Re-measurements (assets)	(19,447)	9,110	0	0	0	0	(19,447)	9,110
· Experience (gains)/losses on Liabilities	3,305	(130)	16,451	(1,535)	636	(117)	20,392	(1,782)
· Actuarial (gains)/losses arising on changes in demographic assumptions	(5,570)	(1,259)	(53,558)	(4,311)	(3,200)	(373)	(62,328)	(5,943)
· Actuarial (gains)/losses arising on changes in financial assumptions	(17,186)	(76,662)	(45,137)	(392,468)	(3,344)	(29,599)	(65,667)	(498,729)
Historical Adjustment	0		0		0		0	
Impact of Asset Ceiling (net of interest)	60,432	56,766	0		0		60,432	56,766
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	21,534	(12,175)	(82,244)	(398,314)	(5,908)	(30,089)	66,618	(440,578)

Movement in Reserves Statement									
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits by IAS19 in accordance with the Code		(10,885)	(12,224)	(159,694)	(161,497)	(16,451)	(17,398)	(187,030)	(191,119)
Actual amount charged against the General Fund Balance for pensions in the year:									
· Employers' contributions payable to scheme		10,706	11,231	100,866	108,115	0	0	111,572	119,346
· Retirement benefits paid to pensioners		0	0	0	0	4,289	4,469	4,289	4,469

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Awards		Total	
	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25
	£000	£000	£000	£000	£000	£000	£000	£000
Present Value of the defined benefit obligation	(437,443)	(381,535)	(2,676,324)	(2,331,393)	(173,554)	(156,394)	(3,287,322)	(2,869,322)
Impact of Asset Ceiling	(155,256)	(216,625)	0	0	0	0	(155,256)	(216,625)
Interest on surplus above Asset Ceiling	(4,552)	(7,833)	0	0	0	0	(4,552)	(7,833)
Fair value of plan assets	595,152	604,175	0	(0)	0	0	595,152	604,175
Net liability arising from defined benefit obligation	(2,098)	(1,818)	(2,676,324)	(2,331,393)	(173,544)	(156,394)	(2,851,978)	(2,489,605)

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 their direction and control.

Reconciliation of Asset Ceiling

	Local Govt Pension Scheme	
	31-Mar-24 £,000	31-Mar-25 £,000
Asset Ceiling Impact at start of year	(94,824)	(159,808)
Prior Period Adjustment		(51)
Revised Asset Ceiling at Start of Year	(94,824)	(159,859)
Interest on surplus above asset ceiling	(4,552)	(7,833)
Change in Asset Ceiling net of interest	(60,432)	(56,766)
Asset Ceiling Impact at end of year	(159,808)	(224,458)

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

Reconciliation of the present value of the scheme liabilities:

Funded Scheme – Local Govt Pension Scheme	2023/24	2024/25
	£000	£000
	01-Apr	(437,780)
Current Service Costs	(11,812)	(11,589)
Interest on pensions liabilities	(20,689)	(21,172)
Contributions by scheme participants	(4,601)	(4,865)
Actuarial gains –changes in demographic assumptions	5,570	1,259
Actuarial (gains)/losses –changes in financial assumptions	17,186	76,662
Experience gains on liabilities	(3,305)	130
Benefits paid	18,077	15,558
Past Service/Curtailment Costs	(88)	(75)
	31-Mar	(437,442)
		(381,534)

Unfunded Liabilities	Police Pension Schemes		Injury Benefits	
	2023/24	2024/25	2023/24	2024/25
	£000	£000	£000	£000
01-Apr	(2,699,434)	(2,676,325)	(167,300)	(173,554)
Historical Actuarial Adjustment	(307)	0	0	0
Current Service Costs	(32,434)	(32,983)	(8,522)	(8,999)
Past service costs	0	0	0	0
Interest on pensions liabilities	(127,260)	(128,514)	(7,929)	(8,399)
Contributions by scheme participants	(18,778)	(18,449)	0	0
Experience gains/(losses) on liabilities	(16,451)	1,535	(636)	117
Actuarial (gains)/losses –changes in financial assumptions	53,558	4,311	3,200	373
Actuarial gains –changes in demographic assumptions	45,137	392,468	3,344	29,599
Benefits paid	119,644	126,554	4,289	4,469
31-Mar	(2,676,325)	(2,331,393)	(173,554)	(156,394)

Reconciliation of the fair value of the scheme assets

Funded Scheme –Local Govt Pension Scheme	2023/24	2024/25
	£,000	£,000
01-Apr	530,314	595,153
Interest on plan assets	26,688	28,908
Admin Expenses	(432)	(463)
Employer Contributions	32,612	381
Contributions by scheme participants	4,601	4,865
Re-measurements (assets)	19,447	(9,110)
Benefits paid	(18,077)	(15,558)
31-Mar	595,153	604,176

Unfunded Schemes	Police Pension Schemes		Injury Benefits	
	2023/24	2024/25	2023/24	2024/25
	£000	£000	£000	£000
01-Apr				
Employer Contributions	100,866	108,115	4,289	4,469
Contributions by scheme participants	18,778	18,449	0	0
Benefits paid	(119,644)	(126,564)	(4,289)	(4,469)
31-Mar	0	0	0	0

Local Government Pension Scheme assets comprised:

	Fair Value Input Level (if relevant)	31-Mar-24 £0	31-Mar-25 £0
Cash and Cash Equivalents		11,004	8,962
Equities		654	604
Bonds			
<u>By Sector</u>			
Corporate	1 / 2	474	604
UK index-linked	3	0	0
Sub-Total Bonds		474	604
Property			
<u>By Type</u>			
Retail	2	1,993	1,208
Commercial	2	5,656	6,041
Sub-Total Property		7,649	7,249
Private Equity			
Overseas	3	35,181	37,128
Sub-Total Private Equity		35,181	37,128
Other Investment Funds			
Overseas Pooled Equity	2/3	280,420	298,366
UK Pooled Equity	2/3	1,801	8
UK Private Equity	2/3	9,638	0
Pooled Fixed Income	1	22,985	32,590
Credit Funds	3	88,014	97,049
Infrastructure	3	90,005	80,275
Property	3	47,328	41,272
Sub-Total Other Investment Funds		540,191	549,560
TOTAL ASSETS		595,153	604,107

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.

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. 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.

Property Funds

The properties were valued at open market value at 31 March 2025 by independent property valuers Avison Young in accordance with the Royal Institute of Chartered Surveyors' Valuation Global Standards 2017 (the Red Book).

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:

Local Government Pension Scheme	2023/24	2024/25
Mortality assumptions:		
Longevity at 65 for current pensioners (LGPS):		
Men	21.1	21.1
Women	23.5	23.6
Longevity at 65 for future pensioners (LGPS):		
Men	22.4	22.3
Women	25.3	25.4
Rate of inflation: CPI	2.60%	2.60%
Rate of increase in salaries	4.10%	4.10%
Rate of increase in pensions	2.70%	2.70%
Rate for discounting scheme liabilities	4.90%	5.90%

	Police Officers 1987 Scheme		Police Officers 2006 Scheme		Police Officers 2015 Scheme		Injury Awards	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
Longevity at 60 for current pensioners:								
Men	26.1	26.1	26.1	26.1	26.1	26.1	23.6	23.5
Women	28.5	28.6	28.5	28.6	28.5	28.6	26.4	26.4
Longevity at 60 for future pensioners:								
Men	28	28	28	28	28	28	25.7	25.7
Women	30.3	30.3	30.3	30.3	30.3	30.3	28.3	28.4
Rate of inflation: CPI	2.70%	2.60%	2.70%	2.60%	2.70%	2.60%	2.70%	2.60%
Rate of increase in salaries	4.20%	4.10%	4.20%	4.10%	n/a	n/a	4.20%	4.10%
Rate of increase in pensions	2.80%	2.70%	2.80%	2.70%	2.80%	2.70%	2.80%	2.70%
Rate of revaluation of CARE pensions	n/a	n/a	n/a	n/a	3.95%	3.85%	n/a	n/a
Rate for discounting scheme liabilities	4.90%	5.80%	4.90%	5.80%	4.90%	5.80%	4.90%	5.80%

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)	7,505	(7,505)
Rate of inflation (increase or decrease by 1%)	66,736	(66,736)
Rate for discounting scheme liabilities (increase or decrease by 1%)	62,600	(62,600)
Rate of increase in salaries (increase or decrease by 1%)	13,540	(13,540)
Rate of change in investment returns (increase or decrease by 1%)	5,989	(5,989)

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)	43,027	(43,027)	2,729	(2,729)
Rate of inflation (increase or decrease by 1%)	390,696	(390,696)	29,408	(29,408)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(344,832)	344,832	(25,966)	25,966
Rate of increase in salaries (increase or decrease by 1%)	74,984	(74,984)	21,864	(21,864)

16. External Audit Costs

In 2024/25 the following fees are included in the CC's CIES relating to external audit.

	2023/24	2024/25
	£000	£000
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.	56	79
Total Costs	56	79

Included within 24/25 charge, is cost of additional fees approved by PSAA for previous year. These are £11k for 22/23 and £5k for 23/24.

17. Contingent Liabilities

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

OTHER SIGNIFICANT ACCOUNTING POLICIES

i. General

The Statement of Accounts summarises the CC's transactions for the 2024/25 financial year and the position at the year-end 31 March 2025. 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.

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	2023/24				2024/25			
		1987 scheme £000	2006 scheme £000	2015 scheme £000	Total £000	1987 scheme £000	2006 scheme £000	2015 scheme £000	Total £000
Contributions receivable									
Employer contributions	3	0	0	(43,486)	(43,486)	0	0	(51,982)	(51,982)
Early Retirements		(759)	(322)	(309)	(1,390)	(629)	(268)	(434)	(1,330)
		(759)	(322)	(43,795)	(44,875)	(629)	(268)	(52,415)	(53,312)
Officer Contributions		(47)	(4)	(18,778)	(18,829)	(346)	(0)	(19,830)	(20,176)
Total Contributions Receivable		(805)	(326)	(62,573)	(63,704)	(976)	(268)	(72,245)	(73,489)
Transfers In		0	0	(288)	(288)	0	0	(539)	(539)
Benefits Payable									
Pensions		98,776	206	1,775	100,757	106,003	312	2,188	108,503
Commutations and lump sum retirement benefits		17,711	252	570	18,533	18,687	278	793	19,757
Lump sum death benefits		8	0	508	516	0	0	282	282
Total Benefits Payable		116,495	459	2,853	119,807	124,689	589	3,264	128,542
Payments on Account of Leavers									
Transfer values out		0	0	0	0	0	0	0	0
Refund of contributions		0	0	176	176	0	0	289	289
Total Payments on Account of Leavers		0	0	176	176	0	0	289	289
Net amount payable/(receivable) for the year contribution from Police Fund		115,689	133	(59,832)	55,991	123,714	322	(69,232)	54,803
Contribution from the Police Fund not met by Home Office grant	2	0	0	0	0	0	0	0	0
Additional contribution from the Police Fund met by Home Office grant		(115,689)	(133)	59,832	(55,991)	(123,714)	(322)	69,232	(54,803)
Net amount payable/(receivable)		0	0	0	0	0	0	0	0

NET ASSET STATEMENT

NOTES TO THE FINANCIAL STATEMENT

31-Mar-24		31-Mar-25
£000		£000
(12)	Unpaid pensions benefits	(11)
7,630	Payment in Advance	0
(7,618)	Amounts owed from/(to) PCC's General Fund	11
0	Net Assets	0

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 2024/25. 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 63.

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 2024/25 is financed in full by top-up grant from the Home Office.

2. Actuarial Valuation

From 1 April 2024 the actuarial valuation changed the employer contribution rate from 31% to 35.3%. 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 accrual's 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 2024/25 was set at 35.3% (23/24 was 31%).

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 2025. 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 on financial statements

We have audited the financial statements of the Chief Constable of Lancashire Constabulary (the 'Chief Constable') for the year ended 31 March 2025, 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 material accounting policy information, and include the police pension fund financial statements comprising the Police Pensions Account and the Net Assets Statement and notes to the financial statement. 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 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2025 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 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern. 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 2024/25 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

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Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 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 requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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 matters 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, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the 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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 2024/25, 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 they have been informed by the relevant national body of the intention to dissolve the Chief Constable without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2024/25
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- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Act 2024, the Local Government Act 2003, the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015).
- We enquired of management and the Chief Constable concerning the Chief Constable's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Chief Constable whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to management override of controls through inappropriate journal entries.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on non-routine transactions and journals falling within identified risk criteria including: journals posted by senior management or users with administrative system access, material journals, year-end journals and accruals, journals reducing expenditure at the year-end and journals posted in the course of preparing the financial statements after 31 March 2025;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the defined benefit pension net asset or liability position; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including risks relating to management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the police sector
 - understanding of the legal and regulatory requirements specific to the Chief Constable including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

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

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

Matter on which we are required to report by exception – the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

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.

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 issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Chief Constable plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Chief Constable of Lancashire Constabulary for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office that the audit of Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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 85 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.

Michael Green

Michael Green, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Manchester
18 December 2025



Lancashire Constabulary Annual Governance Statement 2024-25

Scope of Responsibility

Governance is about how the Chief Constable (CC) and Police & Crime Commissioner (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 CC holds office under the Crown and is appointed by the PCC for Lancashire.

The CC 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 PCC for Lancashire is responsible for holding the CC 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 CC 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.

The Policing Protocol Order 2011 requires both the CC and PCC to abide by the seven principles of personal conduct set out in 'Standards in Public Life: First Report of the Committee on Standards in Public Life' (commonly known as the 'Nolan Principles'), i.e., 'Selflessness', 'Integrity', 'Objectivity', 'Accountability', 'Openness', 'Honesty' and 'Leadership'. The Nolan Principles are incorporated into both the PCC's Code of Conduct and the College of Policing 'Code of Ethics'.

A copy of the code of corporate governance can be viewed at:

<https://www.lancashire-pcc.gov.uk/transparency/governance-documents/>

This Annual Governance Statement explains how the CC has complied with the Code of Governance and the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 to conduct a review of the effectiveness of the system of internal control.

A joint Constabulary and OPCC 'Scheme of Consent/Delegation' sets out both the broad legislative context and local regulatory framework, within which the CC 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.

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 conduct 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.

Delivering Good Governance Framework

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 Ethics Committee provide 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 conducts 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 X (formerly 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.

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 Ethics Committee.

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

The Constabulary has established a clear vision: Preventing and fighting crime. Keeping our communities and people safe.

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 PEEL inspections, that the Constabulary is well prepared to deal with financial challenges. The PEEL Inspection for 2024 rated Lancashire as 'good' for strategic planning, organisational management, and value for money.

The budget and medium-term financial strategy (MTFS) are set with 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.

Capital investment must meet the requirements of the prudential code in that they must be affordable. There are regular reports in compliance with the code during the year.

The Business Planning process linked to the Force Management Statement addresses the demands on the Constabulary and highlights 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 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 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 latest PEEL inspection, in 2024, identified that the Constabulary was one of the UK's top performing forces. The Constabulary responds to any issues highlighted during the inspection 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. Prior to any submission to the Chief Officer Team for decision, a triage process is in place to ensure the relevant stakeholder consultation has taken place with financial oversight where necessary.

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 Chief Operating Officer, where amounts exceed approved responsibility limits. Devolved budgets are routinely monitored and reported upon to ensure financial efficacy, and the Chief Financial Officer provides regular updates on the financial position and scenarios for budget planning. In addition, the Chief Constable makes decisions and raises issues in her own right, governed by a similar robust process.

The Constabulary's change programme is overseen by the Strategic Change Board, chaired by the Deputy Chief Constable. This is supported by a Tactical Change Board, both of which consider 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 Accountability Board for approval by the PCC. In addition, to strengthen the transparency of decision making, those items approved by the Constabulary's Chief Operating Officer/Chief Finance Officer 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 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 quarterly Accountability Board 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 conducted 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. The Strategic People Board provides the governance over the future proofing of the workforce and the Strategic Resourcing Board to ensure effective recruitment and training is in place. This is particularly pertinent given the government's recent uplift programme of Police Officers and Lancashire's success in exceeding its original delivery targets.

The Constabulary is continuing to take an innovative approach to supporting both the physical and emotional well-being of its workforce; the Health, Safety & Wellbeing Strategy is designed to support the Constabulary's wider activity in implementing cultural change. Wellbeing 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. Sherlock provides an internal platform to share information with staff, news items and ideas for improvement.

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 the relevant boards with final accountability at Chief Officer Team level. Decisions to remove or include additional corporate risks are made by Chief Officers. Risk reports are also routinely provided to the Joint Audit Committee.

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 evaluated 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 Victim Focused Review Board, HMIC Governance Board and the bi-monthly Strategic Change Board. The PCC formally holds the Chief Constable to account on the force's service delivery at the Strategic Accountability meeting held on a quarterly basis. A record of the Strategic Accountability meeting is published on the OPCC website.

The PCC also meets regularly with the Chief Officers and BCU Commanders 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 structure 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 Committee is in place.

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 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 2024/25 Statement of Accounts should be formally approved by the PCC and Chief Constable by the end of 2025, subject to external audit review.

Overall Assurance Summary

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

However, based on 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.

In his annual report for 2024/25 the Head of Internal Audit stated that " Overall, I can provide moderate assurance regarding the adequacy of design and effectiveness in operation of the frameworks of governance, risk management and control of the Chief Constable and the Police and Crime Commissioner."

Moderate assurance is defined as *"the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process."*

All of the actions identified as required by the internal audit review has been implemented or are to be implemented shortly.

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 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 2024/25 is both satisfactory and effective.

The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below:

ENSURING EFFECTIVE GOVERNANCE OF ORGANISATIONAL RISKS

Area for action identified for 2024/25

1. Future Government Funding

The 2024 general election may impact upon future budgets and therefore funding for policing. There is therefore significant risk in any assumption made for government funding in future years.

Action delivered:

Engagement with government and Home Office via NPCC/APCC, sharing of financial information, scenario planning. At the time of writing the impact of the CSR is still unclear but Lancashire has prepared for a range of scenarios ahead of the financial settlement for 2026/27 and beyond.

2. Maintaining the Police Uplift

Given the relative size of the police officer pay budget, it is challenging to deliver budget savings whilst ensuring the Uplift numbers and monitoring dates are adhered to. Failure to deliver target numbers at specific monitoring dates can have a significant adverse funding impact.

Action delivered:

Lancashire successfully delivered uplift numbers and secured respective funding in 2024/25 despite underlying financial pressures elsewhere.

3. Delivering the Capital Programme

There is an ambitious capital programme for the forthcoming period which impacts directly upon the revenue budget and medium-term financial planning. There is a risk that both internal and external factors could delay the delivery of projects which will in turn impact upon the budget position and future years of the programme.

Action delivered:

Capital costs, timescales and affordability remain an area of focus, but during 2024/25 two significant infrastructure schemes were progressed effectively and remain affordable in the current and future year budgets.

Areas for Action in 2025/26

1. Financial Pressures

There is an ongoing pressure to maintain the number of officers delivered through the uplift programme where failure to do so will reduce grant funding. A further consequence of this requirement is that any savings required from the business cannot be taken from Police Officer pay costs as the number cannot reduce. Police pay is more than 50% of the total budget for the constabulary.

The Neighbourhood Policing Guarantee from central government places the burden of its delivery onto forces. This has come with specific funding but again means that the flexibility in the way resources are used by the PCC and Chief Constable are being constrained making the delivery of savings more difficult.

This places a greater burden on police staff budgets as this is the most significant budget area outside police officer costs. It is inevitable this budget will face an impact if a significant level of savings is required.

Action to address:

The PCC and Constabulary will continue to examine every opportunity to make savings through improved efficiency and minimise the impact on any staff budget.

This will be delivered through the annual 'business planning' process which is well established and has a proven track record in the delivery of savings solutions.

2. Specific grant funding

A number of Specific Grants were due to end on 31 March 2025. Late in 2024/25 government confirmed a number would 'roll-over' into 2025/26. Whilst additional funding is clearly welcomed the late announcement of these grants meant that a number of providers had already reduced staffing levels to meet the 31/3/2025 expected end to funding.

This means significant effort is required to maintain services where possible at a time when available provider resources are uncertain.

These grants have been fundamental to the delivery of a number of services in recent years and ensuring services can continue is a significant challenge.

Action to address:

We will work with providers to give as much certainty as possible about funding and provide such information as early as possible to enable planning and budgeting to take place.

This will form an integral part of the business planning and budget setting process for 2026/27 and future years.

Significant governance issues

It should be noted that significant operational issues facing the organisation are not necessarily a result of weaknesses within the internal control and governance framework.

There were no significant actual or potential governance issues identified for 2024/25.

There are currently no significant actual or potential governance issues identified in respect of 2024/25 'business as usual' activities. The Chief Constable is satisfied to the best of his knowledge that no material breaches of the governance arrangements occurred in 2024/25 and there are no significant weaknesses in the internal control and governance environment.

In any event the governance arrangements of the CC and PCC will remain under review at least annually over forthcoming financial years

Signed:



Chief Constable
Sacha Hatchett
17th December 2025



Chief Operating Officer
Gillian Routledge
17th December 2025

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.

Asset Ceiling

The asset ceiling is an upper limit on what is allowed to be recognised as a defined benefit asset broadly depending on whether the employer reporting entity can either get refunds from the outside/'third party' pension scheme or a reduction in future contributions to the outside/'third party' pension scheme.

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.

Curtailment 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.