

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY

STATEMENT OF ACCOUNTS

2025/26

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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 2025/26 (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 2025/26 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 2026 (referred to as 2025/26).

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 2025/26.

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 2025/26 was agreed at £424.764m and, after taking account of specific grants, the net budget requirement was set by the Police and Crime Commissioner in February 2025 at £391.249m funded as follows:

	£m	
Police grant	259.021	66%
Council Tax	132.228	34%
	391.249	

Core grant funding received from central government increased from £244.613m in 2024/25 to £259.021m in 2025/26. In addition, the government provided specific grant funding to support delivery of the Police Uplift Programme (£12.597m) and the Neighbourhood Policing Guarantee (£5.090m), these grants are only received if the Constabulary delivers targeted increases in workforce. Further specific grants related to pension costs (£9.816m), counter terror (£4.330m) and victim services (£1.682m) were also received.

The Commissioner raised £132.228m from council tax in 2025/26 made up as follows:

	£m
Council tax precept 2025/26	130.878
Council Tax surplus 2024/25	1.350
	132.228

This represents £277.40 for each Band D property in the County, an increase of £14 over the 2024/25 charge.

2025/26 Revenue Budget and Outturn

The final budget allocated to the Chief Constable in 2025/26 was £385.345m. In managing the budget in 2025/26 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 2025/26
NARRATIVE REPORT

	Budget £m	Spend £m	Variance £m	%
Chief Constable:				
Pay costs	326.205	327.602	1.397	0.43
ACC Territorial Operations	7.249	7.489	0.240	3.31
ACC Specialist Uniform Operations	4.043	3.818	-0.225	-5.57
ACC Crime	4.373	4.421	0.048	1.10
Chief Operating Officer	37.466	37.284	-0.182	-0.48
Deputy Chief Constable	1.505	1.200	-0.305	-20.27
Sub total	380.842	381.815	0.973	0.26
Non-DFM budget	4.504	3.426	-1.078	-23.93
Total Constabulary Budget	385.346	385.241	-0.105	-0.03
PCC:				
Office of the PCC	1.930	1.591	-0.339	-17.56
Communications	0.130	0.196	0.066	50.72
Prevention	0.494	0.336	-0.158	-31.90
Victim and Domestic Abuse services	0.648	0.532	-0.115	-17.82
Sub total	3.202	2.656	-0.546	-17.05
Non-DFM	5.755	6.054	0.299	5.19
Total PCC	8.957	8.709	-0.247	-2.76
TOTAL BUDGET	394.302	393.949	-0.352	-0.09

The revenue budget for the Constabulary underspent by £0.105m (0.03%), alongside a PCC revenue budget underspend of £0.247m (2.76%), giving a total underspend of £0.352m (0.09%).

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

Variance (£m)		
0.956	Agency staff costs	Additional agency staff to meet demand from vacancies across several services
0.680	Regional Toxicology collaboration	Cost of toxicology submissions outside regional toxicology collaboration
0.299	Capital Financing	Net additional cost for capital financing (interest payments)
0.256	Ill Health Pensions	Additional costs for ill-health pensions
0.238	Under delivery of income for training for external organisations	Shortfall on training income
0.200	SARC	Increased cost of the Sexual Assault Referral Centre (SARC)
-0.546	Grant Income	Additional grant income (OPCC)
0.318	ERP	Disposal of dangerous substances including nitrous oxide confiscated from criminals
-0.713	Pension costs	Saving from the pre-payment of pension contributions
-0.431	Energy	Savings on energy costs
-0.949	Income	Additional income including charges for services, recovery of legal costs and recovery of backdated rental income
-0.658	Stock Adjustments	Adjustments to stock for taser cartridges and uniforms

2025/26 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 **£46.580m** 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 2025/26 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.

Reserves

The general reserves (DFM and general fund) at 31 March 2026 are £14.124m and represent around 3.3% of the 2026/27 budget of £424.764m. Other earmarked reserves total £11.078m including £3.932m 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 2026/27.

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 2026 the net pensions' liability of the CC, calculated by the actuary, is £2,524.1m (a increase of £34.5m over the previous year's figure of £2,489.6m). The liability is the net position of the liability on the Police Pension Scheme (£2.589.2m) offset by the surplus of the Local Government Pension Scheme (£65.1m). 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 2025/26 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 2025/26 was £55m (2024/25: £54.8m) 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

Lancashire Constabulary was last subject to a full Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection by His majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) with a report published in December 2024.

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

In the intervening period, including the last year, continuous activity has been undertaken to ensure action is taken wherever needed to address recommendations from this report, as well as any other inspection activity undertaken. Preparation is now underway for the next inspection, the majority of which will take place in 2027.

The Constabulary's Plan on a Page (POAP) was refreshed in early 2025, with new strategic vision: Preventing and fighting crime. Keeping our communities and people safe. Doing the right things, in the right way, for the right reasons. It is based on four pillars and a supporting plinth covering the enablers that will help deliver:

- **Placing victims and vulnerable people at the heart of everything we do.**
- **Prevent crime and antisocial, 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.**

These pillars detail how the Constabulary will deliver the strategic vision.

The Police and Crime Commissioner (PCC) continues to hold the Chief Constable to account both for the exercise of her statutory duties and for the Constabulary's support in the delivery of the Police and Crime Plan 2024-29^[1]. This iteration of the Police and Crime Plan established four priorities:

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

Until January 2026 the previous Key National Priorities for Policing, as defined in [The Elected Local Policing Bodies \(Specified Information\) \(Amendment\) Order 2021](#), were in place, which identified those priorities as:

- **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.**

These have now been replaced by the new National Performance Framework which contains numerous distinct measures of crime management. These changes increase the range and variety of the measures, which are now divided into headline and monitoring measures and future reporting will be based on these.

The delivery against all of these measures are part of the forces structured governance process summarised in the CC's Annual report, some of the key areas of performance are shown below,

Reduce Serious Violence

In the 12 months to March 31st 2026, Lancashire recorded 14 homicides, four of which were legacy offences identified during the Major Crime Review Team force review of undetected homicides. This means we remain in line with the most similar group forces, and with national trends for overall lower figures than in recent years.

As referenced above the national measures have changed, therefore serious violence data relates to the 12 months from February 2025 to January 2026.

Firearms offences fell from 74 to 48, with discharges of lethal barrelled weapons recorded as nine, up by one on the previous year.

As a key indicator for knife crime, NHS data was used. Presentations to the emergency department with knife or sharp object assault injuries for under 25s were recorded as 57 (this data runs for 12 months to the end of December 2025), a reduction from 71 the previous year.

Neighbourhood crime (residential burglary, personal robbery, vehicle offences and theft from person) fell from 12,812 to 11,205. This is compared with 13,768 in the baseline year to January 2022.

The proportion of victims of crime reporting being satisfied with the service received rose from 57% to 62%. For victims of domestic abuse, this went from 79% to 85%.

Online and Cyber-enabled crimes fell from 10,384 to 9,739. This reduction means that there are still more offences recorded than the 6,442 in the baseline year to January 2022.

Recorded Crime and Outcomes

In 2025/26, 128,431 crimes were recorded. This represents almost no change from the 128,921 in 2024/25. During that period, 26,557 offences are recorded as solved, representing 20.6%. Although this is a slight decrease on the 21.3% solved in the preceding year, it remains significantly ahead of the 17.3% in 2023/24. Notably, the current year involves less use of community resolution, ensuring that this very effective tool is only used in the most appropriate cases.

Trends and patterns in recorded crime and outcomes are monitored continually throughout the year, and this analysis is discussed in performance scrutiny meetings. Lancashire's trends are reflective of national trends, and also of changes to the way some offences are recorded, which can influence patterns.

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.

Quality Assurance Thematic Testing is also carried out on investigations, and the quality of disposal, including the use of Community Resolution, is assessed.

Call Demand and Performance

During 2025/26, call taking performance has been maintained, in spite of slightly greater demand than forecast with 999 calls increasing from 292,037 to 305,925. 999 performance during this period has been at 97.1% within the service level agreement (answering 999 calls in 10 seconds, with a target of 90%) and an abandonment rate of 0.1%.

During the same time period, the 101 abandonment rate has reduced further from 1/3% to 1.1% significantly ahead of the target of 5%. Demand on 101 has continued to fall, in line with national trends, from 473876 to 382,703.

The use of Interactive Voice Response has meant that 37.4% of 101 callers could be signposted without needing to be transferred to a call handler.

Violence against Women and Girls

The Vulnerability and Violence against Women and Girls (VAWG) strategies have been refreshed, aligning with the National Vulnerability and Public Protection Strategy. Vulnerability hubs have been introduced, enhancing and bringing more efficiency to processes safeguarding children and vulnerable adults.

Financial Year (2025/26)	
DA positive outcomes	18.8%
Rape positive outcomes	7.7% with 5% increase in recorded crime
Other Sexual offences positive outcomes	16.7%
Stalking or Harassment positive outcomes	14.4%
VAWG offences positive outcomes	18.8%

Crime and Anti-Social Behaviour

During the 2024 Lancashire PEEL inspection by HMICFRS we were identified as one of only two forces in the country to have been judged as 'outstanding' for 'preventing and deterring crime and anti-social behaviour and reducing vulnerability'. We have continued to deliver Operation Centurion, Lancashire's response to anti-social behaviour. This is held up as best practice by the Home Office.

During 2024/25 Operation Centurion resulted in 2258 arrests and 986 anti-social behaviour-related orders.

ASB incidents change from previous year	-10.8%
Civil orders issued to target ASB	986
Lancashire Talking subscribers	131,156 (up 3.5%)
Dangerous and anti-social behaviour driving enforcement	2952

Operation Vulture, the force wide approach to tackling retail crime, generated 3299 positive outcomes for shoplifting offences in 2025/26, a 34.24% positive outcome rate.

The force now has access to Pol-Ed, a comprehensive programme of educational resources that follows children through their school career from early years to age 18 years.

This addresses priority areas of policing and cover a wide range of issues, such as sexual violence and harassment, child-on-child abuse, crime prevention, personnel safety and the perception young people may have of the police. Thanks to funding from Lancashire Police and Crime Commissioner, Pol-Ed has been made available to every school in Lancashire. Since its launch in January 2025 to the end of March 2026, more than 83% of schools in the county have registered to Pol-Ed, and 950 inputs delivered by our officers to 52,154 schoolchildren and 5657 deliveries by teachers to 161,701 schoolchildren.

Roads Policing

Over the last year, the teams, including the Roads Policing Unit and Road Crime Team, have focused on the issues that matter most to the community, including disrupting organised crime, anti-social behaviour on the roads, speeding and one of the most complained about issues, E-Bikes and E-Scooters.

	2024/25	2025/26	Difference %
TORS (* Traffic Offence Report for minor traffic offences)	14438	15257	+5.67%
Sec 59 Road Traffic Act (* power to seize vehicles being driven carelessly, inconsiderately, or off-road, causing alarm, distress or annoyance to the public)	3125	2952	-5.5%
Sec 165 Road Traffic Act (*permits officers to seize vehicles being driven without insurance or a valid driving licence)	1823	3098	+69.93%
Speed-related offences	2719	3436	+26.3%

Economic Crime

The Economic Crime Unit continues to drive strong financial outcomes, achieving year-on-year growth in Asset Recovery Incentivisation Scheme (ARIS) returns. This includes a 60% increase in the last 12 months resulting in £2.2 million recovered for Lancashire in 2024/25 which is reinvested in the public purse.

Serious Organised Crime

To ensure we continue combating Serious Organised Crime (SOC), the Operation Warrior brand has been maintained. As serious and organised criminality becomes more sophisticated, we have strengthened our response and our partnerships to ensure a whole system, 4P approach, to tackling Organised Crime Groups (OCGs).

Under Operation Warrior, we achieved significant results during the 2025-26 financial year. These included 2,135 arrests and 445 individuals charged. A total of 186 individuals were sentenced for serious and organised crime offences, receiving combined custodial sentences amounting to 602 years' imprisonment.

In addition, 2,981 disruptions were delivered, and £3,388,352 in cash was seized. Drug seizures comprised 67kg of cocaine, 11kg of heroin and 253kg of cannabis. Safeguarding activity resulted in the protection of 185 adults and 226 children.

[^{\[1\]} The Police And Crime Plan - Lancashire Police Crime Commissioner](#)

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, identified savings, grant income and council tax receipts. Based on this environment, further savings of up to £10.5m are currently forecast to be required for the period to 2028/29. This is in addition to the £9.6m of savings that will be delivered in 2026/27 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. This includes Programme Activate, a programme of reviews to identify opportunities to utilise technology to deliver more efficient and effective services across policing in Lancashire.

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 2026/27 and future years remains uncertain.

Specific Risks include:

Inflation and pay award

- Whilst the 'general' rate of inflation is forecast to be relatively stable in the short to medium term there remain some areas of cost that are subject to significant fluctuations, in particular fuel, building materials, insurance and energy.
- Consumer prices continue to increase placing pressure on household budgets which in turn it is expected to impact upon the level of pay award made to police officers and staff which will directly affect the PCC budget in future years.
- Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

Police and Police Governance reform

- The government has announced a review of how policing is delivered in England and Wales with several significant changes in the structure of police forces being considered.
- They have also announced that Police and Crime Commissioners will not exist beyond May 2028 with their responsibilities either transferring to a Mayor or to a 'Police and Crime Board'.
- It is not known what implications these proposed change may have for the funding of the policing sector, and therefore for Lancashire Constabulary, but it is clear that funding will change to reflect whatever structures are put in place.

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.

Delivering the capital programme

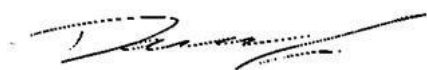
- There is an ambitious capital programme for the forthcoming period which impacts directly upon the revenue budget and medium-term financial planning.
- There is a risk that both internal and external factors could delay the delivery of projects which will in turn impact upon the budget position and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

Conclusion

The overall financial health of the Constabulary budget at the end of the 2025/26 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 Constabulary and Commissioner in a strong position to manage the significant financial challenges in the years ahead.



Dan Rogers CPFA
Chief Constable's Chief Finance Officer
31 July 2026

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 2026

Sacha Hatchett (BA Hons) M.St
Chief Constable of Lancashire Constabulary

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 2026 and for the year then ended.



DAN ROGERS CPFA
Chief Constable's Chief Finance Officer
31 July 2026

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.

2024/25				2025/26		
Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp
£000	£000	£000		£000	£000	£000
291,141	0	291,141	Centralised Pay Budgets	295,554	0	295,554
62,442	0	62,442	Chief Operating Officer	65,982	0	65,982
7,731	0	7,731	ACC Territorial Ops*	7,773	0	7,773
5,364	0	5,364	ACC Crime	5,264	0	5,264
8,658	0	8,658	ACC Specialist Uniform Operations*	15,005	0	15,005
2,608	0	2,608	Deputy Chief Constable	1,876	0	1,876
43,875	0	43,875	Constabulary Non-Devolved budgets	38,244	0	38,244
0	(492,995)	(492,995)	Funding received by CC from PCC	0	(519,179)	(519,179)
421,818	(492,995)	(71,177)	Net Cost of Services	429,698	(519,179)	(89,481)
		137,010	Net Interest on Defined Benefit Liability			141,139
		65,833	Deficit on Provision of Services			51,658
		(440,578)	Re-measurements of pension assets/liabilities			(28,171)
		(440,578)	Other Comprehensive (Income) & Expenditure			(28,171)
		(374,745)	Total Comprehensive (Income) & Expenditure			23,487

MOVEMENT IN RESERVES STATEMENT 2024/25 and 2025/26

This statement shows the movement in the 2024/25 and 2025/26 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 2024		0	0	2,873,884	7,766	2,881,650	2,881,650
Adjs for IFRIC 14 Amendments (as detailed in note 9)				52		52	52
Balance at 1 April 2024		0	0	2,873,936	7,766	2,881,702	2,881,702
Movement in reserves during 2024/25:							
Total Comprehensive Income & (Expenditure)		65,833	65,833	(440,578)	0	(440,578)	(374,745)
Adjs between accounting basis & funding basis under regulations	8	(65,833)	(65,833)	67,304	(1,471)	65,833	0
Balance at 31 March 2025		0	0	2,500,662	6,295	2,506,957	2,506,957
Opening balance adjustments (detailed in Note 9)		0	0	(1)		(1)	(1)
Balance at 1 April 2025		0	0	2,500,662	6,295	2,506,956	2,506,956
Movement in reserves during 2025/26:							
Total Comprehensive Income & (Expenditure)		51,658	51,658	(28,171)	0	(28,171)	23,487
Adjs between accounting basis & funding basis under regulations:	8	(51,658)	(51,658)	51,568	90	51,658	0
Balance at 31 March 2026		0	0	2,524,058	6,385	2,530,443	2,530,443

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-25 £000		Notes	31-Mar-26 £000
68	Pensions' Asset	15	66,934
68	Long Term Assets		66,934
0	Short Term Debtors –Intragroup Debtor		10,924
0	Current Assets		10,924
(17,351)	Short Term Creditors	12	(17,309)
(17,351)	Current Liabilities		(17,309)
(2,489,674)	Pensions Liability	15	(2,590,992)
(2,489,674)	Long Term Liabilities		(2,590,992)
(2,507,025)	Net Liabilities		(2,530,443)
2,500,662	Pensions Reserve	9	2,524,058
6,295	Accumulated Absences Reserve	9	6,385
2,506,957	Total Unusable Reserves		2,530,443

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.

2024/25		2025/26
£0		£0
65,833	Net deficit on the provision of services	51,658
(65,833)	Adjustments to net deficit on the provision of services for non-cash movements (Note 13)	(51,658)
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.

2025/26

	Outturn position as reported to management £000	Adjustments to arrive at net amount chargeable to Police General Fund* £000	Net expenditure chargeable to Police General Fund £000	Adjustments between the funding and accounting basis* £000	Net expenditure Comprehensive Income & Expenditure Statement £000
Chief Constable:					
Centralised Pay Budgets	327,602	1,314	328,916	(33,362)	295,554
Chief Operating Officer	37,284	28,698	65,982	0	65,982
ACC Territorial Operations	7,489	283	7,773	0	7,773
ACC Crime	4,421	842	5,264	0	5,264
ACC Specialist Uniform Operations	3,818	11,187	15,005	0	15,005
Deputy Chief Constable	1,200	676	1,876	0	1,876
Constabulary Non-Devolved Budgets	3,426	90,937	94,363	(56,119)	38,244
Funding received from PCC	0	(519,179)	(519,179)	0	(519,179)
Net Cost of Services	385,241	(385,241)	0	(89,481)	(89,481)
Other Income and Expenditure	0	0	0	141,139	141,139
Deficit on provision of services	385,241	(385,241)	0	51,658	51,658
Opening General Fund Balance			0		
In-year deficit			0		
Closing General Fund Balance			0		

*Further details are shown in tables that follow

2024/25

	Outturn position as reported to management £000	Adjustments to arrive at net amount chargeable to Police General Fund* £000	Net expenditure chargeable to Police General Fund £000	Adjustments between the funding and accounting basis* £000	Net expenditure Comprehensive Income & Expenditure Statement £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

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.

2025/26

	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	1,314	1,314
Chief Operating Officer	(95)	866	5,553	22,374	28,698
ACC Territorial Operations	0	50	233	0	283
ACC Crime	0	145	578	119	842
ACC Specialist Uniform Operations	0	(5)	11,193	0	11,187
Deputy Chief Constable	0	0	676	0	676
Constabulary Non- Devolved budgets	54,945	(1,836)	37,828	0	90,937
Funding received from the PCC	0	0	0	(519,179)	(519,179)
Net Cost of Services	54,850	(780)	56,061	(495,372)	(385,241)

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2025/26
NOTES TO THE ACCOUNTS

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)

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.

2024/25			2025/26		
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
(14,699)	(1,387)	(16,087)	(33,448)	86	(33,362)
(55,007)	(83)	(55,090)	(56,123)	4	(56,119)
(69,706)	(1,471)	(71,177)	(89,571)	90	(89,481)
137,010	0	137,010	141,139	0	141,139
67,304	(1,471)	65,833	51,568	90	51,658

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:

	2024/25	2025/26
	£000	£000
Expenditure		
Employee expenses	331,641	333,397
Other service expenses	67,933	73,808
Charge for use of assets	22,244	22,494
Pensions interest cost	137,010	141,139
Total expenditure	558,828	570,837
Income		
Funding received from the PCC	(492,995)	(519,179)
Total Income	(492,995)	(519,179)
DEFICIT ON PROVISION OF SERVICES	65,833	51,658

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.
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.

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Balance Sheet (BS)	Recognised in PCC CIES	Recognised in CC CIES	Judgement
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 a historical adjustment to the asset ceiling within the Local Government Pension Scheme.

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 2026 but not yet adopted by the Code:

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

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

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 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainty	Effect If Actual Results Differ from Assumptions
<i>Net Pension Liability</i>	
The net pension liability is recognised on the CC and PCC Balance Sheet. Estimation of the 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 and expected returns on pension fund assets. The Group uses an independent firm of actuaries to assess the Local Government Pension Scheme [LGPS] assets and liabilities and the Police Scheme liabilities. In relation to the LGPS, the actuary calculated that the valuation resulted in a net asset of £201.3m, however under IAS19 Employee Benefits it is required that, where a pension plan asset exists, it is measured at the lower of: - The surplus on the defined benefit plan, and - The asset ceiling. The calculation has been completed by the actuary, and an adjustment has been made to reflect the value of the asset ceiling; resulting in a reported net surplus of £65.7m. Combined with the net deficit on the PPS of £2,589.2m, the total net pension liability on the balance sheet is £2,523.5m.	The pensions liability and the reserve will vary significantly should any of the assumptions prove to be inaccurate. For instance, a 1% increase in the discount rate would decrease the pension liability by £64.3m, or a one year increase in the life expectancy would increase the pension liability by £8.4m. The effects on the net pensions liability of changes in individual assumptions are detailed in the actuarial assumptions (Note 30). The Group recognises the cost of retirement benefits in the cost of services when the benefit is earned. However, the charge required to be made against the precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. Any revisions to the estimation of the net liability to pay pensions would not impact upon the Revenue Account of the Group.

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.

Where events taking place before this date provided information about conditions existing at 31st March 2026, 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.

	2024/25 £000	2025/26 £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)	(67,304)	(51,568)
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	1,471	(90)
Total Adjustments	(65,833)	(51,658)

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-25 £000	31-Mar-26 £000
Pensions Reserve	2,500,662	2,524,058
Accumulated Absences Account	6,295	6,385
Total Unusable Reserves	2,506,956	2,530,443

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-25 £'000	31-Mar-26 £'000
Balance at 1 April	2,873,884	2,500,662
Adjustments to Opening Balance to match Actuary report balance	52	(1)
Re-measurements of the net defined benefit (liability)/asset	(440,578)	(28,171)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	191,119	179,302
Employer's pensions contribution and direct payments to pensioners payable in the year	(123,815)	(127,734)
Balance at 31 March	2,500,662	2,524,058

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-25 £'000	31-Mar-26 £'000
Balance at 1 April	7,766	6,295
Settlement or cancellation made at the end of the preceding year	(7,766)	(6,295)
Amounts accrued at the end of the current year	6,295	6,385
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	(1,471)	90
Balance at 31 March	6,295	6,385

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 2025/26
NOTES TO THE ACCOUNTS

Senior Officers and Relevant Police Officers 2025/26

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		204,581					204,581	72,217	276,798
Deputy Chief Constable - S Mackenzie		168,809					168,809	59,590	228,399
Assistant Chief Constable - Crime		131,694					131,694	46,488	178,182
Assistant Chief Constable - Territorial Operations A	Note 1	50,145					50,145	17,150	67,295
Assistant Chief Constable - Territorial Operations B	Note 1	118,879		58			118,937	41,964	160,901
Assistant Chief Constable - Specialist Operations C	Note 2	27,738					27,738	7,538	35,276
Assistant Chief Constable - Specialist Operations D	Note 2	113,241		1,080			114,321	39,956	154,277
Assistant Chief Constable - NPCC Criminal Justice Coordination	Note 3	137,946					137,946	42,930	180,876
Chief Operating Officer		138,844				6,659	145,503	21,243	166,746
Chief Finance Officer - s151 Officer		105,442					105,442	15,724	121,166

Note 1 - Post covered by two officers during the year. A - 1st April 2025 to 31st May 2025, who then retired; B - From 1st May 2025

Note 2 - Post covered by two officers during the year. C - 1st April 2025 to 26th August 2025, who then retired; D - From 14th April 2025

Note 3 - Post covered by Officer from 7th April 2025, the costs of post are fully recharged to the National Police Chief's Council (NPCC)

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2025/26
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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 2026.

The CC employed an estimated 5880 full time equivalents during 2025/26 (5870 in 2024/25). 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):-

	2024/25			2025/26		
	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	1	0	1
£110,000 - £114,999	0	0	0	1	0	1
£105,000 - £109,999	2	0	2	7	0	7
£100,000 - £104,999	3	0	3	6	0	6
£95,000 - £99,999	5	0	5	3	3	6
£90,000 - £94,999	10	2	12	8	0	8
£85,000 - £89,999	5	1	6	12	3	15
£80,000 - £84,999	7	5	12	5	3	8
£75,000 - £79,999	9	1	10	16	3	19
£70,000 - £74,999	31	4	35	64	0	64
£65,000 - £69,999	138	3	141	186	7	193
£60,000 - £64,999	232	9	241	240	17	257
£55,000 - £59,999	401	21	422	560	27	587
£50,000 - £54,999	643	53	696	702	74	776
Total	1486	99	1585	1811	137	1948

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:

2025/26

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20000	0	17	£76,227
£20001 - £40000	1	0	£29,301
£40001 - £60000	0	0	£0
£60001 - £80000	0	0	£0
£80001 - £100000	0	0	£0
£100001 - £150000	0	0	£0
£150001 - £200000	0	0	£0
Total	1	17	£105,528

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

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:

2024/25 £000		2025/26 £000
558,828	Provision of services deficit in CC CIES prior to PCC funding	570,837
(191,119)	Adjustment for net IAS19 pensions charges included in cost of service but funded by CC pensions reserve	(179,302)
123,815	Replace with actual employer contribution funded by PCC	127,734
1,471	Adjustment for movement in accumulated absence accrual funded by CC accumulated absence reserve	(90)
492,995	PCC funding for PCC resources consumed at the request of the CC	519,179
22,244	Consisting of: Fair value adjustment for CC consumption of PCC property & equipment	22,494
470,751	Other resources	496,686
492,995	Total PCC resources consumed at the request of the CC	519,179

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

2024/25 £000		2025/26 £000
11,819	Buildings	11,797
9,661	Vehicles, Plant and Equipment	9,425
764	Intangible Assets	1,271
22,244	Net Expenditure	22,494

12. Creditors

31-Mar-25 £000		31-Mar-26 £000
	Creditors comprise:	
5,706	Tax Creditors	6,644
6,295	Accumulated Absences	6,385
3,169	Other employment-related	4,280
2,180	Intragroup Creditor	0
17,351	TOTAL	17,309

Note:

An upfront payment for LGPS Employer's contribution was made in 2024/25 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.

2024/25 £000		2025/26 £000
0	Net increase/(decrease) in revenue debtors	10,924
12,321	Net (increase)reduction in revenue creditors	41
(78,154)	Pension liability	(62,623)
(65,833)	Total	(51,658)

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 the 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 2026. However, the results are currently being finalised, 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 2025/26. 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 6.3% for the staff employed by the PCC and 6.2% for the staff employed by the CC (5.8% in 2025/26), 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 50.

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.

All the police officer schemes provide defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the PCC Group. The employers' contribution for each serving officer is common to both schemes (35.3% of pensionable pay from 1 April 2024). This is set nationally and is subject to review. A police pension account was set up on 1 April 2006 which administers all the police pension schemes.

Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS19. The net liability and a pensions reserve incorporating 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 6.2% (5.8% in 2024/25), 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 2026 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 2026 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 2025/26 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 2026, which showed that the Fund's liabilities were covered by the fund's assets, equivalent of a funding level of 100%. The fund's employers are paying additional contributions over a period of between 13 and 16 years in order to meet any shortfall.

The weighted average duration of the PCC Group's defined benefit obligation is 17 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 12 years in respect of the 1987 scheme, 21 years in respect of the 2006 scheme and 26 years in respect of the 2015 scheme (injury awards have a duration of 20 years), measured on the actuarial assumptions used for IAS19 purposes. The PCC Group anticipates paying £112.495m 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.

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 2025/26
NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Awards		Total	
	2024/25 £,000	2025/26 £,000	2024/25 £,000	2025/26 £,000	2024/25 £,000	2025/26 £,000	2024/25 £,000	2025/26 £,000
Comprehensive Income and Expenditure Statement (CIES)								
Cost of Services:								
· Current service cost	11,589	7,926	32,983	22,380	8,999	7,371	53,682	37,677
· Past service/Curtailment costs	75	45	0	0	0	0	75	45
· Admin. Expenses	463	441	0	0	0	0	463	441
Financing and Investment Income and Expenditure:	0		0		0		0	
· Net Interest expense	97	100	128,514	132,105	8,399	8,934	137,010	141,139
Total Post-Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES	12,224	8,512	161,497	154,485	17,398	16,305	191,230	179,302
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:								
Re-measurement of the net defined benefit liability, comprising:								
· Re-measurements (assets)	9,110	12,121	0	0	0	0	9,110	12,121
· Experience (gains)/losses on Liabilities	(130)	25,698	(1,535)	70,696	(117)	4,584	(1,782)	100,978
· Actuarial (gains)/losses arising on changes in demographic assumptions	(1,259)	(1,994)	(4,311)	9,689	(373)	(253)	(5,943)	7,442
· Actuarial (gains)/losses arising on changes in financial assumptions	(76,662)	(6,792)	(392,468)	(34,166)	(29,599)	(3,484)	(498,729)	(44,442)
Historical Adjustment	0		0		0		0	
Impact of Asset Ceiling	56,766	(104,270)	0		0		56,766	(104,270)
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(12,175)	(75,237)	(398,314)	46,219	(30,089)	847	(440,578)	(28,171)
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	(12,224)	(8,512)	(161,497)	(154,485)	(17,398)	(16,305)	(191,119)	(179,302)
Actual amount charged against the General Fund Balance for pensions in the year:	0		0		0		0	
· Employers' contributions payable to scheme	11,231	11,286	108,115	111,577	0	0	119,346	122,863
· Retirement benefits paid to pensioners	0	0	0	0	4,469	4,871	4,469	4,871

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Awards		Total	
	31-Mar-25	31-Mar-26	31-Mar-25	31-Mar-26	31-Mar-25	31-Mar-26	31-Mar-25	31-Mar-26
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Present Value of the defined benefit obligation	(381,535)	(415,278)	(2,331,393)	(2,420,520)	(156,394)	(168,676)	(2,869,322)	(3,004,474)
Impact of Asset Ceiling	(216,625)	(120,188)	0	0	0	0	(216,625)	(120,188)
Employers Contribution Adjustment	0	(21)	0	0	0	0	0	(21)
Interest on surplus above asset ceiling	(7,833)	(13,243)	0	0	0	0	(7,833)	(13,243)
Fair value of plan assets	604,175	613,868	0	0	0	0	604,175	613,868
Net liability arising from defined benefit obligation	(1,818)	65,138	(2,331,393)	(2,420,520)	(156,394)	(168,676)	(2,489,605)	(2,524,058)

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-25	31-Mar-26
	£,000	£,000
Asset Ceiling Impact at start of year	(159,808)	(224,458)
Prior Period Adjustment	(51)	0
Revised Asset Ceiling at Start of Year	(159,859)	(224,458)
Interest on surplus above asset ceiling	(7,833)	(13,243)
Change in Asset Ceiling net of interest	(56,766)	104,270
Asset Ceiling Impact at end of year	(224,458)	(133,431)

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		2024/25	2025/26
		£,000	£,000
	01-Apr	(437,443)	(381,535)
Current Service Costs		(11,589)	(7,926)
Interest on pensions liabilities		(21,172)	(22,118)
Contributions by scheme participants		(4,865)	(4,653)
Actuarial gains –changes in demographic assumptions		1,259	1,994
Actuarial (gains)/losses –changes in financial assumptions		76,662	6,792
Experience gains on liabilities		130	(25,698)
Benefits paid		15,558	17,911
Past Service/Curtailment Costs		(75)	(45)
	31-Mar	(381,535)	(415,278)

Unfunded Liabilities	Police Pension Schemes		Injury Benefits	
	2024/25	2025/26	2024/25	2025/26
	£,000	£,000	£,000	£,000
01-Apr	(2,676,325)	(2,331,393)	(173,554)	(156,394)
Current Service Costs	(32,983)	(22,380)	(8,999)	(7,371)
Past service costs	0	0	0	0
Interest on pensions liabilities	(128,514)	(132,105)	(8,399)	(8,934)
Contributions by scheme participants	(18,449)	(20,861)	0	0
Experience gains/(losses) on liabilities	1,535	(70,696)	117	(4,584)
Actuarial (gains)/losses –changes in financial assumptions	4,311	(9,689)	373	253
Actuarial gains –changes in demographic assumptions	392,468	34,166	29,599	3,484
Benefits paid	126,564	132,438	4,469	4,871
31-Mar	(2,331,393)	(2,420,520)	(156,394)	(168,675)

Reconciliation of the fair value of the scheme assets

Funded Scheme –Local Govt Pension Scheme	2024/25	2025/26
	£,000	£,000
01-Apr	595,153	604,176
Interest on plan assets	28,908	35,261
Admin Expenses	(463)	(441)
Employer Contributions	381	319
Contributions by scheme participants	4,865	4,653
Re-measurements (assets)	(9,110)	(12,121)
Benefits paid	(15,558)	(17,911)
31-Mar	604,176	613,936

Unfunded Schemes	Police Pension Schemes		Injury Benefits	
	2024/25	2025/26	2024/25	2025/26
	£,000	£,000	£,000	£,000
01-Apr				
Employer Contributions	108,115	111,577	4,469	4,871
Contributions by scheme participants	18,449	20,861	0	0
Benefits paid	(126,564)	(132,438)	(4,469)	(4,871)
31-Mar	0	0	0	0

Local Government Pension Scheme assets comprised:

	Fair Value Input Level (if relevant)	31-Mar-25 £0	31-Mar-26 £0
Cash and Cash Equivalents		8,962	6,129
Equities		604	617
Bonds			
<u>By Sector</u>			
Corporate	1 / 2.	604	0
UK index-linked	3	0	0
Sub-Total Bonds		604	0
Property			
<u>By Type</u>			
Retail	2	1,208	1,345
Commercial	2	6,041	7,184
Sub-Total Property		7,249	8,529
Private Equity			
Overseas	3	37,128	33,149
Sub-Total Private Equity		37,128	33,149
Other Investment Funds			
Overseas Pooled Equity	1	298,366	276,853
UK Pooled Equity	1	8	270
UK Private Equity	1	0	0
Pooled Fixed Income	1	32,590	38,375
Credit Funds	3	97,049	115,814
Infrastructure	3	80,275	84,486
Property	3	41,272	49,646
Sub-Total Other Investment Funds		549,560	565,444
TOTAL ASSETS		604,107	613,868

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 2026 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	2024/25	2025/26
Mortality assumptions:		
Longevity at 65 for current pensioners (LGPS):		
Men	21.1	21
Women	23.6	23.6
Longevity at 65 for future pensioners (LGPS):		
Men	22.3	22.1
Women	25.4	25.1
Rate of inflation: CPI	2.60%	2.90%
Rate of increase in salaries	4.10%	4.40%
Rate of increase in pensions	2.70%	3.00%
Rate for discounting scheme liabilities	5.90%	6.30%

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2025/26
NOTES TO THE ACCOUNTS

	Police Officers 1987 Scheme		Police Officers 2006 Scheme		Police Officers 2015 Scheme		Injury Awards	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
Longevity at 60 for current pensioners:								
Men	26.1	26.1	26.1	26.4	26.1	26.4	23.5	23.8
Women	28.5	28.6	28.6	28.6	28.6	28.6	26.4	26.5
Longevity at 60 for future pensioners:								
Men	28	28	28	28.3	28	28.3	25.7	26
Women	30.3	30.3	30.3	30.4	30.3	30.4	28.4	28.4
Rate of inflation: CPI	2.70%	2.60%	2.60%	2.90%	2.60%	2.90%	2.60%	2.90%
Rate of increase in salaries	4.20%	4.10%	4.10%	4.40%	n/a	n/a	4.10%	4.40%
Rate of increase in pensions	2.80%	2.70%	2.70%	3.00%	2.70%	3.00%	2.70%	3.00%
Rate of revaluation of CARE pensions	n/a	n/a	n/a	n/a	3.85%	4.15%	n/a	n/a
Rate for discounting scheme liabilities	4.90%	5.80%	5.80%	6.20%	5.80%	6.20%	5.80%	6.2%

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)	8,305	(8,305)
Rate of inflation (increase or decrease by 1%)	67,212	(67,212)
Rate for discounting scheme liabilities (increase or decrease by 1%)	63,344	(63,344)
Rate of increase in salaries (increase or decrease by 1%)	9,824	(9,824)
Rate of change in 2021/22 investment returns (increase or decrease by 1%)	(6,074)	(6,074)

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)	49,711	(49,711)	3,002	(3,002)
Rate of inflation (increase or decrease by 1%)	343,516	(343,516)	35,504	(35,504)
Rate for discounting scheme liabilities (increase or decrease by 1%)	324,586	(324,586)	32,886	(32,886)
Rate of increase in salaries (increase or decrease by 1%)	37,552	37,552	15,284	(15,284)

16. External Audit Costs

In 2025/26 the following fees are included in the CC's CIES relating to external audit.

	2024/25	2025/26
	£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.	79	64
Total Costs	79	64

Included within 24/25 charge, is the cost of additional fees approved by PSAA for previous years. 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 2025/26 financial year and the position at the year-end 31 March 2026. 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	2024/25				2025/26			
		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

31-Mar-25		31-Mar-26
£000		£000
(11)	Unpaid pensions benefits	(16)
0	Payment in Advance	0
11	Amounts owed from/(to) PCC's General Fund	16
0	Net Assets	0

NOTES TO THE FINANCIAL STATEMENT

1. Basis of preparation

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

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

This financial statement has been prepared in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932) and CIPFA Code of Practice 2025/26. 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 61.

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 2025/26 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 2025/26 was set at 35.3% (23/24 was 31%).

Employees' Contributions

Police officer contributions are deducted from officer salaries. Contribution rates range between 12.44% and 13.78% dependent upon on the range the police officer's salary falls of 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 2026. 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.

CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2025/26
AUDITOR'S REPORT AND OPINION



CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2025/26
AUDITOR'S REPORT AND OPINION

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CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY 2025/26
AUDITOR'S REPORT AND OPINION

Lancashire Constabulary Draft Annual Governance Statement 2025-26



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. Further, the Constabulary has an Integrity Line, which enables officers or staff to anonymously report concerns related to suspected corrupt activity or wrongdoing undertaken by fellow officers or staff. Reports made through the Integrity Line are investigated by PSD.

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.

In addition, the Constabulary also engages widely with the public and stakeholders through a range of means such as Independent Advisory Groups (IAGs), Key Individual Networks (KINS), Stop Search Scrutiny Panels and the independent custody visitor scheme (which has recently received the silver quality assurance award by the independent custody visiting association).

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.

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 Northwest 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 and assists the CC to reassure her via their independent scrutiny. 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 in place a 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.

The force has a 'Maximising Potential' strategy which is linked to the PDR process and the Leadership training and development. Leading the Way and Leading the Leaders are aligned to the College of Policing standards and the force is accredited with a licence to practice. The force also has College accreditation in a number of critical courses including PPST and Driver standards.

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 refreshed 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. This is linked to the National Police Wellbeing Strategy and focuses on the employee lifecycle.

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. This has recently taken the form of a full cultural audit conducted in partnership with Durham University. 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 2025/26 Statement of Accounts should be formally approved by the PCC and Chief Constable later in 2026, 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 2025/26 the Head of Internal Audit stated that "I am able to provide a **substantial** assurance opinion on the overall adequacy and effectiveness of the governance, risk management, and internal control arrangements in place across both Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire."

Substantial assurance is defined as *"the framework of control is adequately designed and/or effectively operated overall."*

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 2025/26 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

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 delivered:

After effective lobbying from forces, the Government has dropped the requirement to baseline police officer numbers in line with Police Uplift Programme targets from 1 April 2026. This provides forces, including Lancashire, with a much greater degree of flexibility in terms of budget setting and resource allocation.

Lancashire has confirmed that it is committed to supporting year two of the Government's Neighbourhood Policing Guarantee programme, after delivering fully our year 1 requirement during 2025/26.

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 delivered:

We worked with providers to give as much certainty as possible about funding and provided such information as early as possible to enable planning and budgeting to take place. This formed an integral part of the business planning and budget setting process for 2026/27.

Areas for Action for 2026/27

Police Reform/OPCC Future Governance

The government has announced a review of how policing is delivered in England and Wales with several significant changes in the structure of police forces being considered. They have also announced that Police and Crime Commissioners will not exist beyond May 2028 with their responsibilities either transferring to a Mayor or to a 'Police and Crime Board'.

It is not known what implications this proposed change may have for the funding of the policing sector, and therefore for Lancashire Constabulary, but it is clear that funding will change to reflect whatever structures are put in place.

Action to Address: Closely monitor progress with police reform and governance arrangements to ensure Lancashire Constabulary best positioned to influence and manage change as it approaches.

Spending Review, Funding & Budgets

Beyond Police Reform, there continues to be uncertainty around future funding levels for policing and resultant impact on budgets and savings targets. This also encompasses efficiency saving targets assumed as a result of national work led by Blue Light Commercial. Finally, global economic uncertainty may impact adversely on pay and non-pay inflation.

Action to Address: Ensure medium term financial planning is as agile as possible to deal with the range of possible scenarios in the short to medium term. Ensure that Chief Officers and the PCC are fully engaged ahead of and throughout budget planning processes. Identify critical activity that could deliver efficiencies in the short to medium term (such as programme Activate).

NPG

Lancashire delivered Year 1 of the Neighbourhood Policing Guarantee and has committed to deliver Year 2. This is to become more challenging in future years, dependent upon funding levels allocated to forces to deliver NPG and/or the operational impact of redeploying existing resource to support Neighbourhood activity.

Action to Address: Remain fully engaged with the central NPG team, identify early any risks to delivering future year NPG activity once the scope and extent of requirements are known.

Legislative Changes and Reviews

There are a number of national pieces of work which will directly impact on policing generally. There include the Levison review, the Angiolini review and the Southport Inquiry. The impact of which is not yet clear but there will be an increase in the demand on and ask of policing as a consequence.

Action to Address:

The Chief Constable is the National CJ lead and the DCC is closely involved in the Angiolini review actions and the Southport Inquiry. This allows The Constabulary to ensure it is best placed to understand and action as appropriate, continue to ensure that the force is actively involved and governs this as an integral part of the governance frameworks described.

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 2025/26.

There are currently no significant actual or potential governance issues identified in respect of **2026/27** 'business as usual' activities. The Chief Constable is satisfied to the best of her knowledge that no material breaches of the governance arrangements occurred in 2025/26 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**

**Chief Operating Officer
Gillian Routledge**

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.