

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

STATEMENT OF ACCOUNTS

2023/24

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CONTENTS

	Page
Narrative Report	1
Statement of Responsibilities	10
Financial Statements:	
Comprehensive Income and Expenditure Statements	11
Movement in Reserves Statements	14
Balance Sheets	16
Cash Flow Statements	18
Notes to the Accounts	20
Other Significant Accounting Policies	99
Police Pension Account	103
Audit Report and Opinion	107
Annual Governance Statement	112
Glossary	123

NARRATIVE REPORT

Background

Under the Police Reform and Social Responsibility Act (PRSRA) 2011 (the Act), 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 Chief Constable (CC) to account for the exercise of operational policing duties under the Act.

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

<https://www.lancashire.police.uk/about-us/our-performance/statement-of-accounts/>

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

<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 2023/24 (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 2023/24 Statement of Accounts is also 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 PCC and the PCC Group for the financial year ended on 31 March 2024 (referred to as 2023/24). The various sections contained within the consolidated financial statements are:

Comprehensive Income and Expenditure Statements for the PCC and the PCC Group

These statements show the accounting cost in the year of the PCC and PCC Group providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

Movement in Reserves Statement for the PCC and the PCC Group

The statement shows the movement from the start of the year to the end on the different reserves held by the PCC, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. This statement shows how the movements in year of the PCC's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments. During 2023/24 total reserves of the Group increased by £3.29m (PCC increased by £7.13m); a reduction in usable reserves of £0.68m (PCC reduced by £0.68m) and an increase in unusable reserves of £3.97m (PCC increased by £7.8m).

Balance Sheets for the PCC and the PCC Group

These statements show the value as at the balance sheet date of the assets and liabilities recognised by the PCC and the PCC Group. Net assets (assets less liabilities) are matched by the reserves held by the PCC.

Cash Flow Statements for the PCC and the PCC Group

These statements show the changes in cash and cash equivalents of the PCC during the reporting period. The statements show how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The statements show a decrease in cash and cash equivalents during 2023/24 from £43.88m at 31 March 2023 to £9.60m at 31 March 2024.

Auditor's Report

This sets out the opinion of the PCC's external auditor on whether the Accounts present a true and fair view of the financial position and operations of the PCC and the PCC Group for 2023/24.

Annual Governance Statement

This is a statement by the PCC which states his position on governance issues, and which provides assurances on the systems of control which are maintained and on the way he conducts his business.

As the PCC Group position presents the most meaningful picture, from a reader's perspective, of the activities of the PCC and the CC, where there is a separate statement or note for the PCC and the PCC Group the order of presentation will be the PCC Group followed by the single entity PCC statement or note.

Review of 2023/24

The PCC's Police and Crime Plan for Lancashire 2021-2025 identifies five priorities:

- Getting Tough on Anti-Social Behaviour
- Disrupting and Dismantling Organised Crime
- Tackling Domestic Abuse and Sexual Violence
- Cracking down on Burglary and Robbery
- Targeting Dangerous Drivers

The PCC has reported his progress against these priorities in 2023/24 here: <https://www.lancashire-pcc.gov.uk/the-police-and-crime-plan/annual-report/>

Selected highlights include:

- 30 more police officers now fighting crime day in day out
- Almost £1m given out in Grant Funding to help equip communities to take a stand against crime
- £1m to target ASB hotspot areas through Op Centurion - 27,633 additional policing hours
- £745,000 secured from central government to tackle Domestic Abuse through perpetrator programmes
- Investment in Op Warrior to relentlessly disrupt and dismantle criminal gangs – 23 gang suspects arrested every single week – over £112k in cash seized every month – 6kg of class A and B drugs taken off our streets every single week
- Two dedicated road policing teams to catch criminals and target dangerous drivers
- An 8% reduction in Antis-social behaviour calls
- An 8% reduction in Domestic Abuse offences
- A 3% reduction in burglary offences
- A 12% reduction in road traffic collisions

Financial performance of the Group

Revenue Budget

The PCC for Lancashire's spending power in respect of 2023/24 was agreed at £361.127m and, after taking account of specific grants, the net budget requirement was set by the previous Police and Crime Commissioner in February 2023 at £347.529m funded as follows:

	£m	
Police grant	231.528	67%
Council Tax	116.001	33%
	347.529	

Funding received from central government increased from £230.767m in 2022/23 to £231.528m in 2023/24 (£0.761m). In addition to this increase there was an increase in the specific grant provided by government for the uplift programme. This grant is only received if every additional officer identified for the uplift programme is recruited.

The Commissioner raised £116.001m from council tax in 2023/24 made up as follows:

	£m
Council tax precept 2023/24	115.151
Council Tax surplus 2022/23	0.850
	116.001

This represents £251.45 for each Band D property in the County, an increase of £15 (6.34%) over the 2022/23 charge.

During 2023/24, the Home Office provided an additional grant of £8.4m for the Police Officer Pay award bring the total revenue budget to £355.928m

The 2023/24 Revenue Outturn

The 2023/24 year-end position shows spending of £354.972m representing an underspend of £0.956m (0.27%) against the revenue budget.

	Budget £m	Spend £m	Variance £m	%
Chief Constable:				
Pay costs	283.310	283.956	0.646	0.23
ACC Territorial Operations	7.679	8.251	0.572	7.45
ACC Crime	3.582	4.196	0.614	17.14
ACC Specialist Uniform Operations	4.886	5.108	0.222	4.54
Chief Operating Officer	32.834	31.704	-1.130	-3.44
Deputy Chief Constable	1.363	1.544	0.181	13.28
Sub total	333.654	334.759	1.105	0.33
Non-DFM budget	9.295	7.550	-1.745	-18.77
Total Constabulary Budget	342.949	342.309	-0.640	-0.19
PCC:				
Office of the PCC	1.621	1.592	-0.029	-1.79
Communications	0.126	0.129	0.003	2.38
Fighting Crime	0.739	0.779	0.040	5.41
Victim and Domestic Abuse services	0.560	0.560	0	0
Sub total	3.046	3.060	0.014	0.46
Non-DFM	9.933	9.603	-0.330	-3.32
Total PCC	12.979	12.663	-0.316	-2.43
TOTAL BUDGET	355.928	354.972	-0.956	-0.27

The detailed year-end report is on the PCC website

[April 2024 to June 2024 - Lancashire Police Crime Commissioner \(lancashire-pcc.gov.uk\)](https://lancashire-pcc.gov.uk)

The year-end position is made up of a number of pressures and savings, the **main** elements of the position are:

Over/(Under) spend (£m)	Area of under/over spending
0.6	Pay costs
1.1	Overtime
0.8	Under delivery of income for training for external organisations
0.4	Vehicle repairs, parts and tyres
0.4	Interest payable lower than forecast (Lower than forecast capital spending)
0.2	Counsel fees
-0.1	Financing costs lower than forecast
-0.3	Mast rental income
-0.5	Telephony and ICT stores costs
-0.6	Interest receivable greater than forecast
-1.1	Energy
-1.8	Funding provided by collaboration arrangements and grant income
-0.9	Underspend

2023/24 year-end position for reserves

The general reserves (DFM and general fund) at 31 March 2024 are £19.722m and represent around 5.4% of the 2024/25 budget of £367.083m. Other earmarked reserves total £9.722m including £2.809 held in reserves that provide investment for the PCC's capital programme in 2024/25 and future years.

The 2024/25 budget includes a contribution from general reserves of £3.011m which would reduce the level of general reserves to £16.626m (4.5% of the 2024/25 revenue budget).

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 2024/25.

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

Capital Funding

A total of **£20.014m** has been spent on capital projects in this year:

	£m
IT Strategy	5.610
Estate	7.143
Vehicle Replacement Programme	6.863
Other schemes	0.398
Total	20.014

The main elements of the spend summarised above are:

I.T. Strategy

- £0.826m Network Access and Security
- £1.608m Device upgrade and replacement
- £3.176m System replacement

Estate

- £3.623m Chorley police station
- £1.426m Pendle police station
- £1.292m Critical Policing Infrastructure Programme
- £0.802m 'Minor works programme'

Other Schemes

- £0.125m Replacement of specialist equipment
- £0.154m ANPR equipment and infrastructure
- £0.119m Regional collaborations

The following table shows how the expenditure of £20.014m has been financed:

	£m
Financing	
Capital Grant/Contribution	0.112
Revenue Resources	10.750
Revenue Reserves	2.698
Borrowing	6.454
Total	20.014

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 2023/24 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.

Investing for the future

To preserve the operational integrity and capability of the force in future years, whilst delivering the savings required, the PCC must consider several proposals that will change how the service operates.

It is recognised that, to deliver savings proposals to meet the funding gap faced by the PCC in future years, the way the police service is delivered will need to change significantly. It is also recognised that improving the efficiency in which assets such as buildings, infrastructure, IT networks, IT equipment and staff are used, is crucial if the level of service being provided is to be maintained whilst the way it is delivered changes.

To improve the efficiency of the service it has been identified that significant investment is therefore needed in these assets which is recognised in both the ICT and the Asset Management strategies.

This investment will help to deliver the permanent savings in the revenue budget that are required in future years to ensure that the PCC can provide policing services in Lancashire within the resources he has available.

The Commissioner's Reserves Strategy is reviewed each year considering the level of general reserves and the level of earmarked reserves available for investment in the capital programme.

This process ensures that all future investment decisions are considered against the resources available for investment each year and this in turn informs the Medium-Term Financial Strategy and the setting of the annual revenue budget.

Police Pension Account

The police pension account administers all the police pension schemes (the 1987, 2006 and the new 2015 schemes). Under the Police Reform and Social Responsibility Act 2011, the account is to be administered by the CC and the accounts for 2022/24 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.

From 1 April 2020 the actuarial valuation changed the employer contribution rate from 24.2% to 31%. The amount of additional contribution required from the PCC in 2023/24 was £56.0m (£49.7m in 2022/23) financed from Home Office grant and the additional funding given to Policing authorities to cover the costs of the additional employer contributions.

Pension Liabilities

Pension costs are reported in line with International Accounting Standard 19 (IAS19). The pensions' liabilities shown on the PCC Group balance sheet reflect the underlying commitment that the PCC has in the long term to fund retirement benefits. Although recognition of these liabilities has a considerable impact on the net worth of the PCC Group, statutory arrangements for funding the deficit mean that the financial position of the PCC Group remains healthy.

At 31 March 2024 the net pensions' liability of the PCC Group, calculated by the actuary, is £2,852m, (an decrease of £17m over the previous year's figure of £2,689m). The net liability is split between the Local Government Pension Scheme (£2.1m) and the Police Pension Schemes (£2,849.9m) 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 28 to the accounts.

Financial outlook

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

The longer-term financial position is reviewed regularly based on best estimates of the likely level of cost pressures, grant income and council tax receipts. Based on this environment and further savings of c £16.9m are currently forecast to be required for the period to 2026/27. This is in addition to the £5.9m of savings that will be delivered in 2024/25 and represent a significant challenge for the PCC and the Constabulary. Business planning programmes are underway to develop proposals for how the further savings can be achieved.

The PCC and the Constabulary have a proven track record, as recognised by both HMIC and external audit reports, in their ability to identify and deliver financial savings and it is anticipated that this will continue. However, as the economic position continues to be extremely challenging, it will be increasingly difficult to find savings on the scale required.

The level of funding and demand pressures for 2024/25 and future years remains uncertain.

Specific Risks include:

Inflation and pay award

- The rate of inflation has fallen in recent months and current forecasts expect the rate to fall further in the coming months. The rate at which inflation will reduce is still uncertain and is different for different types of expenditure. In particular the cost of insurance is increasing at a rate that is significantly higher than general inflation and this cost in particular will be closely monitored as part of the continuing financial planning process in preparation for setting the 2024/25 budget.
- The pay award for policing in September 2023 is a significant increase of 7%. The government has provided grant funding to support PCCs in meeting the cost pressure this represents. Forecasts of the pay award in future years remain uncertain as they will be affected by the rate of inflation and other cost of living pressures.
- Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

Maintaining the Police Uplift

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

Delivering the capital programme

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

Future government funding

- A general election will be held on 4 July 2024 which will impact upon future budgets and therefore funding for policing.
- There is therefore significant risk in any assumption made for government funding in future years.

Additional government funding

- Lancashire will receive a significant amount of additional funding for a number of areas including for Serious Violence, Violence Against Women and Girls and for Victims of Domestic and Sexual Abuse in 2024/25.
- There has been no confirmation that this funding will continue beyond 31 March 2025 which will result in a significant reduction in support for victims of such crimes.

- The uncertainty of this funding makes effective financial planning extremely problematic, particularly when planning future service delivery.

Emergency Services Network (ESN) - Replacement of Airwave

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

Impact of the Police Pensions Remedy

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



Steve Freeman CPFA
CFO to the Police and Crime
Commissioner for Lancashire

STATEMENT OF RESPONSIBILITIES

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

- make arrangements for the proper administration of the financial affairs of the Office of the Police and Crime Commissioner 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.



Clive Grunshaw
Police and Crime Commissioner
26th February 2025

The Chief Financial Officer's Responsibilities

The Police and Crime Commissioner's Chief Financial Officer is responsible for the preparation of the Statement of Accounts of the Police and Crime Commissioner (PCC) and the PCC Group 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 PCC's CFO 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 PCC's CFO 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 Police and Crime Commissioner for Lancashire (PCC) and the PCC Group and their transactions as at 31 March 2024 and for the year then ended.



STEVE FREEMAN CPFA
CFO to the Police and Crime Commissioner for Lancashire

26th February 2025

PCC GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations: this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement

2022/23 (restated)				2023/24		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
333,554	0	333,554	Chief Constable:			
33,427	(4,386)	29,041	Centralised Pay Budgets	276,185	0	276,185
8,836	(495)	8,341	Chief Operating Officer	38,815	(5,652)	33,163
4,948	(948)	4,000	ACC Territorial Ops*	8,978	(656)	8,323
8,347	(2,666)	5,681	ACC Crime	5,050	(841)	4,208
1,727	(330)	1,397	ACC Specialist Uniform Operations*	6,933	(3,019)	3,914
39,637	(25,625)	14,012	Deputy Chief Constable	1,989	(468)	1,521
			Constabulary Non-Devolved budgets	38,679	(32,265)	6,414
			PCC:			
1,846	4	1,850	Office of the PCC	1,770	(18)	1,751
1,027	(431)	596	Fighting Crime	2,779	(2,180)	599
6,043	(5,519)	523	Victims and Witnesses	5,856	(5,451)	404
22,929	0	22,929	PCC Non-Devolved budgets	21,580	0	21,580
462,321	(40,396)	421,925	Net Cost of Services	408,611	(50,550)	358,061
		(109)	Other operating Income & expenditure (Note 11)			119
		125,855	Financing & investment income & expenditure (Note 12)			134,237
		(393,227)	Taxation & non-specific grant income (Note 13)			(414,896)
		154,444	(Surplus)/Deficit on Provision of Services			77,521
		(16,247)	(Surplus)/deficit on revaluation of property, plant & equipment assets			(14,649)
		(1,830,005)	Re-measurements of pension assets/liabilities			(66,473)
		(1,846,252)	Other Comprehensive (Income) & Expenditure			(81,122)
		(1,691,808)	Total Comprehensive (Income) & Expenditure			(3,600)

*The areas of responsibility covered by these budget holders changed from 1 April 2023. The revised responsibilities are listed below, and the 2022/23 analysis has been restated for comparability:

ACC Territorial Operations

East, South & West Divisions, Media & Engagement

ACC Specialist Uniform Operations

Operations, Contact Management, Sporting & Special Event Policing

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
PCC GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

*The areas of responsibility covered by these budget holders changed from 1 April 2023. As a result of this change the figures for 2022/23 have been restated for comparability purposes. The tables below show the original position and the revised position and show that there is a net nil impact on Net Services.

	Original 22/23 Position			Restated 22/23 Position			Net Changes		
	Gross Exp	Income	Net Exp	Gross Exp	Income	Net Exp	Gross Exp	Income	Net Exp
Centralised Pay Budgets	333,529	0	333,529	333,554	0	333,554	25	0	25
Chief Operating Officer	33,426	(4,386)	29,041	33,426	(4,386)	29,041	0	0	0
ACC Territorial Ops	10,636	(1,445)	9,191	8,836	(495)	8,341	(1,800)	950	(850)
ACC Crime	4,944	(948)	3,996	4,949	(948)	4,000	5	0	5
ACC Spec Ops	6,318	(1,267)	5,051	8,347	(2,666)	5,681	2,029	(1,399)	630
DCC	1,756	(312)	1,444	1,727	(330)	1,397	(29)	(17)	(47)
Constab Non-DFM	39,866	(26,091)	13,775	39,637	(25,625)	14,012	(229)	466	237
Cost of CC budgets	430,476	(34,450)	396,026	430,476	(34,450)	396,026	0	0	0

PCC SINGLE ENTITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices for the Office of the PCC, rather than the amount to be funded from taxation.

2022/23 (restated)			2023/24			
Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp
£000	£000	£000		£000	£000	£000
1,838	4	1,843	Office of the PCC	1,769	(18)	1,751
742	(431)	311	Fighting Crime	1,411	(2,180)	(769)
6,043	(5,519)	523	Victims and Witnesses	5,849	(5,451)	397
406	0	406	PCC Non-Devolved budgets	5	0	5
429,356	0	429,356	Funding provided by PCC to CC (Note 16)	463,176	0	463,176
0	(34,450)	(34,450)	Income managed within Constabulary Budgets	0	(42,900)	(42,900)
438,385	(40,396)	397,989	Net Cost of Services	472,210	(50,550)	421,661
		(109)	Other operating Income & expenditure (Note 11)			119
		112	Financing & investment income & expenditure (Note 12)			495
		(393,227)	Taxation & non-specific grant income (Note 13)			(414,896)
		4,765	(Surplus)/Deficit on Provision of Services			7,379
		(16,247)	(Surplus)/deficit on revaluation of property, plant & equipment assets			(14,649)
		(2,208)	Re-measurements of pension assets/liabilities			145
		(18,455)	Other Comprehensive (Income) & Expenditure			(14,504)
		(13,689)	Total Comprehensive (Income) & Expenditure			(7,125)

There has been no change to reported heading for the PCC as a Single Entity but the Funding provided by the PCC has increased but £1,246 due to the adjustment for componentisation depreciation as detailed in the PPE note and the PCC funding note has been updated to reflect this increased charge

PCC GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the PCC Group, analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the PCC Group's services, more details of which are shown in the comprehensive income & expenditure statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The net increase/(decrease) before transfers to earmarked reserves line shows the statutory General Fund balance before any discretionary transfers undertaken by the PCC Group.

	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Group Reserves £000
Balance at 31 March 2022		(24,213)	(1,502)	(0)	(25,715)	4,394,783	4,369,068
Movement in reserves during 2022/23:							
Total Comprehensive (Income) & Expenditure (restated)		154,444	0	0	154,444	(1,846,252)	(1,691,808)
Adjs between accounting basis & funding basis under regulations (restated)	8	(160,447)	(3)	(243)	(160,693)	160,693	0
Net (Increase)/Decrease in 2022/23		(6,003)	(3)	(243)	(6,249)	(1,685,559)	(1,691,808)
Balance at 31 March 2023		(30,216)	(1,505)	(243)	(31,964)	2,709,224	2,677,260
Movement in reserves during 2023/24:							
Total Comprehensive (Income) & Expenditure		77,521	0	0	77,521	(81,122)	(3,600)
Adjustment to Pension Reserve as detailed in Note 10						308	308
Adjs between accounting basis & funding basis under regulations	8	(76,749)	0	(93)	(76,842)	76,842	0
Net (Increase)/Decrease in 2023/24		772	0	(93)	679	(3,971)	(3,292)
Balance at 31 March 2024		(29,444)	(1,505)	(336)	(31,285)	2,705,253	2,673,968

NOTE: The General Fund Balance is held by the PCC in reserves that are earmarked for specific purposes or in a general reserve, as follows:

	Earmarked £000	General £000	Total £000
31 March 2024	9,722	19,722	29,444
31 March 2023	11,560	18,656	30,216
31 March 2022	11,506	12,707	24,212

PCC SINGLE ENTITY MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the PCC analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the PCC services, more details of which are shown in the comprehensive income & expenditure statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes. The Net increase/(decrease) before transfers to earmarked reserves line shows the statutory General Fund balance before any discretionary transfers undertaken by the PCC.

	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total PCC Reserves £000
Balance at 31 March 2022		(24,213)	(1,502)	0	(25,715)	(161,152)	(186,867)
Movement in reserves during 2022/23:							
Total Comprehensive (Income) & Expenditure (restated)		4,765	0	0	4,765	(18,455)	(13,689)
Adjs between accounting basis & funding basis under regulations (restated)	8	(10,768)	(3)	(243)	(11,014)	11,014	0
Net Increase/(Decrease) in 2022/23		(6,003)	(3)	(243)	(6,249)	(7,441)	(13,689)
Balance at 31 March 2023		(30,216)	(1,505)	(243)	(31,964)	(168,593)	(200,557)
Movement in reserves during 2023/24:							
Total Comprehensive (Income) & Expenditure		7,379	0	0	7,379	(14,504)	(7,125)
Adjs between accounting basis & funding basis under regulations	8	(6,607)	0	(93)	(6,700)	6,700	0
Net Increase/(Decrease) in 2023/24		772	0	(93)	679	(7,804)	(7,125)
Balance at 31 March 2024		(29,444)	(1,505)	(336)	(31,285)	(176,397)	(207,681)

PCC GROUP BALANCE SHEET

The balance sheet shows the value as at the balance sheet date of assets and liabilities recognised by the PCC Group. The net assets (assets less liabilities) are matched by the reserves held by the Group.

31-Mar-23 (restated) £000		Notes	31-Mar-24 £000
239,153	Property, Plant & Equipment	18	251,445
1,834	Investment Property		1,834
1,622	Intangible Assets		1,910
242,609	Long Term Assets		255,190
0	Short Term Investments		0
0	Assets Held for Sale		0
1,358	Inventories		1,569
35,959	Short Term Debtors	20	44,982
43,876	Cash and Cash Equivalents	23	9,599
11,881	Payments in Advance	22	12,298
93,073	Current Assets		68,448
(36,218)	Short Term Borrowing	28	(46,497)
(46,050)	Short Term Creditors	21	(49,890)
(1,553)	Short-Term Provisions		(342)
(952)	Receipts in Advance		(916)
(84,773)	Current Liabilities		(97,644)
(1,759)	Long-Term Provisions		(2,096)
(57,384)	Long Term Borrowing	28	(45,888)
(2,869,025)	Pensions' Liability	29	(2,851,978)
(2,928,169)	Long Term Liabilities		(2,899,961)
(2,677,260)	Net Assets		(2,673,968)
(31,964)	Usable Reserves		(31,285)
2,709,224	Unusable Reserves	10	2,705,253
2,677,260	Total Reserves		2,673,968

The unaudited accounts were issued on 30 August 2024 and the audited accounts were authorised for issue on 26 February 2025.

Signed : 
Steve Freeman, Chief Financial Officer to the PCC

PCC SINGLE ENTITY BALANCE SHEET

The balance sheet shows the value as at the balance sheet date of assets and liabilities recognised by the PCC as a single entity. The net assets (assets less liabilities) are matched by the reserves held by the PCC.

31-Mar-23 (restated) £000		Notes	31-Mar-24 £000
239,153	Property, Plant & Equipment	18	251,445
1,834	Investment Property		1,834
1,622	Intangible Assets		1,910
242,609	Long Term Assets		255,190
0	Short Term Deposits		0
0	Assets Held for Sale		0
1,358	Inventories		1,569
35,959	Short Term Debtors	20	57,766
43,876	Cash and Cash Equivalents	23	9,599
11,881	Payments in Advance	22	12,298
93,073	Current Assets		81,232
(36,218)	Short Term Borrowing	28	(46,497)
(37,258)	Short Term Creditors	21	(33,003)
(1,553)	Short-Term Provisions		(342)
(952)	Receipts in Advance		(916)
(75,981)	Current Liabilities		(80,757)
(1,759)	Long-Term Provisions		(2,096)
(57,384)	Long Term Borrowing	28	(45,888)
0	Pensions Liability	29	0
(59,143)	Long Term Liabilities		(47,983)
200,557	Net Assets		207,682
(31,964)	Usable Reserves		(31,285)
(168,593)	Unusable Reserves	10	(176,397)
(200,557)	Total Reserves		(207,682)

The unaudited accounts were issued on 30 August 2024 and the audited accounts were authorised for issue on 26 February 2025.

Signed : 
Steve Freeman, Chief Financial Officer to the PCC

PCC GROUP CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the PCC Group in the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2022/23 (restated) £000		2023/24 £000
154,444	Net deficit on the provision of services	77,521
(174,458)	Adjustments to net deficit on the provision of services for non-cash movements (Note 24)	(64,333)
916	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing & financing activities (Note 25)	205
(19,099)	Net cash flows from Operating Activities	13,394
14,132	Investing activities (Note 26)	19,664
(22,078)	Financing activities (Note 27)	1,218
(27,045)	Net (Increase)/Decrease in cash & cash equivalents	34,276
16,831	Cash & cash equivalents at beginning of the reporting period	43,876
43,876	Cash & cash equivalents at the end of the reporting period (Note 23)	9,599

PCC SINGLE ENTITY CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the PCC in the reporting period. The statement shows how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC are funded by way of taxation and grant income or from the recipients of services provided by the PCC. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the PCC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the PCC.

2022/23 (restated) £000		2023/24 £000
4,765	Net deficit on the provision of services	7,379
(24,780)	Adjustments to net deficit on the provision of services for non-cash movements (Note 24)	5,810
916	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing & financing activities (Note 25)	205
(19,099)	Net cash flows from Operating Activities	13,394
14,132	Investing activities (Note 26)	19,664
(22,078)	Financing activities (Note 27)	1,218
(27,045)	Net (Increase)/Decrease in cash & cash equivalents	34,276
16,831	Cash & cash equivalents at beginning of the reporting period	43,876
43,876	Cash & cash equivalents at the end of the reporting period (Note 23)	9,599

NOTES TO THE ACCOUNTS - Index

Number	Title	Page No.
1	Expenditure and funding analysis	21
2	Expenditure and income analysed by nature	33
3	Critical judgements in applying accounting policies	34
4	Prior period adjustments	36
5	Accounting standards that have been issued but have not yet adopted	36
6	Assumptions made about the future and other major sources of estimation uncertainty	37
7	Events after the Balance Sheet date	39
8	Adjustments between accounting basis and funding basis under regulation	39
9	Earmarked reserves	44
10	Unusable reserves	45
11	Other Operating Income and Expenditure	48
12	Financing and investment income and expenditure	48
13	Taxation and non-specific grant income	49
14	Government grants and contributions	49
15	Capital Charges and Fair Value Charge to Chief Constable	51
16	PCC Funding of Chief Constable	52
17	Officers' remuneration	53
18	Property, plant and equipment	60
19	Capital expenditure and financing	68
20	Debtors	69
21	Creditors	69
22	Payments in Advance	69
23	Cash and cash equivalents	70
24	Cash Flow Statement-adjustments to net (surplus)/deficit on the provision of services for non-cash movement	70
25	Cash Flow Statement –Adjustments for items included in the net (surplus)/deficit on provision of services that are investing and financing activities	71
26	Cash Flow Statement – Investing activities	71
27	Cash Flow Statement –Cash flows from financing activities	71
28	Financial Instruments	72
29	Defined benefit post-employment benefits	77
30	Related parties	97
31	External audit costs	97
32	Contingent Liabilities	98

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.

PCC GROUP 2023/24

	Outturn position as reported to management	Adjustments to arrive at net amount chargeable to Police General Fund*	Net expenditure chargeable to Police General Fund	Adjustments between the funding and accounting basis*	Net expenditure Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Chief Constable:					
Centralised Pay Budgets	283,956	0	283,956	(7,772)	276,185
Chief Operating Officer	31,704	1,459	33,163	0	33,163
ACC Territorial Ops	8,251	72	8,322	0	8,322
ACC Crime	4,196	12	4,208	0	4,208
ACC Spec Uniform Ops	5,108	(1,194)	3,914	0	3,914
Deputy Chief Constable	1,544	(23)	1,521	0	1,521
Constabulary Non-Devolved Budgets	7,550	54,692	62,242	(55,828)	6,414
PCC:					
Office of the PCC	1,721	(9)	1,712	39	1,751
Fighting Crime	779	(180)	599	0	599
Victim and Domestic Abuse services	560	(160)	400	5	404
PCC Non-Devolved Budgets	9,603	(9,603)	(0)	21,580	21,580
Net Cost of Services	354,972	45,065	400,037	(41,976)	358,061
Other Income and Expenditure	0	(399,265)	(399,265)	118,725	(280,540)
(Surplus)/Deficit on provision of services	354,972	(354,200)	772	76,749	77,521
Opening General Fund Balance			(30,216)		
In-year deficit			772		
Closing General Fund Balance			(29,444)		

*Further details are shown in tables that follow.

PCC GROUP 2022/23 (restated)

	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	264,155	0	264,155	69,399	333,554
Chief Operating Officer	29,057	(16)	29,041	0	29,041
ACC Territorial Ops	8,321	20	8,341	0	8,341
ACC Crime	3,952	49	4,000	0	4,000
ACC Spec Uniform Ops	5,988	(307)	5,681	0	5,681
Deputy Chief Constable	1,372	25	1,397	0	1,397
Constabulary Non-Devolved Budgets	12,873	46,602	59,475	(45,463)	14,012
PCC:					
Office of the PCC	1,706	9	1,714	136	1,850
Fighting Crime	596	0	596	0	596
Victim and Domestic Abuse services	510	0	510	13	523
PCC Non-Devolved Budgets	5,672	(5,672)	0	22,929	22,929
Net Cost of Services	334,203	40,709	374,912	47,014	421,925
Other Income and Expenditure	0	(380,915)	(380,915)	113,434	(267,481)
(Surplus)/Deficit on provision of services	334,203	(340,206)	(6,003)	160,447	154,444
Opening General Fund Balance			(24,213)		
In-year deficit			(6,003)		
Closing General Fund Balance			(30,216)		

**Further details are shown in tables that follow*

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

The areas of responsibility covered by the budget holders under the Chief Constable changed from 1 April 2023. As a result of this change the figures for 2022/23 have been restated for comparability purposes. The table below show the changes to the figures reported in the 2022/23 accounts as a result of the change and shows that there is a net nil impact on Net Services.

	Outturn position as reported to management	Adjustments to arrive at net amount chargeable to Police General Fund*	Net expenditure chargeable to Police General Fund	Adjustments between the funding and accounting basis*	Net expenditure Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Chief Constable:					
Centralised Pay Budgets	0	0	0	25	25
Director of Resources	0	0	0	0	0
ACC-Territorial Ops	(850)	0	(850)	0	(850)
ACC Specialist OPs	5	0	5	0	5
ACC People	904	(274)	630	0	630
Deputy Chief Constable	(47)	0	(47)	0	(47)
Constabulary Non- Devolved Budgets	(12)	274	262	(25)	237
Net Cost of Services	(0)	0	(0)	0	(0)

PCC SINGLE ENTITY 2023/24

	Outturn position as reported to management	Adjustments to arrive at net amount chargeable to Police General Fund*	Net expenditure chargeable to Police General Fund	Adjustments between the funding and accounting basis*	Net expenditure Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Office of the PCC	1,721	(10)	1,712	39	1,751
Fighting Crime	779	(1,547)	(769)	0	(769)
Victim and Domestic Abuse services	560	(167)	393	5	397
PCC Non-Devolved Budgets	9,603	(31,178)	(21,575)	21,580	5
Funding provided to the CC	0	463,176	463,176	0	463,176
Income collected by the CC	0	(42,900)	(42,900)	0	(42,900)
Net Cost of Services	12,663	387,374	400,037	21,624	421,661
Other Income and Expenditure	0	(399,265)	(399,265)	(15,017)	(414,282)
Deficit on provision of services	12,663	(11,891)	772	6,607	7,379
Opening General Fund Balance			(30,216)		
In-year deficit			772		
Closing General Fund Balance			(29,444)		

**Further details are shown in tables that follow*

PCC SINGLE ENTITY 2022/23 (restated)

	Outturn position as reported to management	Adjustments to arrive at net amount chargeable to Police General Fund*	Net expenditure chargeable to Police General Fund	Adjustments between the funding and accounting basis*	Net expenditure Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Office of the PCC	1,706	1	1,706	136	1,843
Fighting Crime	596	(285)	311	0	311
Victim and Domestic Abuse services	510	0	510	13	523
PCC Non-Devolved Budgets	5,673	(28,195)	(22,522)	22,929	406
Funding provided to the CC	0	429,356	429,356	0	429,356
Income collected by the CC	0	(34,450)	(34,450)	0	(34,450)
Net Cost of Services	8,485	366,426	374,911	23,078	397,898
Other Income and Expenditure	0	(380,915)	(380,915)	(12,309)	(393,224)
Deficit on provision of services	8,485	(14,488)	(6,003)	10,768	4,765
Opening General Fund Balance			(24,213)		
In-year deficit			(6,003)		
Closing General Fund Balance			(30,216)		

**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.

PCC GROUP

2022/23 (restated)			2023/24		
Adjustments relating to other income & expenditure	Adjustments relating to transfers to & from reserves	Total Adjustments	Adjustments relating to other income & expenditure	Adjustments relating to transfers to & from reserves	Total Adjustments
£000	£000	£000	£000	£000	£000
0	0	0	Chief Constable		
465	(481)	(16)	Centralised Pay Budget	0	0
0	20	20	Chief Operating Officer	382	1,459
0	49	49	ACC Territorial Ops	0	72
0	(307)	(307)	ACC Crime	0	12
0	25	25	ACC Spec Uniform Ops	0	(1,194)
49,657	(3,055)	46,602	Deputy Chief Constable	0	(23)
			Constabulary Non-Devolved Budgets	56,000	(1,308)
			PCC		
0	9	9	Office of the PCC	0	(9)
0	0	0	Fighting Crime	0	(180)
0	0	0	Victim and Domestic Abuse services	0	(160)
(7,451)	1,779	(5,672)	PCC Non-Devolved Budgets	(13,045)	3,441
42,671	(1,962)	40,709	Net Cost of Services	43,337	1,728
(380,915)	0	(380,915)	Other Income & Expenditure	(399,265)	0
(338,244)	(1,962)	(340,206)	(Surplus)/Deficit on Provision of Services	(355,928)	1,728
					(354,200)

The areas of responsibility covered by the budget holders under the Chief Constable changed from 1 April 2023. As a result of this change the figures for 2022/23 have been restated for comparability purposes. The table below show the changes to the figures reported in the 2022/23 accounts as a result of the change and shows that there is a net nil impact on Net Services.

	Adjustments relating to transfers to & from reserves	Total Adjustments
	£000	£000
Chief Constable		
Centralised Pay Budget	0	0
Director of Resources	0	0
ACC - Territorial Ops	0	0
ACC - Crime	0	0
ACC - People	(274)	(274)
Deputy Chief Constable	0	0
Constabulary Non- Devolved Budgets	274	274

PCC SINGLE ENTITY

2022/23 (restated)				2023/24				
Adjs relating to other inc & exp	Adjs relating to transfers to & from reserves	Adjs relating to the funding of the CC	Total Adjs		Adjs relating to other inc & exp	Adjs relating to transfers to & from reserves	Adjs relating to the funding of the CC	Total Adjs
£000	£000	£000	£000		£000	£000	£000	£000
0	9	(8)	1	Office of the PCC	0	(9)	(0)	(10)
0	0	(285)	(285)	Fighting Crime	0	(180)	(1,367)	(1,547)
0	0	0	0	Victim and Domestic Abuse services	0	(160)	(7)	(167)
(29,974)	1,779	0	(28,195)	PCC Non-Devolved Budgets	(34,619)	3,441	0	(31,178)
0	0	429,356	429,356	Funding provided to the CC	0	0	463,176	463,176
0	0	(34,450)	(34,450)	Income collected by the CC	0	0	(42,900)	(42,900)
(29,974)	1,787	394,613	366,426	Net Cost of Services	(34,619)	3,092	418,901	387,374
(380,915)	0	0	(380,915)	Other Income & Expenditure	(399,265)	0	0	(399,265)
(410,888)	1,787	394,613	(14,488)	(Surplus)/Deficit on Provision of Services	(433,884)	3,092	418,901	(11,891)

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.

PCC GROUP

2022/23 (restated)					2023/24			
Adjs for capital purposes (Note A)	Net change for pensions adjs (Note B)	Other statutory adjs (Note C)	Total Statutory Adjs		Adjs for capital purposes (Note A)	Net change for pensions adjs (Note B)	Other statutory adjs (Note C)	Total Statutory Adjs
£000	£000	£000	£000		£000	£000	£000	£000
0	69,547	(148)	69,399	Centralised Pay Budgets	0	(6,798)	(974)	(7,772)
0	(45,455)	(8)	(45,463)	Constabulary Non-Devolved budgets	0	(55,775)	(52)	(55,828)
0	135	1	136	Office of the PCC	0	40	(0)	40
0	0	0	0	Fighting Crime	0	(0)	(0)	(0)
0	13	0	13	Victim and Domestic Abuse services	0	5	(0)	5
22,920	9	0	22,929	PCC Non-Devolved budgets	21,575	5	0	21,580
22,920	24,249	(156)	47,014	Net Cost of Service	21,575	(62,524)	(1,027)	(41,976)
(12,841)	125,798	476	113,434	Other income and expenditure from Expenditure and Funding Analysis	(15,336)	133,730	332	118,725
10,079	150,047	321	160,447	Difference between General Fund deficit and CIES Deficit on Provision of Services	6,238	71,206	(695)	76,749

NOTES TO THE ACCOUNTS

The areas of responsibility covered by the budget holders under the Chief Constable changed from 1 April 2023. As a result of this change the figures for 2022/23 have been restated for comparability purposes. The table below show the changes to the figures reported in the 2022/23 accounts as a result of the change and shows that there is a net nil impact on Net Services.

	Net change for pensions adjs (Note B)	Total Statutory Adjs
	£000	£000
Centralised Pay Budgets	25	25
Constabulary Non- Devolved budgets	(25)	(25)

PCC SINGLE ENTITY

2022/23 (restated)					2023/24			
Adjs for capital purposes (Note A)	Net change for pensions adjs (Note B)	Other differences (Note C)	Total Adjs		Adjs for capital purposes (Note A)	Net change for pensions adjs (Note B)	Other differences (Note C)	Total Adjs
£000	£000	£000	£000		£000	£000	£000	£000
0	135	1	136		Office of the PCC	0	40	(0)
0	13	0	13	Fighting Crime	0	0	0	0
0	0	0	0	Victim and Domestic Abuse services	0	5	(0)	35
22,920	9	0	22,929	PCC Non-Devolved budgets	21,575	5	0	21,580
22,920	157	1	23,078	Net Cost of Service	21,575	50	(0)	21,624
(12,841)	55	476	(12,309)	Other income and expenditure from Expenditure and Funding Analysis	(15,336)	(12)	332	(15,017)
10,079	212	477	10,768	Difference between General Fund deficit and CIES Deficit on Provision of Services	6,238	38	331	6,607

Note A – Adjustments for Capital Purposes

Adjustments for capital purposes –this column adds in depreciation, amortisation of intangible assets and revaluation gains and losses in the service lines and for:

- Other Operating Income and Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Also, any change in the fair value of assets held for sale is reflected in this note;
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted for those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note B - 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 C – 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;
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2022/23 (restated) £000	2023/24 £000
Expenditure		
Employee expenses	374,712	315,741
Other service expenses	64,689	71,333
Depreciation and amortisation	22,522	21,575
Revaluation losses	397	0
Interest expenses	127,532	136,556
Reduction in FV of assets held for sale	0	0
Write out of NCA sold in year	359	508
Impairment allowance	4	(3)
Total expenditure	590,216	545,709
Income		
Fees, charges and other service income	(20,993)	(23,137)
Interest and investment income	(1,486)	(2,316)
Income from council tax	(107,000)	(115,670)
Increase in FV of investment assets and assets held for sale	(196)	0
Receipts from sale of non-current assets	(468)	(426)
Government grants and contributions	(305,629)	(326,640)
Total Income	(435,772)	(468,188)
DEFICIT ON PROVISION OF SERVICES	154,444	77,521

The PCC's Single Entity expenditure and income is analysed by nature as follows:

	2022/23 (restated) £000	2023/24 £000
Expenditure		
Employee expenses	1,131	1,156
Other service expenses	7,500	7,916
Revaluation losses	397	0
Interest expenses	1,789	2,814
Reduction in FV of assets held for sale	0	0
Write out of NCA sold in year	359	508
Impairment allowance	4	(3)
PCC funding of CC	429,356	463,176
Total expenditure	440,537	475,567
Income		
Fees, charges and other service income	(20,993)	(23,137)
Interest and investment income	(1,486)	(2,316)
Income from council tax	(107,000)	(115,670)
Increase in FV of investment assets and assets held for sale	(196)	0
Receipts from sale of non-current assets	(468)	(426)
Government grants and contributions	(305,629)	(326,640)
Total Income	(435,772)	(468,188)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	4,765	7,379

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Accounting policies are set out in notes to the accounts. In applying the accounting policies, the PCC Group must make certain judgements about complex transactions or those involving uncertainty about future events.

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.

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

Balance Sheet (BS)	Recognised in PCC CIES	Recognised in CC CIES	Judgement
Interest payable/receivable	YES	NO	The PCC holds all cash balances, loans and investments. The CC does not hold a bank account and no cash transactions take place between the two bodies.
Property Plant and Equipment (including assets held for sale)	YES	NO	The PCC has legal title to long term assets, the power to determine whether the assets are sold and receives all the sales proceeds. The PCC controls the services provided through the long-term assets, who they are provided to, and controls the residual value at the end of the contractual arrangement. It is therefore considered that the PCC will receive the future benefits from the assets. The PCC charges the CC a fair value for the assets which reflects depreciation and impairment/valuation 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.

* 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

An adjustment for 22/23 has been made related to revision in the method of depreciation calculation for componentised buildings relating entirely to that year. The impact of this has either been included within previous year's figures for the affected financial statements/notes or opening balances for 23/24 have been adjusted and are disclosed within the notes.

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 2024 but not yet adopted by the Code:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

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

In addition to the above amendments a new standard IFRS 16 – Accounting treatment for Leases which was due to be introduced from 1st April 2020 but has now been deferred to 1st April 2024.

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

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

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

In terms of the recognition of right of use assets this is not expected to be material but at this stage cannot be fully identified due to workload pressures.

The position is currently being reviewed and a further update will be provided in next year's Statement of Accounts.

6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statement of accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the PCC Group balance sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	The valuers employed by the PCC provide valuations as at 31 March based on a 3-year rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.	Land & building valuations are compiled by an expert using recognised measurement techniques and based on professional guidance. The underlying data is considered to be reliable and the scope to use judgement and change assumptions limited. The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the PCC's assets are not materially misstated at the balance sheet date. At the balance sheet date of 31st March 2024 the value of property, plant and equipment was £252.4m. Any change in the useful lives of assets would impact on the depreciation charge and the carrying amount of the asset. It is estimated that the annual depreciation charge for property, plant and equipment would alter by £1.9m for every year that useful lives changed. The value of land & building assets which are subject to rolling revaluations was £218.2m at 31st March 2024. It is estimated that a 1% variance in valuations would change the value of those assets on the balance sheet by £2.2m and the depreciation charge to the CIES by £49k.

NOTES TO THE ACCOUNTS

Pensions Liability	The net liability to pay pensions is calculated every three years with annual updates in the intervening years. A firm of consulting actuaries (Mercer) is engaged to provide the PCC with expert advice about the assumptions to be applied. Changes to these underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Despite a period of relative stability, recently this volatility has increased again with the situation in Ukraine. The impact on asset values is reflected in the accounting figures. In relation to LGPS, the actuary calculated that the valuation resulted in a net asset of £162.027m, however under IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of: • The surplus in the defined benefit plan; and • The asset ceiling. The calculation has been completed by the actuary, and an adjustment has been made to reflect the asset ceiling which is nil.	The effects on the net pension liability of changes in individual assumptions can be measured. Included within the Defined Benefits Note 28 is a sensitivity analysis that looks at the impact on net pensions' deficit of each of the significant actuarial assumptions. For instance, a 1% reduction in the discount rate assumption would result in an increase in the pension liability of the PCC Group of around £0.484m. During 2023/24, the PCC's actuaries advised that the net pensions' liability for the Group had reduced by £17.063m (PCC Single Entity reduced by £0.016m) because of changes in financial assumptions and the effects of the asset ceiling. This included an increase of 0.1% in the discount rate of all schemes.
Pensions Assets	The value of the assets of the LGPS is dependent on a professional judgement based on information available at the time of making the valuation.	The total of property assets for the PCC Group as outlined in Note 28 is £55.828m (£0.855m for the PCC) (including Property held within Investment Funds). It should be noted that the proposed method of projecting from the previous valuation results is not as accurate as performing a full valuation at the disclosure date. However we have been advised by the actuary that a 1% increase in investment returns would result in an increase of £5.58m (£0.09m for the PCC) in the value of the Pensions Assets.

7. EVENTS AFTER THE BALANCE SHEET DATEAccounting Policy

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the statement of accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

The Statement of Accounts was authorised for issue by the PCC's CFO on 27 February 2025. Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

Where events taking place before this date provided information about conditions existing at 31st March 2024, 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 PCC 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 capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

GENERAL FUND BALANCE

The Police General Fund Balance is the statutory fund into which all receipts are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the PCC is statutorily empowered to spend on his services or on capital investment at the end of the financial year.

CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

CAPITAL GRANTS UNAPPLIED

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the conditions have been met that would otherwise require the repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2023/24

PCC GROUP	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to (or from) the Pensions Reserve)	(71,206)	0	0
• Council Tax (transfers to or from the Collection Fund Adjustment Account)	(332)	0	0
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	1,027	0	0
• Reversal of entries included in the deficit on provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(21,877)	0	(155)
Total Adjustments to Revenue Resources	(92,388)	0	(155)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	2,191	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	13,448	0	0
Total Adjustments between Revenue and Capital Resources	15,639	0	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	62
Total Adjustments to Capital Resources	0	0	62
Total Adjustments	(76,749)	0	(93)

PCC SINGLE ENTITY	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£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)	(38)	0	0
• Council Tax (transfers to or from the Collection Fund Adjustment Account)	(332)	0	0
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	1	0	0
• Reversal of entries included in the deficit on provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(21,877)	0	(155)
Total Adjustments to Revenue Resources	(22,230)	0	(155)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	2,191	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	13,448	0	0
Total Adjustments between Revenue and Capital Resources	15,639	0	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	62
Total Adjustments to Capital Resources	0	0	62
Total Adjustments	(6,607)	0	(93)

2022/23
(restated)

PCC GROUP	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£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)	(150,047)	0	0
• Council Tax (transfers to or from the Collection Fund Adjustment Account)	(476)	0	0
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	156	0	0
• Reversal of entries included in the deficit on provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(20,925)	0	(243)
Total Adjustments to Revenue Resources	(171,293)	0	(243)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3	(3)	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,535	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	10,554	0	0
Total Adjustments between Revenue and Capital Resources	12,092	(3)	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	0
Total Adjustments to Capital Resources	0	0	0
Total Adjustments	(160,447)	(3)	(243)

PCC SINGLE ENTITY	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£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)	(212)	0	0
• Council Tax (transfers to or from the Collection Fund Adjustment Account)	(476)	0	0
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	(1)	0	0
• Reversal of entries included in the deficit on provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(22,171)	0	(243)
Total Adjustments to Revenue Resources	(22,860)	0	(243)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3	(3)	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,535	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	10,554	0	0
Total Adjustments between Revenue and Capital Resources	12,092	(3)	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	0
Total Adjustments to Capital Resources	0	0	0
Total Adjustments	(10,768)	(3)	(243)

9. EARMARKED RESERVES

Accounting Policy

All usable reserves belong to the PCC. These include both revenue and capital usable reserves. The PCC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Police General Fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged against the relevant service line to score against the surplus/deficit on the provision of services in the CIES. The reserve is then appropriated back into the Police General Fund balance in the movement in reserves statement so that there is no net charge against council tax in the year that the expenditure is incurred.

Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police General Fund balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	2022/23			2023/24			
	Balance at 31/03/2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31/03/2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31/03/2024
<u>Earmarked Reserves:</u>	£000	£000	£000	£000	£000	£000	£000
Capital Funding Reserve	151	(11,216)	11,166	101	(10,750)	10,815	165
Confiscation & Forfeiture Reserve	286	(56)	159	389	(20)	196	565
Clothing Development Reserve	28	(229)	987	786	(147)	0	638
Vehicle Maintenance Reserve	8	0	0	8	0	0	8
POCA Equalisation Reserve	547	0	156	702	0	0	702
Transition Reserve	2,392	(663)	198	1,927	(2,594)	3,311	2,645
Operational Policing Reserve	1,691	0	0	1,691	0	0	1,691
Employers/Public Liability Reserve	685	0	0	685	0	0	685
Road Safety Reserves	2,633	(570)	407	2,470	(1,150)	400	1,721
Forensic Academy Reserves	165	0	36	202	0	22	224
Wellbeing Reserve	17	(17)	0	0	(0)	0	0
NWROCU Reserve	462	(462)	40	40	(1,185)	1,523	378
Council Tax Support Reserve	2,356	0	0	2,356	(2,356)	0	0
RDF Forensic Income Reserve	84	0	0	84	0	36	120
RDF Capital Funding Reserve	0	(100)	220	120	0	62	181
Catering Reserve	0	(6)	6	0	0	0	0
Total Earmarked Reserves	11,506	(13,320)	13,375	11,560	(18,203)	16,365	9,722

10. Unusable Reserves

Accounting Policy

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

PCC			PCC GROUP	
31-Mar-23	31-Mar-24		31-Mar-23	31-Mar-24
£000	£000		£000	£000
(102,128)	(114,749)	Revaluation Reserve (restated)	(102,128)	(114,749)
(66,487)	(62,184)	Capital Adjustment Account (restated)	(66,487)	(62,184)
0	183	Pensions Reserve	2,869,025	2,874,067
13	345	Collection Fund Adjustment Account	13	345
10	9	Accumulated Absences Account	8,801	7,775
(168,593)	(176,397)	Total Unusable Reserves	2,709,224	2,705,253

Revaluation Reserve

The revaluation reserve contains the gains made by the PCC arising from increases in value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

	PCC/PCC GROUP	
	31-Mar-23 £000	31-Mar-24 £000
Balance at 31 March		(101,760)
Adjustment written to Capital Adjustment Account		668
Adjustments to depreciation w/b from revised componentisation		(1,036)
Balance at 1 April	(88,791)	(102,128)
Upward revaluation of assets	(17,952)	(16,246)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,741	1,597
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	(15,211)	(14,649)
Difference between fair value depreciation and historical cost depreciation	2,242	2,014
Accumulated gains on disposed assets	0	14
Amount written off to the capital adjustment account	2,242	2,028
Balance at 31 March	(101,760)	(114,749)

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the PCC as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Assets and also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

	PCC/PCC GROUP	
	31-Mar-23 £000	31-Mar-24 £000
Balance at 31 March		(67,066)
Adjustment written from Revaluation reserve		(668)
Adjustments for additional depreciation from revised componentisation		1,246
Balance at 1 April	(73,903)	(66,487)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:		
Charges for depreciation and impairment of non-current assets	20,098	20,870
Revaluation (gains)/losses on property, plant and equipment	397	0
Amortisation of intangible assets	792	584
Revenue expenditure funded by capital under statute	386	120
Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	359	508
	22,033	22,082
Adjusting amounts written out of the revaluation reserve	(2,242)	(2,028)
Net written out amount of the cost of non-current assets consumed in the year	19,791	20,055
Capital financing applied in year:		
Use of the capital receipts reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the CIES that have been applied to capital financing	(670)	(50)
Application of grants to capital financing from the capital grant unapplied account	0	(62)
Statutory provision for the financing of capital investment charged against the General Fund balance	(1,535)	(2,191)
Capital expenditure charged against the General Fund balance	(10,554)	(13,448)
	(12,759)	(15,751)
Movement in the market value of investment properties and assets held for sale debited or credited to the CIES	(196)	0
Other adjustments	0	0
Balance at 31 March	(67,066)	(62,184)

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 PCC and PCC Group account 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 PCC makes the employer's contributions to the pension funds or eventually pays any pensions for which he is directly responsible. 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.

PCC			PCC GROUP	
31-Mar-23	31-Mar-24		31-Mar-23	31-Mar-24
£'000	£'000		£'000	£'000
1,996	0	Balance at 1 April	4,548,983	2,869,025
	0	Adjustments to Opening Balance to match Actuary report balances for 23/24		308
(2,208)	145	Re-measurements of the net defined benefit (liability)/ asset	(1,830,005)	(66,473)
320	123	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	254,508	187,153
(108)	(85)	Employer's pensions contribution and direct payments to pensioners payable in the year	(104,461)	(115,947)
0	183	Balance at 31 March	2,869,025	2,874,067

Collection Fund Adjustment Account

The collection fund adjustment account manages the difference arising from the recognition of council tax income in the CIES as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the Police General Fund from the collection fund.

	31-Mar-23	31-Mar-24
	£'000	£'000
Balance at 1 April	(463)	13
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	476	332
Balance at 31 March	13	345

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.

PCC			PCC GROUP	
31-Mar-23	31-Mar-24		31-Mar-23	31-Mar-24
£000	£'000		£'000	£'000
8	10	Balance at 1 April	8,957	8,801
(8)	(10)	Settlement or cancellation made at the end of the preceding year	(8,957)	(8,801)
10	9	Amounts accrued at the end of the current year	8,801	7,775
2	0	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(156)	(1,027)
10	9	Balance at 31 March	8,801	7,775

Notes to the Comprehensive Income and Expenditure Statement

11. Other operating income and expenditure

	2022/23	2023/24
	£000	£000
Loss/(Gain) on the disposal of non-current assets	(109)	119
Changes in fair value of assets held for sale	0	0
Total	(109)	119

12. Financing and investment income and expenditure

PCC			PCC GROUP	
2022/23	2023/24		2022/23	2023/24
£000	£000		£000	£000
1,734	2,826	Interest payable and similar charges	1,734	2,826
(1,486)	(2,316)	Interest receivable and similar income	(1,486)	(2,316)
55	(12)	Net interest on the defined benefit pensions liability	125,798	133,730
(196)	0	Changes in fair value of investment properties	(196)	0
4	(3)	Impairment Allowance	4	(3)
112	495	Total	125,855	134,237

13. Taxation and non-specific grant income

Collection Fund Accounting Policy

To reflect that billing authorities act as agents for major preceptors in collecting their share of council tax, council tax transactions and balances will be allocated between billing authorities and major preceptors. Thus, the risks and rewards that the amount of council tax collected could vary from that predicted will be shared proportionately by the billing authorities and major preceptors. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund shall be taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement. A debtor/creditor position between billing authorities and major preceptors is required to be recognised for the cash collected by the billing council from council tax debtors that belongs proportionately to the billing authorities and the major preceptors. This is because the net cash paid to each major preceptor in the year will not be its share of cash collected from council taxpayers. The effect of any bad debts written off or movement in the impairment provision are also shared proportionately.

Taxation and non-specific grant income included in the CIES is as follows:

	2022/23	2023/24
	£000	£000
Council tax income	(107,000)	(115,670)
Non ring-fenced government grants	(232,549)	(239,927)
Capital grants and contributions	(912)	(205)
Funding for Additional Employer Pension Contributions	(3,104)	(3,104)
Home Office Pension Grant	(49,661)	(55,991)
Total	(393,227)	(414,896)

14. Government grants and contributions

Accounting Policy

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the PCC/PCC Group when there is reasonable assurance that the Group will comply with the conditions attached to the payments, and the grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants and contributions) or taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the Police General Fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

The PCC/PCC Group credited the following grants and contributions to the CIES in 2023/24:

	2022/23 £000	2023/24 £000
Credited to Taxation and Non-Specific Grant Income:		
Police Grant	(230,767)	(239,927)
Capital Grant and contributions	(912)	(205)
Home office grant funding for Police Officer Pay Increase	(1,782)	0
Home Office grant payable towards the cost of retirement benefits	(49,661)	(55,991)
Home Office funding for additional employer's pension contributions	(3,104)	(3,104)
Total	(286,226)	(299,226)
Credited to Services:		
Counter Terrorism	(2,658)	(2,925)
Ministry of Justice Victims Funding	(4,200)	(4,180)
Funding for Additional Police Officers	(4,536)	(9,720)
Serious Violence Funding	(895)	(890)
Violence Reduction Unit Funding	(2,024)	(1,527)
Serious Violence	0	(346)
Hotspot Response	0	(1,033)
Share of grant funding received by lead forces in collaboration arrangements	(458)	(550)
Domestic Abuse Matters	0	(124)
National Well Being	(2,162)	(1,934)
Cyber Force - Build	(160)	(182)
Robotic Process Automation Pilot	0	(1,149)
Software Licence Costs	0	(509)
Project Adder	(572)	(352)
DBS	(1,002)	(1,178)
Safer Streets	0	(465)
Operation Palisade	(257)	0
Operation Narvik	(11)	0
Other small grants & contributions	(468)	(350)
Total	(19,403)	(27,413)

15. Capital Charges and Fair Value Charge to Chief Constable

All assets (land, buildings, equipment etc.) are owned by the PCC. Therefore, the costs of ownership for these assets, such as depreciation, are initially charged to the PCC's statement of accounts. However, it is necessary to reflect the fact that the CC has had use of these assets during 2023/24. Using the principle of 'substance over form', a fair value proxy cost will be included in the CC's CIES to reflect the utilisation of the PCC- owned fixed assets which mirrors depreciation of property, plant and equipment, amortisation of intangible assets and impairment from obsolescence or physical damage.

The following transactions have been made in the PCC's cost of service relating to the movement in balance sheet value of the PCC's property plant and equipment.

	2022/23 (restated) £000	2023/24 £000
Depreciation of PPE	21,343	20,870
Amortisation of intangible assets	792	584
Revenue expenditure funded by capital under statute	386	120
Fair value recharge to CC to reflect his use of the assets to deliver the policing service	(22,522)	(21,575)
Revaluation losses	397	0
Total charges in respect of property, plant and equipment & intangible assets	397	0

Revaluation gains and losses remain with the PCC as they are not deemed to reflect cost of use but are more a reflection of the economic conditions, which should remain with the PCC.

16. 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 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:

2022/23 (restated)		2023/24
£000		£000
579,034	Provision of services deficit in CC CIES prior to PCC funding	533,319
(254,188)	Adjustment for net IAS19 pensions charges included in cost of service but funded by CC pensions reserve	(187,030)
104,353	Replace with actual employer contribution funded by PCC	115,861
157	Adjustment for movement in accumulated absence accrual funded by CC accumulated absence reserve	1,026
429,356	PCC funding for PCC resources consumed at the request of the CC	463,176
	Consisting of:	
22,522	Fair value adjustment for CC consumption of PCC property & equipment	21,575
406,834	Other resources	441,601
429,356	Total PCC resources consumed at the request of the CC	463,176

17. 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 to the Group. 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 PCC Group 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 on an accruals basis to surplus or deficit on the provision of services in the CIES at the earlier of when the PCC Group can no longer withdraw the offer of those benefits or when the PCC Group recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police General Fund balance to 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 employees of the Office of the PCC and the PCC group as a whole is as follows:

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

Senior Officers and Relevant Police Officers 2023-24

Post Holder Information (Post title only)	Notes	Salary (including allowances) £	Bonus £	Expenses Allowances £	Compensation for loss of employment £	Benefits in Kind £	Total Remuneration excl. Pensions Contributions £	Employers Pensions Contributions £	Total Remuneration £
<u>OFFICE OF THE PCC</u>									
Police and Crime Commissioner		88,600					88,600	10,632	99,232
Deputy Police and Crime Commissioner		11,094					11,094	0	11,094
Chief Executive		110,043					110,043	12,432	122,475
Chief Finance Officer - s151 officer		81,544					81,544	9,785	91,330
Head of Governance and Accountability		55,273					55,273	6,633	61,906
Head of Communications and Engagement		50,298					50,298	6,036	56,334
Chief Constable A - C Rowley	Note 1	182,520					182,520	55,567	238,087
Chief Constable B - S Hatchett	Note 1	15,886					15,886	4,897	20,783
Deputy Chief Constable B - S Hatchett	Note 2	135,084					135,084	41,903	176,987
Deputy Chief Constable C - S Mackenzie	Note 2	13,136					13,136	4,046	17,182
Assistant Chief Constable - Crime C	Note 3	105,924		2,453			108,377	32,862	141,239
Assistant Chief Constable - Crime D	Note 3	9,590		103			9,693	2,972	12,665
Assistant Chief Constable - Crime E	Note 4	4,495		613			5,108	689	5,797
Assistant Chief Constable - Territorial Operations F	Note 5	94,915		2,885			97,800	27,483	125,283
Assistant Chief Constable - Territorial Operations G	Note 5	26,603		187			26,789	8,190	34,979

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

Assistant Chief Constable - Specialist Operations H	Note 6	88,339					88,339	26,769	115,108
Assistant Chief Constable - Specialist Operations F	Note 6	30,446					30,446	9,288	39,734
Chief Operating Officer		126,068				6,215	132,283	19,288	151,571
Chief Finance Officer - s151 Officer		91,474					91,474	13,996	105,470
Assistant Chief Constable - Regional Collaboration Lead	Note 7	55,215		3,167			58,382	15,980	74,362

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

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

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

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

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

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

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

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

Senior Officers and Relevant Police Officers 2022-23

Post Holder Information (Post title only)	Notes	Salary (including allowances) £	Bonus £	Expenses Allowance s £	Compensation for loss of employment £	Benefits in Kind £	Total Remunerations excl. Pensions Contributions £	Employers Pensions Contribution s £	Total Remuneratio n £
OFFICE OF THE PCC									
Police and Crime Commissioner		88,442					88,442	12,647	101,089
Deputy Police and Crime Commissioner		10,134					10,134	0	10,134
Chief Executive		104,750					104,750	14,094	118,845
Chief Finance Officer - s151 officer		78,536					78,536	11,231	89,767
Head of Governance and Accountability		52,653					52,653	7,529	60,183
Procurement and Commissioning Lead		10,552			65,263		75,815	1,250	77,065
Head of Communications and Engagement		47,914					47,914	6,852	54,766
LANCASHIRE CONSTABULARY									
Chief Constable - C Rowley		174,696					174,696	53,142	227,838
Deputy Chief Constable		141,612					141,612	43,900	185,512
Assistant Chief Constable - Crime A	Note 1	113,068		10,898			123,966	34,401	158,367
Assistant Chief Constable - Crime B	Note 1	14,078		1,111			15,189	4,276	19,465
Assistant Chief Constable - Territorial Operations		112,815		10,689			123,504	28,786	152,290
Assistant Chief Constable - Specialist Operations		120,330					120,330	37,302	157,632
Chief Operating Officer		110,752		20,406		4,092	135,249	16,945	152,194

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

Chief Finance Officer - s151 Officer		72,674					72,674	11,119	83,793
Assistant Chief Constable - Regional Collaboration Lead	Note 2	123,476		11,420			134,895	37,632	172,527
Senior National Co-ordinator	Note 3	118,261		8,261			126,522	0	126,522

Note 1 - Post covered by two officers during the year. A - 1st April 2022 to 31st March 2023, with post holder retiring 7th April 2023. B - 13th February 2023 to 31st March 2023, who has continued in post

Note 2 - Costs of post are recharged across the six Regional North-West Forces (Merseyside, GMP, Cheshire, Cumbria, North Wales and Lancashire)

Note 3 - Senior National coordinator is seconded to the Metropolitan Police Service. Remuneration costs are reimbursed by MPS. Transferred to another force on 31/12/2022

The PCC group employed an estimated 5950 full time equivalents during 2023/24 (5900 in 2022/23). 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):-

	2022/23			2023/24		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£125,000 - £129,999	1	0	1	0	0	0
£120,000 - £124,999	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
£105,000 - £109,999	0	0	0	0	0	0
£100,000 - £104,999	0	0	0	2	0	2
£95,000 - £99,999	2	0	2	3	0	3
£90,000 - £94,999	7	0	7	8	0	8
£85,000 - £89,999	6	2	8	7	0	7
£80,000 - £84,999	5	0	5	10	3	13
£75,000 - £79,999	9	1	10	5	4	9
£70,000 - £74,999	7	3	10	14	1	15
£65,000 - £69,999	16	2	18	51	3	54
£60,000 - £64,999	83	3	86	149	7	156
£55,000 - £59,999	213	12	225	255	8	263
£50,000 - £54,999	403	15	418	535	29	564
Total	752	38	790	1039	55	1094

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 no 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 for the PCC Group, 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:

The table below is for exit packages included in the above note that relate to the Office of the PCC for 2023/24.

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20,000	1	11	£90,164
£20,001 - £40,000	1	1	£69,647
£40,001 - £60,000	0	0	£0
£60,001 - £80,000	0	0	£0
£80,001 - £100,000	0	0	£0
£100,001 - £150,000	0	0	£0
£150,001 - £200,000	0	0	£0
Total	2	12	£159,810

PCC:

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20,000	0	1	£7,761
£20,001 - £40,000	0	0	£0
£40,001 - £60,000	0	0	£0
£60,001 - £80,000	0	0	£0
£80,001 - £100,000	0	0	£0
£100,001 - £150,000	0	0	£0
£150,001 - £200,000	0	0	£0
Total	0	1	£7,761

2022/23 Comparators:

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20,000	2	8	£80,109
£20,001 - £40,000	1	1	£65,535
£40,001 - £60,000	1	0	£43,189
£60,001 - £80,000	1	0	£70,149
£80,001 - £100,000	0	0	£0
£100,001 - £150,000	0	0	£0
£150,001 - £200,000	0	0	£0
Total	5	9	£258,982

PCC:

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20,000	0	1	£6,387
£20,001 - £40,000	0	0	£0
£40,001 - £60,000	0	0	£0
£60,001 - £80,000	0	0	£0
£80,001 - £100,000	0	0	£0
£100,001 - £150,000	0	0	£0
£150,001 - £200,000	0	0	£0
Total	0	1	£6,387

Balance Sheet Notes

18. Property, Plant and Equipment

Accounting Policies

Physical assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment in excess of £15,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the PCC Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

For assets that are purchased they are initially recognised at cost. The cost comprises:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be operational.

Assets that are being constructed by the PCC Group will initially be recognised at cost. Only those costs that can be directly attributable to bringing the asset into operation will be capitalised. The PCC does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the PCC and PCC Group balance sheets using the following measurement bases:

- assets under construction – historical cost
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets, principally furniture, equipment and vehicles that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

All assets held on a valuation basis, as determined by the code of practice, have been reviewed within a three-year period by RICS qualified surveyors at Aspin & Co to ensure that the carrying amounts are not materially different from fair value at the balance sheet date. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains unless the gain reverses a loss previously charged to a service. In this case the gain up to the amount of the loss will be credited to the CIES.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. The revaluation reserve was created with effect from 1 April 2007 with a zero opening balance. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. No impairments were identified in 2023/24.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles and IT equipment, - straight line basis over lives which are assessed individually by professional staff within the Constabulary.
- furniture and equipment other than IT equipment is depreciated over 10 years, unless it is known that a different period is required.

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

Property and property components:

- Under 10 years
- 10-14 years
- 15-19 years
- 20-29 years
- 30-39 years
- 40-49 years
- 50 years and over

Depreciation is based on the lower limit. Properties over 50 years are depreciated over a 50 year life, while properties under ten years are depreciated based on an assessment of their actual life. The lives of vehicles, IT assets and intangibles such as software licences are assessed individually by professional staff within the Constabulary. Furniture and equipment other than computer equipment is depreciated over 10 years, unless it is known that a different period is required.

Where an item of property, plant and equipment asset has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately. In considering whether there is a component the policy followed is:

- *The land element will continue to be considered as a separate asset with its own valuation which, are not subject to depreciation;*
- The asset will be reviewed and any part of the asset which can be identified as a self-contained building will be subject to a separate valuation and asset life. This will ensure that any part of the overall asset which is not of the same construction quality has a specific use and/or economic life identified;
- For any building with a value above £1m consideration will be given as to whether there is any significant part which requires a separate component. This will take into consideration whether there is any aspect of the construction, such as roof, windows, services or any specialist item which has a substantially different asset life. For the purpose of this exercise it is considered that an element that represents more than 25% of the valuation is considered significant;
- Any equipment which is a fixture of the building will be included within the overall asset valuation. There will be a separate valuation if it is likely to exceed 25% of the property value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the capital receipts reserve and can then only be used for new capital investment or be set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the Police General Fund balance in the movement in reserve statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the General Fund balance in the movement in reserve statement.

Charges to Revenue for Non-Current Assets

The PCC and PCC Group CIES are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated
- Gains in the revaluation reserve against which the losses can be written off;
- Amortisation of intangible non-current assets attributable to the service.

The PCC is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, he is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance; this is known as the minimum revenue provision (MRP). Depreciation, impairment and revaluation losses and amortisations are therefore reversed to the capital adjustment account via the movement in reserves statement and replaced by the MRP.

Movements in 2023/24

	Land and Buildings	Vehicles & ICT equipment	Furniture & Equipment	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2023	213,027	52,336	0	3,158	268,521
Adjustments	0	(12,719)	11,625	686	(408)
Restated Opening Balance	213,027	39,617	11,625	3,844	268,113
Additions	796	10,292	317	7,613	19,018
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	0	0	0	0	0
Revaluation increase/(decrease) recognised in the revaluation reserve.	4,392	0	0	0	4,392
Reclassification/Capitalisation	0	848	0	(848)	0
De-recognition on disposals	0	(8,828)	(893)	0	(9,720)
At 31 March 2024	218,216	41,929	11,050	10,609	281,803

Accumulated Depreciation & Impairment					
At 1 April 2023	(1,765)	(27,394)	0	0	(29,159)
Adjustments	(185)	5,410	(5,027)	0	198
Restated Opening Balance	(1,950)	(21,983)	(5,027)	0	(28,960)
Depreciation charge	(11,051)	(8,661)	(1,158)	0	(20,870)
Depreciation written out to revaluation reserve	10,256	0	0	0	10,256
Depreciation written out to surplus/deficit on the provision of services	0	0	0	0	0
De-recognition on disposals	0	8,331	885	0	9,216
At 31 March 2024	(2,745)	(22,314)	(5,300)	0	(30,358)

Net Book Value					
At 31 March 2024	215,471	19,615	5,750	10,609	251,445
At 31 March 2023 (restated)	211,077	17,634	6,598	3,844	239,153
At 31 March 2023	211,262	24,942	0	3,158	239,363

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

	Land and Buildings	Vehicles & ICT equipment	Furniture & Equipment	Assets under Construction	Total
Transfer for F&E balance as at 31/3/23		(11,625)	11,625		0
Transfer of Vehicles AUC as at 31/3/23		(686)		686	0
Correction of balances for vehicles previously revalued		(408)			(408)
Total adjustments to Asset cost	0	(12,719)	11,625	686	(408)

Transfer for F&E balance as at 31/3/23		5,027	(5,027)		0
Correction of balances for vehicles previously revalued		408			408
Adjustment for depreciation charged on vehicles due to change in policy on charging depreciation from date of addition		(25)			(25)
Revised Componentisation charge for 22/23 as highlighted in the 22/23 Audit Findings report of unadjusted errors	(1,221)				(1,221)
Reversal of the above componentisation charge on properties that were revalued in 22/23	1,036				1,036
Total adjustments to Accumulated Depreciation	(185)	5,410	(5,027)	0	198
Impact to NBV of Asset Categories	(185)	(7,308)	6,598	686	(210)

Movements in 2022/23:

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2022	203,699	44,298	2,192	250,188
Adjustments		4,743		4,743
Restated Opening Balance	203,699	49,041	2,192	254,931
Additions	2,140	10,756	967	13,862
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(425)	0	0	(425)
Revaluation increase/(decrease) recognised in the revaluation reserve.	7,614	0		7,614
Reclassification	0		0	0
De-recognition on disposals	0	(7,462)		(7,462)
At 31 March 2023	213,027	52,336	3,158	268,521

Accumulated Depreciation & Impairment				
At 1 April 2022	(46)	(18,999)	0	(19,045)
Adjustments		(4,743)		(4,743)
Restated Opening Balance	(46)	(23,742)	0	(23,788)
Depreciation charge	(9,341)	(10,756)		(20,098)
Depreciation written out to revaluation reserve	7,594	2		7,597
Depreciation written out to the surplus/deficit on the provision of services	28			28
De-recognition on disposals	0	7,102		7,102
At 31 March 2023	(1,765)	(27,394)	0	(29,159)

Net Book Value				
At 31 March 2023	211,262	24,942	3,158	239,363
At 31 March 2022 (restated)	203,653	25,299	2,192	231,144
At 31 March 2022	203,653	25,299	2,192	231,144

Adjustments for Vehicles, Plant, Furniture & Equipment had no effect on the Net Book value of the assets.

Capital Commitments

At 31 March 2024 the PCC Group has entered a number of capital contracts in respect of expenditure to be incurred in 2024/25 and future years, budgeted to cost £5.606m. Similar commitments at 31 March 2023 were £3.6m.

Effects of Changes in Estimates

In 2023/24 the PCC made no material changes to its accounting estimates for property, plant and equipment.

Revaluations

The PCC Group carries out a rolling three-year programme that ensures that all property, plant and equipment required to be measured at current value is re-valued sufficiently regularly to ensure that the carrying amount is not materially different from current value at the balance sheet date. Revaluations in 2023/24 were carried out by RICS qualified surveyors from Aspin and Company Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Where non-property assets, principally furniture, equipment and vehicles that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value and these are not therefore subject to revaluation.

The following table shows the progress of the PCC Group's rolling programme for the revaluations of property plant and equipment.

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets under Construction	Total
	£000	£000	£000	£000
Carried at historical cost	0	52,979	10,609	63,588
Valued at current value at:				
31-Mar-24	175,896	0	0	175,896
31-Mar-23	21,176	0	0	21,176
31-Mar-22	21,123	0	0	21,123
31-Mar-21	1	0	0	1
31-Mar-19	21	0	0	21
Total Cost or valuation as at 31st March 2024	218,216	52,979	10,609	281,804

19. Capital Expenditure and Financing

Accounting Policy - Government Grants and Contributions

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the PCC Group, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the PCC Group that has yet to be financed. The CFR is analysed in the second part of this note.

	2022/23 £000	2023/24 £000
Opening Capital Financing Requirement	72,227	73,996
Capital Investment		
Property, plant and equipment	13,862	19,018
Investment Property	0	0
Intangible assets	279	876
Revenue expenditure funded by capital under statute	386	120
Sources of finance		
Capital receipts	0	0
Government grants & other contributions	(670)	(112)
Direct revenue contributions	(10,554)	(13,448)
Minimum Revenue Provision	(1,535)	(2,191)
Closing Capital Financing Requirement	73,996	78,259
Explanation of movements in year		
New Borrowing required in year	3,304	6,454
MRP applied in year	(1,535)	(2,191)
Increase/(decrease) in Capital Financing Requirement	1,769	4,263

20. Debtors

PCC			PCC Group	
31-Mar-23	31-Mar-24		31-Mar-23	31-Mar-24
£000	£000		£000	£000
		Debtors comprise:		
13,311	16,027	Trade debtors	13,311	16,027
8,753	9,244	Share of council tax debtors	8,753	9,244
2,649	2,847	Tax & Social Security	2,649	2,847
11,216	16,844	Police Pension Grant	11,216	16,844
31	19	Other debtors	31	19
0	12,784	Intragroup debtor	0	0
35,959	57,766	TOTAL	35,959	44,982

Debtors are reported net of impairment allowance. Billing authorities have confirmed that all overdue council tax debt is considered for impairment.

21. Creditors

PCC			PCC Group	
31-Mar-23	31-Mar-24		31-Mar-23	31-Mar-24
£000	£000		£000	£000
		Creditors comprise:		
16,602	17,319	Trade creditors	16,602	17,319
8,766	9,589	Share of council tax creditors	8,766	9,589
214	666	Tax & social security	5,298	6,350
4,027	5,290	Monies held on account	4,027	5,290
223	138	Other Entities and Individuals	11,358	11,341
7,426	0	Intragroup Creditor		
37,258	33,003	TOTAL	46,050	49,890

Included in the Monies held on account figure is an amount of £4.981m (£3.736m at 31st March 2023) representing Seized Funds held awaiting conclusion on investigations which determine the outcome for the seized funds.

It has been determined that the Trade Creditors and Monies held on account meet the definition of Financial Liability and the total of £22.610m (£20.629m as 31st March 2023) is shown in the Financial Instruments table within Note 27 on Page 74.

22. Payments in Advance

31-Mar-23	PCC Group/PCC		31-Mar-24
£000			£000
	Comprises		
7,135	Pensions		7,630
4,284	ICT Costs		4,462
462	Miscellaneous Costs		207
11,881	Total		12,298

23. Cash and Cash Equivalents

Accounting Policy

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

The balance of cash and cash equivalents is made up of the following elements:

	31-Mar-23	31-Mar-24
	£000	£000
Cash held	106	95
Bank current accounts	3	8
Short-term deposits under three months	43,767	9,497
TOTAL	43,876	9,599

Included in the Cash & Cash Equivalents Balance for 23/24 is £4.981m (this was £3.736m for 22/23) related to Seized Cash held awaiting conclusion on investigations which will determine the outcome for the seized funds.

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

PCC			PCC GROUP	
2022/23 (restated)	2023/24		2022/23 (restated)	2023/24
£000	£000		£000	£000
(21,741)	(20,870)	Depreciation, impairments and downward valuations	(21,741)	(20,870)
(792)	(584)	Amortisation	(792)	(584)
(13,571)	4,291	Net (increase)/decrease in revenue creditors	(5,767)	(3,804)
11,066	22,249	Net increase/(decrease) in revenue debtors	11,831	9,465
150	211	Increase/(decrease) in inventories	150	211
(212)	145	Pension liability	(158,461)	(49,118)
485	875	Contributions from provisions	485	875
(359)	(508)	Carrying amount of non-current assets sold	(359)	(508)
0	0	Movement in value of assets held for sale	0	0
196	0	Movement in value of investment property	196	0
(24,780)	5,810	Total	(174,458)	(64,333)

25. Cash Flow Statement – Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

PCC/PCC GROUP		
	2022/23 £000	2023/24 £000
Capital grants and contributions credited to (surplus)/deficit on provisions of services	912	205
Proceeds from sale of PPE	3	0
Total	916	205

26. Cash Flow Statement – Investing Activities

PCC/PCC GROUP		
	2022/23 £000	2023/24 £000
Purchase of property, plant and equipment, investment property and intangible assets	15,047	19,894
Proceeds from sale of property, plant and equipment, investments property and intangible assets	(3)	0
Purchase of short-term investments	10,000	25,000
Proceeds from disposal of short-term investments	(10,000)	(25,000)
Other receipts from investing activities	(912)	(230)
Net cash outflows/(inflows) from investing activities	14,132	19,664

27. Cash Flow Statement – Cash Flows from Financing Activities

PCC/PCC GROUP		
	2022/23 £000	2023/24 £000
Cash repayment of short and long term borrowing	25,922	36,218
Cash receipt of long and short term borrowing	(48,000)	(35,000)
Total cash outflows from financing activities	(22,078)	1,218

28. Financial Instruments

Accounting Policy

Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability in another entity. Non-exchange transactions, such as those relating to taxes and government grants do not give rise to a financial instrument.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the PCC and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the PCC.

All the PCCs financial liabilities held during the year are measured at amortised cost and comprised:

- long term loans from the Public Works Loans Board;
- short term loans from other local authorities;
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the PCC that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the PCC.

Financial assets should be classified and measured at fair value, with changes in fair value recognised in the profit and loss as they arise (FVPL), unless specific criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income (FVOCI).

All the financial assets held by the PCC during the year are all held under the classification of amortised cost (where cash flows are solely payments of principal and interest and the PCCs business model is to collect those cash flows) comprising:

- cash in hand;
- bank current account held with Nat West Bank;
- surplus cash balances held on call with Lancashire County Council;
- trade receivables for goods and services provided.

Expected Credit Loss Model

The PCC recognises expected credit losses on its financial assets held at amortised cost (subject to materiality) either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed based on 12-month expected losses.

Lifetime losses are recognised for trade receivables (debtors) held by the PCC, where material.

The Code confirms that local authorities must not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default. As surplus cash balances are swept from the bank current account daily into a call account with the County Council no loss allowance is recognised for this financial asset.

Fair Values

All Financial instruments are carried in the balance sheet at amortised cost as the PCC's business model is to hold investments to collect contractual cash flows. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, using the following methods and assumptions:

- Loans borrowed by the PCC have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans;
- The fair values of long-term loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2024;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1	Derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
Level 2	Calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
Level 3	Determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The following categories of financial instruments are carried in the Balance Sheets of the PCC and the Group:-

Long Term		Short Term			Long Term		Short Term	
PCC	Group	PCC	Group		PCC	Group	PCC	Group
31-Mar-23	31-Mar-23	31-Mar-23	31-Mar-23		31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24
£000	£000	£000	£000		£000	£000	£000	£000
				Assets at amortised cost				
0	0	109	109	Financial Assets at Amortised Cost	0	0	102	102
0	0	43,767	43,767	Fair Value through profit and loss	0	0	9,497	9,497
0	0	43,876	43,876	Total Cash and Cash Equivalents	0	0	9,599	9,599
				Debtors				
0	0	13,311	13,311	Financial Assets at Amortised Cost	0	0	16,027	16,027
0	0	22,648	22,648	Non Financial Instruments debtors	0	0	28,954	28,954
0	0	35,959	35,959	Total Debtors	0	0	44,982	44,982
0	0	79,834	79,834	Total All Financial Assets	0	0	54,581	54,581
				Borrowings				
-15,022	-15,022	-35,043	-35,043	Financial Liabilities at Amortised Cost	-5,000	-5,000	-45,022	-45,022
-42,363	-42,363	-1,175	-1,175	Financial Liabilities at Amortised Cost - PWLB	-40,888	-40,888	-1,475	-1,475
-57,384	-57,384	-36,218	-36,218	Total Borrowings	-45,888	-45,888	-46,497	-46,497
				Creditors				
0	0	-20,629	-20,629	Financial Liabilities at Amortised Cost	0	0	-22,610	-22,610
0	0	-25,421	-25,421	Non financial instruments creditors	0	0	-27,280	-27,280
0	0	-46,050	-46,050	Total Short Term Creditors	0	0	-49,890	-49,890
-57,384	-57,384	-82,268	-82,268	Total All Financial Liabilities	-45,888	-45,888	-96,387	-96,387

Income, Expense, Gains and Losses

Gains and Losses on Financial Instruments

The gains and losses during 2023/24 on financial instruments, i.e. the borrowings and investments detailed above, which have been recognised in the deficit on the provision of services in the CIES, are as shown in the following table.

PCC Group/PCC	2022/23 £000	2023/24 £000
Interest expense	1,701	2,804
Total Interest payable	1,701	2,804
Interest income	1,486	2,316
Total interest receivable	1,486	2,316

Exposure to Risk in Financial Instruments

There is some risk attached to our holdings of and transactions in financial instruments. The following sections show how we quantify, where possible, and control our exposure to the three main elements of financial risk. These are credit risk, liquidity risk and market risk.

Credit Risk – Trade Receivables

Counterparty credit risk is the risk that a counterparty will be unable to meet its obligations and repay monies owed to the PCC. The risk arises from deposits with banks and financial institutions, as well as credit exposures to the organisation's customers.

Regarding financial institutions, the risk is minimised through the annual investment strategy, which requires that deposits are not made with an institution unless it meets identified minimum credit criteria, as laid down by the three main credit rating agencies. The strategy also imposes a maximum sum and duration with which the PCC can be invested in an institution depending upon the quality of credit rating.

During the 2023/24 financial year the PCC's balances were invested with Lancashire County Council so that the investment portfolio maintained a very high AA- credit rating.

The following analysis summarises the PCCs trade receivables by due date. Only those receivables meeting the definition of financial assets are included.

PCC GROUP/PCC	31-Mar-23 £000	31-Mar-24 £000
Neither past due nor impaired	12,263	14,628
Past due < 3 months	705	830
Past due 3 – 6 months	127	320
Past due 6 – 12 months	61	78
Past due 12+ months	80	96
Individually impaired	74	75
TOTAL RECEIVABLES	13,311	16,027

Receivables are considered to be in credit risk where they are 60 days or more past due and they are determined to be credit impaired where they are 90 days or more past due. They are collectively assessed for credit risk and the requirement for an impairment loss allowance has been assessed by reference to the PCC's historic experience of ultimate default across the following categories:

- Public Sector – debt has been excluded from this assessment as there are statutory provisions in place to prevent default;
- Football – whilst, a three year average of £14k has been identified as being credit impaired, the amount of debt ultimately written off over that period is nil hence no impairment allowance is considered necessary;
- Individual legal, court costs awarded – the value of debt in default, excluding the cases where successful instalments are being collected, amounts to £49k at 31 March 2024. Provision has been made to 100% of this debt.
- Private Sector and Individual debt – the expected requirement for loss allowance has been assessed at £24k. Provision has been made to 100% of this debt.

Liquidity Risk

Liquidity risk is the danger that, at any time, we will have insufficient funds in our bank account to make the payments necessary to meet our financial obligations. We must manage our financial liabilities and assets in such a way as to mitigate this risk.

In managing our financial liabilities, we seek to achieve a maturity pattern of our borrowings which will ensure that there are no heavy concentrations of maturities in any one year. In fact, the risk is more of a price risk than a liquidity risk as we can always secure replacement loans from the PWLB or other market sources but would not want to replace too large a proportion of our loans at a time of high interest rates.

The maturity profile of our debt is shown in the table below. This illustrates the spread of maturities into the future and how we have avoided the need for too much debt to be replaced in any one year.

PCC GROUP/PCC	2022/23	2023/24
	£000	£000
Under 1 year	36,218	46,497
Total short-term borrowing	36,218	46,497
Maturing in 1 to 2 years	11,497	6,475
Maturing in over 2 but less than 5 years	7,525	11,125
Maturing in over 5 but less than 10 years	15,375	12,375
Maturing in more than 10 years	22,988	15,913
Total long-term borrowing	57,384	45,888
Total borrowing	93,602	92,384

With our financial assets a significant proportion are callable at any time. The PCC's CFO meets on a regular basis with the County Council's treasury management team to discuss cash flow and the appropriate level of balances to keep on call.

The maturity analysis of financial instruments is as follows:

PCC GROUP/PCC	31-Mar-23			31-Mar-24		
	Liabilities	Assets	Net	Liabilities	Assets	Net
Time to maturity (years)	£000	£000	£000	£000	£000	£000
Not over one	36,218	(57,186)	(20,968)	46,497	(54,581)	(8,085)
Over one but not over two	11,497	0	11,497	6,475		6,475
Over two but not over five	7,525	0	7,525	11,125		11,125
Over five but not over 10	15,375	0	15,375	12,375		12,375
Over 10 but not over 20	11,488	0	11,488	4,413		4,413
Over 20 but not over 40	11,500	0	11,500	11,500		11,500
TOTAL	93,602	(57,186)	36,416	92,384	(54,581)	37,803

Market Risk –Interest Rate Risk

The PCC is exposed to risk in term of their exposure to interest rate movements on their borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following impact:

- Borrowings at variable rates –the interest expense will rise;
- Borrowings at fixed rates-the fair value of liabilities will fall;
- Investments at variable rates – the interest income will rise;
- Investments at fixed rate – the fair value of the assets will fall.

Investments are measured at amortised cost and borrowings not carried at fair value, so changes in the fair value will have no impact on the CIES. However, changes in interest payable or receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on the PCC's net exposures to fixed and variable interest rates. At 31 March 2024, £48.8m of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £35.4m net investments was exposed to variable rate risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

PCC GROUP/PCC	31-Mar-24 £000
Increase in interest receivable on variable rate investments	(367)
Impact on (Surplus) or Deficit on the Provision of Services	(367)
Decrease in fair value of fixed rate borrowing*	(2,569)

*No impact on CIES

The approximate impact of a 1% fall in interest rates would be as above but with movements being reversed.

29. 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 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:

www.lppapensions.co.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 2023/24. 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 4.9% for the staff employed by the PCC and the CC (4.8% in 2022/23), 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 92.

Police Officers:

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

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

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 (31% of pensionable pay from 1 April 2019). This is set nationally and is subject to review. A police pension account was set up on 1 April 2006 which administers all 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 4.9% (4.8% in 2022/23), 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 2024 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 2024 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 2023/24 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 2023-24 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 PCC/PCC Group 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 was carried out as at 31 March 2022, which showed that the Fund's liabilities were covered by the fund's assets, equivalent of a funding level of 100%. The fund's employers are paying additional contributions over a period of between 13 and 16 years in order to meet any shortfall.

The weighted average duration of the PCC Group's defined benefit obligation is 22 years for staff employed by the CC and 18 years for staff employed by the PCC, measured on the actuarial assumptions used for IAS19 purposes.

Risks and Investment strategy:

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

Market Risk:

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

Other Price Risk:

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

Interest Rate Risk:

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

Currency risk:

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

Credit risk:

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

Liquidity risks:

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

Other risks:

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

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

Amendments, curtailments and settlements:

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

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

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

Police Pensions Schemes**Governance:**

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

Funding the liabilities:

Given that the arrangements are unfunded, the contributions payable are simply those which are sufficient to meet the benefit outgo as and when it arises. As mentioned above, this benefit outgo is largely underwritten by central government. The weighted average duration of the liabilities is 20 years in respect of the 1987 scheme, 31 years in respect of the 2006 scheme and 41 years in respect of the 2015 scheme (injury awards have a duration of 24 years), measured on the actuarial assumptions used for IAS19 purposes. The PCC Group anticipates paying £101.7m contributions to the Police Schemes in 2023/24.

Investment Risks:

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

Other risks:

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

McCloud / Sargeant judgement*Background*

Claims of age discrimination were brought in relation to the terms of transitional protection by groups of firefighters and members of the Judiciary in the McCloud/Sargeant legal case (referred herein as "McCloud") and the Court of Appeal handed down its judgment on this claim on 20 December 2018, ruling that the transitional protection arrangements were discriminatory on the basis of age. As a result, the cost control element of the 2016 valuation was paused whilst the Government addressed the need to remedy this discrimination across all public service pension schemes. The cost cap mechanism for the 2016 valuation has since been un-paused and the calculations complete, with the outcome being no changes to benefits or contributions.

The impact of McCloud has been factored into IAS19 liability estimate since 2018/19.

The introduction of the act has confirms that the remedy methodology to be on a deferred choice basis to members (as opposed to an immediate choice).

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.

Legal Claims

Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Pennington.

Aarons & Ors

The Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is bought into force from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent.

Therefore no liability in respect of compensation claims is recognised in these accounts.

Penningtons

As at 31 March 2024, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Remedy

The PSPJOA 2022 legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members.

The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the “remedy period” of April 2015 to 31 March 2022.
- From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on pension liability

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation was reported in 23/24 and has indicated that the employer contribution rate will increase to 35.3% from 1st April 2024.

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

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

Guaranteed Minimum Pension (GMP)

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

There is therefore a possibility that all public sector schemes will be required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021. Following discussions with our actuaries we included the additional indexation liabilities in the accounting figures for 2019/20.

However, in response to this judgment HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, and as a result we have been advised by our actuary that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment at the present time.

However, in due course there may be a further cost to the LGPS and its employers in connection with equalisation/indexation (see section below on post-retirement GMP increases for the approach specifically relating to indexation), when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

GMP equalisation – historic transfers: There is an additional consideration in respect of GMP equalisation. In December 2020 a further High Court ruling extended GMP equalisation costs to historic transfers, potentially creating a further liability for pension schemes.

Given the uncertainty around whether this applies to public sector schemes, which transfer would be in scope if it does, the difficulty in obtaining the necessary historic data and the low likelihood of a material impact for employers, it has been agreed with our actuary that no allowance has been made for this judgment.

Post-retirement increases on GMPs from April 2021: There is a possibility that all public sector schemes will be required to index-link GMP benefits in respect of those members who reach their State Pension Age (SPA) after April 2021. Government policy in this area is still to be determined – however a consultation was issued in October 2020 considering extending indexation to members reaching SPA beyond April 2021, as either an interim or permanent solution.

As figures supplied by our actuary already included an allowance for full GMP indexation for all members reaching SPA after 2021 no further adjustment was made.

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 PCC Group General Fund via the movement in reserves statement. The following transactions have been made during the year:

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

PCC GROUP	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Awards		Total	
	2022/23 £,000	2023/24 £,000	2022/23 £,000	2023/24 £,000	2022/23 £,000	2023/24 £,000	2022/23 £,000	2023/24 £,000
Comprehensive Income and Expenditure Statement (CIES)								
Cost of Services:								
• Current service cost	25,471	11,942	86,670	32,434	16,094	8,522	128,235	52,898
• Past service/Curtailment costs	58	88	0	0	0	0	58	88
• Admin. Expenses	417	437	0	0	0	0	417	437
Financing and Investment Income and Expenditure:								
• Net Interest expense	3,906	(1,459)	114,396	127,260	7,496	7,929	125,798	133,730
Total Post-Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES	29,852	11,008	201,066	159,694	23,590	16,451	254,508	187,153
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:								
Re-measurement of the net defined benefit liability, comprising:								
• Re-measurements (assets)	(1,934)	(19,749)	0	0	0	0	(1,934)	(19,749)
• Experience (gains)/losses on Liabilities	44,703	3,348	227,836	16,451	9,346	636	281,885	20,435
• (Gains)/losses on demographic assumptions	0	(5,656)	(23,411)	(53,558)	(2,231)	(3,200)	(25,642)	(62,414)
• Actuarial (gains)/losses arising on changes in financial assumptions	(305,828)	(17,301)	(1,745,367)	(45,137)	(129,322)	(3,344)	(2,180,517)	(65,782)
Historical Adjustment	(161)						(161)	
Impact of Asset Ceiling (net of Interest)	96,364	61,037					96,364	61,037
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(166,856)	21,679	(1,540,942)	(82,244)	(122,207)	(5,908)	(1,830,005)	(66,473)
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	(29,852)	(11,098)	(201,066)	(159,694)	(23,590)	(16,451)	(254,508)	(187,153)
Actual amount charged against the General Fund Balance for pensions in the year:								
• Employers' contributions payable to scheme	9,059	10,808	91,358	100,866	0	0	100,416	111,674
• Retirement benefits paid to pensioners	0	0	0	0	3,508	4,289	3,508	4,289

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

A further breakdown of the LGPS scheme is shown below, which identifies those costs reflected individually in the PCC and CC financial statements.

	PCC		CC		Total	
	2022/23 £,000	2023/24 £,000	2022/23 £,000	2023/24 £,000	2022/23 £,000	2023/24 £,000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• Current Service Cost	256	130	25,215	11,812	25,471	11,942
• Past Service/Curtailment costs	5	0	53	88	58	88
• Admin expenses	4	5	413	432	417	437
Financing and Investment Income and Expenditure:	0		0		0	
• Net interest expense	55	(12)	3,851	(1,447)	3,906	(1,459)
Total Post- Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES	320	123	29,532	10,885	29,852	11,008
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement						
• Re-measurements (assets)	(29)	(302)	(1,905)	(19,447)	(1,934)	(19,749)
• Experience (gains)/losses on Liabilities	526	43	44,177	3,305	44,703	3,348
• Actuarial (gains)/losses arising on changes in demographic assumptions	0	(86)	0	(5,570)	0	(5,656)
• Actuarial (gains)/losses arising on changes in financial assumptions	(4,250)	(115)	(301,578)	(17,186)	(305,828)	(17,301)
Historical Adjustment	5		(166)		(161)	
Impact of Asset Ceiling	1,540	605	94,824	60,432	96,364	61,037
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(2,208)	145	(164,648)	21,534	(166,856)	21,679

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

Statement of Movement in the General Fund Balance:						
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	(320)	(123)	(29,532)	(10,885)	(29,852)	(11,008)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	108	102	8,951	10,706	9,059	10,808

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Govt Pension Scheme		Police Pension Schemes		Injury Awards		Total	
	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
PCC GROUP								
Present value of the defined benefit obligation	(444,605)	(444,483)	(2,699,434)	(2,676,324)	(167,299)	(173,554)	(3,311,337)	(3,294,361)
Impact of Asset Ceiling	(96,364)	(157,401)	0	0	0	0	(96,364)	(157,401)
Interest on surplus above asset ceiling		(4,626)	0	0	0	0	0	(4,626)
Fair value of plan assets	538,677	604,412	0	(0)	0	0	538,677	604,412
Net liability arising from defined benefit obligation	(2,292)	(2,098)	(2,699,434)	(2,676,324)	(167,299)	(173,554)	(2,869,024)	(2,851,977)

	Local Govt Pension Scheme	
	31-Mar-23 £,000	31-Mar-24 £,000
SINGLE ENTITY PCC		
Present value of the defined benefit obligation	(6,824)	(7,040)
Impact of Asset Ceiling	(1,540)	(2,145)
Interest on surplus above asset ceiling		(74)
Fair value of plan assets	8,364	9,259
Net liability arising from defined benefit obligation	0	0

The liabilities show the underlying commitments that the PCC Group has in the long run to fund retirement benefits, both in respect of the staff of the Office of the PCC (£0m) and the police officers and staff under the direction of the CC (£2,852m)

The total liability of £2,852m has a considerable impact on the net worth of the PCC Group as recorded in the balance sheets, resulting in a net liability of £2,673m.

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

- Finance is only required to be raised to cover police pensions and injury awards when the pensions are actually paid.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the present value of the scheme liabilities:

Funded Liabilities: Local Govt Pension Scheme						
	PCC GROUP		PCC		CC	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£,000	£,000	£,000	£,000	£,000	£,000
01-Apr	(671,317)	(444,604)	(10,418)	(6,824)	(660,899)	(437,780)
Current Service Costs	(25,471)	(11,942)	(256)	(130)	(25,215)	(11,812)
Interest on pensions liabilities	(18,660)	(21,015)	(286)	(326)	(18,374)	(20,689)
Contributions by scheme participants	(4,457)	(4,663)	(57)	(62)	(4,400)	(4,601)
Actuarial losses –changes in demographic assumptions	0	5,656	0	86	0	5,570
Actuarial (gains)/losses –changes in financial assumptions	305,828	17,301	4,250	115	301,578	17,186
Experience (gains)/losses on liabilities	(44,703)	(3,348)	(526)	(43)	(44,177)	(3,305)
Benefits paid	14,234	18,221	474	144	13,760	18,077
Past Service/Curtailment Costs	(58)	(88)	(5)	0	(53)	(88)
31-Mar	(444,604)	(444,482)	(6,824)	(7,040)	(437,780)	(437,442)

Unfunded Liabilities - PCC GROUP				
	Police Pension Schemes		Injury Benefits	
	2022/23	2023/24	2022/23	2023/24
	£,000	£,000	£,000	£,000
01-Apr	(4,131,204)	-2,699,434	(269,424)	-167,300
Historical Actuarial Adjustment		-307		
Current Service Costs	(86,670)	(32,434)	(16,094)	(8,522)
Past Service costs	0	0	0	0
Interest on pensions liabilities	(114,396)	(127,260)	(7,496)	(7,929)
Contributions by scheme participants	(17,087)	(18,778)	0	0
Experience (gains)/losses on liabilities	(227,836)	(16,451)	(9,346)	(636)
Actuarial gains –changes in demographic assumptions	23,411	53,558	2,231	3,200
Actuarial (gains)/losses –changes in financial assumptions	1,745,367	45,137	129,322	3,344
Benefits paid	108,981	119,644	3,508	4,289
31-Mar	(2,699,434)	(2,676,325)	(167,300)	(173,554)

NB: All the unfunded liabilities relate to police officers who are/were under the direction and control of the CC.

Reconciliation of the fair value of the scheme assets:

Funded Scheme –Local Government Pension Scheme						
	PCC GROUP		PCC		CC	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£,000	£,000	£,000	£,000	£,000	£,000
01-Apr	531,375	538,678	8,421	8,364	522,954	530,314
Adjustment to Opening Balance to match Actuary Report	162	0	(5)	0	167	0
Interest on plan assets	14,754	27,100	231	412	14,523	26,688
Admin expenses	(417)	(437)	(4)	(5)	(413)	(432)
Employer contributions	647	32,880	109	268	538	32,612
Contributions by scheme participants	4,457	4,663	57	62	4,400	4,601
Re-measurements (assets)	1,934	19,749	29	302	1,905	19,447
Benefits paid	(14,234)	(18,221)	(474)	(144)	(13,760)	(18,077)
31-Mar	538,678	604,412	8,364	9,259	530,314	595,153

Unfunded Schemes –PCC Group				
	Police Pension Schemes		Injury Benefits	
	2022/23	2023/24	2022/23	2023/24
	£,000	£,000	£,000	£,000
01-Apr	0	0	0	0
Employer contributions	91,894	100,866	3,508	4,289
Contributions by scheme participants	17,087	18,778	0	0
Benefits paid	(108,981)	(119,644)	(3,508)	(4,289)
31-Mar	0	0	0	0

Local Government Pension Scheme assets for the PCC Group comprised:

			Fair Value Input Level (if relevant)	31-Mar- 23 £,000	31-Mar- 24 £,000
Cash and Cash Equivalents				4,282	11,174
Equities				627	664
Bonds					
<u>By Sector</u>	-	-			
Corporate			1 / 2.	1,110	481
UK index-linked			3	0	0
Sub-Total Bonds				1,110	481
Property					
<u>By Type</u>	-	-			
Retail			2	1,085	2,024
Commercial			2	7,030	5,744
Sub-Total Property				8,115	7,768
Private Equity					
Overseas			3	35,821	35,725
Sub-Total Private Equity				35,821	35,725
Other Investment Funds					
Overseas Pooled Equity			1	256,568	284,759
UK Pooled Equity			1	5,703	1,828
UK Private Equity			1	9,324	9,787
Pooled Fixed Income			1	7,764	23,341
Credit Funds			3	78,170	89,376
Infrastructure			3	83,795	91,397
Property			3	47,420	48,060
Sub-Total Other Investment Funds				488,744	548,548
TOTAL ASSETS*				538,699	604,360

*At 31 March 2024 the share of these assets that relate to staff of the Office of the PCC are £9.259m (£8.364m at 31 March 2023)

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 2024 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 Human 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 Govt. Pension Scheme			
	PCC staff		CC Staff	
	2022/23	2023/24	2022/23	2023/24
Mortality assumptions:				
Longevity at 65 for current pensioners (LGPS):				
Men	21.5	21.1	21.5	21.1
Women	23.8	23.5	23.8	23.5
Longevity at 65 for future pensioners (LGPS):				
Men	22.8	22.4	22.8	22.4
Women	25.6	25.3	25.6	25.3
Rate of inflation: CPI	2.70%	2.70%	2.70%	2.60%
Rate of increase in salaries	4.20%	4.20%	4.20%	4.10%
Rate of increase in pensions	2.80%	2.80%	2.80%	2.70%
Rate for discounting scheme liabilities	4.80%	4.90%	4.80%	4.90%

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
NOTES TO THE ACCOUNTS

	Police Officers 1987 Scheme		Police Officers 2006 Scheme		Police Officers 2015 Scheme		Injury Awards	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Longevity at 60 for current pensioners:								
Men	26.7	26.1	26.7	26.1	26.7	26.1	24.1	23.6
Women	29	28.5	29	28.5	29	28.5	26.3	26.4
Longevity at 60 for future pensioners:								
Men	28.7	28	28.7	28	28.7	28	26	25.7
Women	30.9	30.3	30.9	30.3	30.9	30.3	28.2	28.3
Rate of inflation: CPI	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%
Rate of increase in salaries	4.20%	4.20%	4.20%	4.20%	n/a	n/a	4.20%	4.20%
Rate of increase in pensions	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Rate of revaluation of CARE pensions	n/a	n/a	n/a	n/a	3.95%	3.95%	n/a	n/a
Rate for discounting scheme liabilities	4.80%	4.90%	4.80%	4.90%	4.80%	4.90%	4.80%	4.90%

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 (PCC & PCC Group):

	Impact on the Defined Benefit Obligation in the Scheme			
	PCC Group		Single Entity PCC	
	Increase in Assumption £,000	Decrease in Assumption £,000	Increase in Assumption £,000	Decrease in Assumption £,000
Longevity (increase or decrease in 1 year)	9,998	(9,998)	157	(157)
Rate of inflation (increase or decrease by 1%)	84,139	(84,139)	283	(283)
Rate for discounting scheme liabilities (increase or decrease by 1%)	79,258	(79,258)	1,066	(1,066)
Rate of increase in salaries (increase or decrease by 1%)	15,776	(15,776)	252	(252)
Rate of change in investment returns (increase or decrease by 1%)	6,303	(6,303)	95	(95)

Police officer pension schemes and injury benefits (PCC Group only – all pension obligations relate to officers employed by the CC):

	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)	48,434	(48,434)	3,544	(3,544)
Rate of inflation (increase or decrease by 1%)	343,160	(343,160)	36,100	(36,100)
Rate for discounting scheme liabilities (increase or decrease by 1%)	372,920	(372,920)	31,586	(31,586)
Rate of increase in salaries (increase or decrease by 1%)	39,644	(39,644)	24,260	(24,260)

30. Related Parties

The PCC Group 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 subjective analysis in Note 2 (Expenditure and income analysed by nature) and further analysis in Note 14 (Grant Income).

The PCC has direct control over the Group's finances 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 PCC, CC and members of both senior management teams and their immediate family members was carried out in preparing the Statement of Accounts. No material related party interests were disclosed.

31. External Audit Costs

In 2023/24 the PCC Group incurred the following fees relating to external audit.

	2022/23 £000	2023/24 £000
Fees payable to Grant Thornton UK LLP, 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 2014	78	153
Total Costs	78	153

Separate charges were made to the PCC and CC, the CC share was £56.3k with the balance falling on the PCC, for 22/23 this was £28.4k

In addition to the amounts set out above, further fees are proposed that will be submitted to Public Sector Audit Appointments for approval and are therefore not disclosed in the 2022/23 amounts above.

32. Contingent Liabilities

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

As the PCC holds all usable reserves and is the responsible body for assets and liabilities, any contingent assets or liabilities will be recorded within their accounts. Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

While the claims associated with the McCloud meet the definition of a Contingent Liability as outlined above the effect of the claims is not considered to be material.

OTHER SIGNIFICANT ACCOUNTING POLICIES

i. General

These 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. The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

Following the passing of the Police Reform and Social Responsibility Act 2011, Lancashire Police Authority was replaced with two 'corporations sole', the PCC and the CC. Both bodies are required to prepare separate Statements of Accounts. The Financial Statements included here represent the accounts for the PCC as a single entity and also the PCC Group. The financial statements cover the 12 months to 31 March 2023.

The term 'Group' is used to indicate consolidated transactions and policies of the PCC and the CC for the year ended 31 March 2023. The identification of the PCC as the holding organisation and the requirements to produce Group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.

The PCC Group and the PCC have adopted consistent accounting policies, which are detailed below.

The accounts have been prepared on a going concern basis using an historic cost accounting convention modified to account for the revaluation of certain categories of non-current assets.

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

ii. Accruals of Income and Expenditure

Revenue from contracts with service recipients is recognised when (or as) the goods or services are transferred to the service recipient in accordance with performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet.

Expenses in respect of services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments is accounted for as income based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and, where material, a charge made to revenue for the income that might not be collected.

Whilst all expenditure is paid for by the PCC, including the salaries of police officers and police staff, the actual recognition in the respective accounts of the PCC and CC is based on economic benefit and service delivery.

iii. **Fair Value Measurement**

The PCC measures some of their non-financial assets such as surplus assets and investment assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The PCC measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their best interest.

When measuring the fair value of a non-financial asset, the authority considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The PCC uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the PCC group financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the PCC can assess at the measurement date;
- Level 2 – inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

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. Hence all working capital balances are retained on the PCC balance sheet except for employee related creditors which are recognised in the first instance in the CC balance sheet but are funded by either unusable reserves or a short term debtor with the PCC.

v. PCC Funding of the Chief Constable's Expenditure

As the Chief Constable has no resources with which to fulfil their devolved responsibilities to provide a policing service, the expenditure is funded by the PCC. The PCC's funding of the 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. The intragroup transactions are accounted for on an accruals basis and are eliminated on consolidation in the Group financial statements. There is no actual transfer of cash involved in this transaction as all the resources belong to the PCC

vi. VAT

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

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.

viii. Financial assets

Financial assets are classified based on the business model for holding the financial assets and their expected cash flow characteristics.

Financial assets are classified into one of three categories:

Financial assets measured at amortised cost

Where the PCC's business model is to hold investments to collect contractual cash flows, the financial assets are classified as amortised cost.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are initially measured at fair value and are subsequently measured at their amortised cost.

Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the financial assets held by the PCC, this means that the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest.

Interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

There is no recognition of gains or losses on fair value until reclassification or de-recognition of the asset. Any gains or losses that arise on the de-recognition of the asset are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Any assets held in this category are held with the objective of collecting contractual cash flows and selling assets in order to meet long term investment requirements while ensuring the PCC is not subject to a high degree of credit risk. These assets would be measured and carried at fair value.

Interest is recognised in the comprehensive income and expenditure statement on the same basis as for amortised cost financial assets, as described above.

All gains or losses due to changes in the fair value of the assets (both realised and unrealised) are charged to the other comprehensive income and expenditure line in the comprehensive income and expenditure statement and balanced by an entry in the financial instruments revaluation reserve.

Any gains or losses that arise on the de-recognition of the asset are charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement, along with any accumulated gains or losses previously recognised in the financial instruments revaluation reserve.

Financial assets measured at fair value through profit of loss (FVPL)

These assets are measured and carried at fair value.

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 AND CRIME COMMISSIONER FOR LANCASHIRE 2023/24
POLICE PENSION ACCOUNT

POLICE PENSIONS ACCOUNT	NOTES	2022/23				2023/24			
		1987 scheme	2006 scheme	2015 scheme	Total	1987 scheme	2006 scheme	2015 scheme	Total
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Contributions receivable									
Employer contributions	3	(0)	(0)	(39,712)	(39,713)	0	0	(43,486)	(43,486)
Early Retirements		(1,862)	(152)	(506)	(2,520)	(759)	(322)	(309)	(1,390)
		(1,862)	(152)	(40,218)	(42,233)	(759)	(322)	(43,795)	(44,875)
Officer Contributions		(14)	(0)	(17,073)	(17,087)	(47)	(4)	(18,778)	(18,829)
Total Contributions Receivable		(1,876)	(152)	(57,291)	(59,320)	(805)	(326)	(62,573)	(63,704)
Transfers In		0	(10)	(335)	(345)	0	0	(288)	(288)
Benefits Payable									
Pensions		90,728	120	1,326	92,174	98,776	206	1,775	100,757
Commutations and lump sum retirement benefits		16,067	158	679	16,904	17,711	252	570	18,533
Lump sum death benefits		24	0	125	149	8	0	508	516
Total Benefits Payable		106,819	278	2,130	109,227	116,495	459	2,853	119,807
Payments on Account of Leavers									
Transfer values out		10	0	1	12	0	0	0	0
Refund of contributions		0	1	87	87	0	0	176	176
Total Payments on Account of Leavers		10	1	88	99	0	0	176	176
Net amount payable/(receivable) for the year contribution from Police Fund		104,953	116	(55,408)	49,661	115,689	133	(59,832)	55,991
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		(104,953)	(116)	55,408	(49,661)	(115,689)	(133)	59,832	(55,991)
Net amount payable/(receivable)		0	0	0	0	0	0	0	0

NET ASSET STATEMENT

31-Mar-23		31-Mar-24
£000		£000
(493)	Unpaid pensions benefits	(12)
7,135	Payment in Advance	7,630
(6,642)	Amounts owed from/(to) PCC's General Fund	(7,618)
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. Except for 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 2023/24. 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 107.

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 2023/24 is financed in full by top-up grant from the Home Office.

2. Actuarial Valuation

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

3. **Accounting policies**

General

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

Employers' Contributions

The employers' contribution rate for all the pension schemes is set nationally, based on a percentage of pensionable pay. The rate is subject to triennial revaluation by the Government Actuary's Department, timed to coincide with the revaluation of the local government pension scheme. The rate for 2023/24 was set at 31.0%.

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 2024. 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 28 to the main statement of accounts.

Independent auditor's report to the Police and Crime Commissioner for Lancashire

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Lancashire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2024, which comprise the PCC Group Comprehensive Income and Expenditure Statement, the PCC Single Entity Comprehensive Income and Expenditure Statement, the PCC Group Movement in Reserves Statement, the PCC Single Entity Movement in Reserves Statement, the PCC Group Balance Sheet, the PCC Single Entity Balance Sheet, the PCC Group Cash Flow Statement, the PCC Single Entity Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and including the police pension fund financial statements, comprising the Police Pension Fund Account and Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2024 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Police and Crime Commissioner and the Chief Financial Officer

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of

Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Police and Crime Commissioner and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015).

We enquired of management and the Police and Crime Commissioner concerning the Police and Crime Commissioner and group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Police and Crime Commissioner whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to management override of controls through inappropriate journal entry and management bias or error in determining accounting estimates for the valuation of land and buildings and the defined benefit pension net asset or liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on non-routine transactions and journals falling within identified risk criteria including, journals posted by senior management, material journals, large year-end journals, post year-end journals and year-end accruals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the defined benefit pension net pension asset or liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including risks relating to management override of controls and management bias or error in estimating the valuation of land and buildings and the defined benefit pension net asset or liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector

- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

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

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

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

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

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

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for Lancashire for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Green

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

26 February 2025



Police and Crime Commissioner for Lancashire Annual Governance Statement 2023/24

This Annual Governance Statement sets out how the Police and Crime Commissioner (PCC) and Chief Constable for Lancashire have complied with their published corporate governance framework for the year ended 31 March 2024, including plans for the financial year 2024/25.

Scope of Responsibility

Following the introduction of the Police Reform and Social Responsibility Act 2011 (the 2011 Act), the PCC and Chief Constable were established on 22 November 2012 as separate legal entities (a 'corporation sole'). However, the 2011 Act gives PCCs responsibility for the totality of policing within their force area and requires them to hold their force Chief Constable to account for the functions of the Chief Constable and those under her direction and control operational delivery of policing.

Under the 2011 Act, the PCC is the recipient of all funding, including government grant, precept and other sources of income related to policing and crime reduction, and all funding for a force must come via the PCC (unless a specific exemption is in place). How this money is allocated is a matter for the PCC in consultation with the Chief Constable, who provides professional advice and recommendations to the PCC. However, the PCC is ultimately accountable to the public for the management of the Police Fund.

The PCC is responsible for ensuring his business is conducted in accordance with the law and proper standards of governance and, consequently, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively in the discharge of his statutory duties and powers.

Both the PCC and Chief Constable are required to, and have, appointed chief financial officers who each have a fiduciary duty to the local taxpayer for securing the efficient use of public funds. Under the Local Government Act 1999 the PCC makes arrangements to secure continuous improvement in the way his functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his functions, which includes ensuring a sound system of internal control is maintained and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

The Chief Constable is accountable to the law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, her police officers and staff remain operationally independent in the service of the public. In discharging her overall responsibilities, the Chief Constable is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of these functions.

The Policing Protocol Order 2011 requires both the PCC and Chief Constable 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 is on our website at:

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

This Annual Governance Statement explains how the PCC and Chief Constable have 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.

The purpose of the Governance Framework

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that statutory entities (in this case, the PCC, and Chief Constable) achieve their intended outcomes, whilst acting in the public interest at all times.

The governance framework comprises the systems and processes, and culture and values by which the PCC and Chief Constable discharge their responsibilities and through which the police service accounts to and engages with the community. It enables the PCC to monitor the achievement of his strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

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

The Governance Framework

A framework of governance and internal control has been established, comprising the systems and processes, culture and values by which the Office of the Police and Crime Commissioner (OPCC) is directed and controlled in order to discharge the two primary statutory duties:

- to secure an effective and efficient local police service; and
- to hold the Chief Constable to account for the exercise of her functions and those of officers and staff under her direction and control.

The system of internal control is a significant part of that framework and is based on an on-going process designed to identify and prioritise the risks to the achievement of the PCC and Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Chartered Institute for Public Finance and Accountancy (CIPFA) has identified the principles of good governance for public services and those specifically relating to 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 PCC and the Chief Constable have developed and approved a 'Joint Corporate Governance Framework' which clarifies the working relationship between the PCC, Chief Constable and their respective staff. This includes the code of corporate governance, the scheme of delegation and financial regulations. The Framework is informed by the requirements of 'The Good Governance Standard for Public Services' and is consistent with the seven Nolan Principles of standards in public life.

The national police service Code of Ethics sets and defines exemplary standards of behaviour for everyone who works in policing, placing an absolute duty on officers and staff. The Code applies to everyone in policing; officers, staff, volunteers and contractors. It applies both on and off duty. It guides behaviour within the organisation as much as it informs how to deal with those outside.

Measures are in place to ensure that the PCC, Deputy PCC (when appointed) and employees of the Office of the PCC (OPCC) and Lancashire Constabulary are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. This includes the Anti-Fraud, Bribery and Corruption Policy and guidance on the acceptance of gifts, loans and hospitality. Notifications of disclosable interests and a register of gifts and hospitality are published on the PCC and the Force websites.

The PCC and Chief Constable have transparent and accessible arrangements for dealing with complaints received from the public.

The Force has a Professional Standards Department (PSD) whose role is to uphold the ethical and professional standards of Lancashire Constabulary. PSD manages the application of police misconduct regulations, and the administration of complaints by members of the public against the quality of service they have received from the Force and/or the conduct of police officers and police staff below the rank of Chief Constable.

The PCC has a statutory responsibility to undertake reviews (formerly known as 'appeals') of the handling and outcome of complaints made against the Force, where requested by complainants, to improve transparency and accountability on behalf of the public. Furthermore, complaints against the Chief Constable are dealt with by the PCC. The independent Lancashire Police and Crime Panel (PCP) handles formal complaints made against the PCC.

Both the PCC and Chief Constable are required to demonstrate respect for the rule of law and comply with relevant laws and regulations. To that end, both employ in-house legal advisors to provide assurance and guidance upon lawful decision-making.

The PCC is independent of Force management and operational decision-making, which is the responsibility of the Chief Constable. Established mechanisms and guidance are in place to ensure that the PCC and Chief Constable do not breach or misuse their legal and regulatory powers inadvertently.

The PCC and his Deputy (when appointed) are subject to the PCC's Code of Conduct and Oath of Office, and the Chief Constable (and all other individuals who work in policing) are subject to the College of Policing's Code of Ethics, both of which are consistent with the Nolan principles. The Chief Executive of the OPCC is also the designated statutory Monitoring Officer with responsibility for advising on the legality and appropriateness of the PCC's actions and decisions.

The PCC and Chief Constable create the conditions for all members of the OPCC and Force to be able to discharge their responsibilities in accordance with good practice. Guidance originating from the College of Policing and NPCC is disseminated Force-wide by the Learning and Development Team in People Services and/or the Policing Strategy Unit. Similarly, best practice for PCCs is obtained via the Association of Police and Crime Commissioners (APCC), Association of Policing and Crime Chief Executives (APAC2E) and Police and Crime Commissioners' Treasurers Society (PACCTS) and is disseminated amongst the OPCC.

The Force employs a Force Vetting Manager and team within the Professional Standards Department to ensure compliance with relevant national vetting standards.

2. Ensuring openness and comprehensive stakeholder engagement.

The PCC has a statutory responsibility to consult the Chief Constable and obtain the views of the community and victims of crime about the policing of the Force area, and he must have regard to their views as well as the priorities of responsible authorities within Lancashire and relevant government bodies before issuing a police and crime plan.

The Police and Crime Plan must be published by the end of the financial year in which the PCC is elected and, may be reviewed and revised, as necessary and appropriate, to ensure it remains relevant and fit for purpose. In so doing, the PCC is helping to ensure that local policing services address the priorities of local communities and that the Force is being held to account for the way services are delivered to the public.

The PCC's 'Police and Crime Plan 2021-2025' discharges the above duties and sets out his strategic policing and crime reduction priorities and key aims, and how these will be delivered, over the four-year period of his current tenure of office. The delivery of his Plan is supported by the Force's Strategic Plan and the corporate Financial Strategy.

The Police and Crime Plan has due regard to the Strategic Policing Requirement as issued by the Home Secretary and is developed in consultation with the Chief Constable, informed by the views of the local community, victims of crime and the priorities of other key stakeholders.

The independent Lancashire Police and Crime Panel meets regularly to review and scrutinise the decisions and actions of the PCC and his performance in delivering the priorities and key aims contained in his Police and Crime Plan. It also meets specifically to consider the PCC's proposed annual council tax precept increase; Police and Crime Plan, Annual Report and any proposed senior appointments to the roles of Deputy PCC, Chief Constable, OPCC Chief Executive and OPCC Chief Finance Officer.

Arrangements have been agreed upon and implemented for the PCC to hold the Chief Constable to account for Force performance and compliance with other requirements. These arrangements include a schedule of formal public and private meetings, i.e. regular Accountability Board Meetings, with the reports and agendas published on the PCC's website, supplemented by regular informal, private, liaison meetings between the PCC and Chief Constable (in respect of which minutes are taken but not published).

The Joint Corporate Governance Framework defines the parameters for decision-making, including delegations, financial regulations and contract regulations. The PCC has published his policy statement on decision-making. All formal and significant PCC decisions taken under this policy are published on his website.

The PCC proactively publishes information to maintain openness and transparency with the public on this same website; in doing so, he also meets his obligations under the Elected Local Policing Bodies (Specified Information) Order 2011 (as amended) and, as a public authority, under the Freedom of Information Act 2000.

The PCC published his 2023/24 Annual Report in July 2024.

The Chief Constable has prepared and published the Lancashire Constabulary Strategic Plan. A performance update on the strategic plan and delivery against the PCC's Police and Crime Plan priorities is provided to the PCC's Accountability Board meetings. The agenda and papers for the Accountability Board are published on the PCC's website.

Papers, reports, and decisions made by the Commissioner are published on the PCC's website together with consultations and public surveys.

Papers for meetings of both the Joint Independent Audit Committee and the Joint Independent Ethics Committee are published and available to the public.

The PCC has a Communication and Engagement Strategy that sets out how he engages with stakeholders, partners and the public, through a combination of collaborative working, representation on boards, stakeholder consultation meetings and attendance at public community events.

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

The PCC publishes a four-year Police and Crime Plan (the Plan) that is reviewed annually.

This Plan is used to direct the resources of the PCC and Chief Constable. It informs the revenue budget on where resources are most needed and the capital investment programme to identify the priority needs for investment. The PCC has a Medium-term Financial Strategy (MTFS) that covers a rolling four-year period which is reviewed annually. The MTFS ensures that resources are directed to the delivery of the Police and Crime Plan priorities and the Constabulary strategic plan.

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.

4. Determining the intervention necessary to optimise the achievement of intended outcomes

The Force planning cycle incorporates the annual Force Management Statement, financial plans, workforce plans and the PCC's Police and Crime Plan to inform the Force's annual Strategic Plan. Priority activities, measures and intended outcomes are proposed and approved through the Chief Officer Team (COT) and monitored through the service improvement framework and quarterly updates to inform the PCC's Accountability Board.

All new areas of business require a formal business case to be submitted. These business cases go through an internal approval process within the Constabulary before sign-off by the Chief Constable or PCC depending on the value or public interest.

The same is true of business cases relating to regional and national collaborations. The approval process is slightly different in that groups of officers form layers of approval, but the result is the same with the PCC signing off the final business cases.

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

The PCC and Chief Constable ensure that their statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation. Specialist advice, in areas such as taxation, some legal matters and treasury management, is sourced externally, as this is more practical and cost-effective.

Chief Officers have clearly defined leadership roles and are responsible for implementing strategy and managing the delivery of services within their respective portfolios.

Officers and staff manage their performance and continuous development through the Performance Development Review framework. An annual assessment of competencies linked to the Force Strategic Plan outcomes is supported by interim reviews and a requirement for officers and staff to undertake Continuous Professional Development. The framework also allows for the management of unsatisfactory performance or attendance where it is identified.

The Force has a stated Health and Wellbeing Strategy, along with a workforce plan focussed on recruitment, retention and resilience. Progress on becoming increasingly representative of the communities the Force serves is also an area of focus. The Force is committed to being considered an employer of choice.

Chief Officers have promoted a learning environment climate focussed on continuous service improvement, recognising the importance of independent and peer review when needed. Integral to this is the identification of lessons learned, recommendations and identified areas for improvement through the end of project / programme closure reports undertaken before transitioning to business as usual, results analysis, individual management reviews, serious case reviews and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) audit / inspection processes.

The PCC has implemented a staffing structure within the OPCC to ensure it has the necessary capability and capacity to support him deliver his statutory functions, such as commissioning services for victims and witnesses.

The PCC is a member of the national Association of Police and Crime Commissioners (APCC). The Chief Constable and her fellow chief officers are members of the National Police Chiefs' Council (NPCC).

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

The PCC has an approved governance framework that is reviewed annually to ensure it remains fit for purpose.

The Joint Independent Audit and Joint Independent Ethics Committees (Previously Joint Audit and Ethics Committee) are responsible for enhancing public trust and confidence in the governance of the PCC and Lancashire Constabulary.

At the start of each financial year, the PCC and the Constabulary agree a programme of internal and external audit work, which is reported back through the Joint Independent Audit Committee. Minutes of the Committee are published on the PCC website.

Reporting of performance, both operational and financial, is undertaken on a regular basis and the PCC holds formal meetings to scrutinise performance each quarter. The PCC also meets with the Chief Constable on a regular basis to challenge where performance is slipping.

The PCC has established a risk management policy and procedures, which cover not only strategic business risks but also significant organisational and operational risks and opportunities. Strategic level risks are routinely monitored and reviewed through the corporate decision-making process. Controlled risks are documented on a dedicated risk register to ensure appropriate and proportionate monitoring whilst maintaining focus on key issues. The PCC considers risk management in discharging all core functions. The PCC's strategic risk register is a live document and risks are routinely considered at all key meetings.

7. Implementing good practices in transparency, reporting and accountability

All decisions of the PCC are published on the website, together with any supporting information to explain why any particular option was taken.

The Police and Crime Plan together with financial strategies and internal policies are also published and reviewed regularly.

The PCC decision-making process requires oversight by both of the statutory officers (i.e., the Monitoring Officer and PCC Chief Finance Officer). All decisions made are formally recorded and made available on the PCC's website for public information and scrutiny as appropriate.

The Police and Crime Panel for Lancashire comprising local authority and other local representatives, maintains a supportive check and balance on the PCC's decisions and activity through the year. Part of the role of the Police and Crime Panel is to approve the Commissioner's budget and precept proposals and also the Police and Crime Plan. The Commissioner's statutory requirements in relation to the Police and Crime Panel were met in full for 2023/24.

The Police and Crime Panel meet regularly to hold the PCC to account for the decisions being taken. The minutes of this public meeting are published on the Blackburn with Darwen Council website.

The PCC's section 151 Officer ensures that all financial arrangements conform with the requirements set out in the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016) where appropriate and provides appropriate evidence where they do not.

The section 151 officer ensures effective counter fraud and anti-corruption arrangements are in place through a program of training, procedure and review by the internal audit function.

The PCC is clear that good governance arrangements must be in place for all partnership arrangements. The proposed governance arrangements are reviewed as part of the decision process undertaken and ultimately signed off by the PCC. This provides the PCC with the necessary assurance that appropriate governance arrangements are in place before any partnership activity can commence.

The PCC ensures there are effective arrangements in place for the safe collection, use and sharing of data.

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 Police and Crime Commissioner 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 2023/24 the Head of Internal Audit stated that " Overall, I can provide moderate assurance regarding the adequacy of design and effectiveness in operation of the frameworks of governance, risk management and control of the Chief Constable and the Police and Crime Commissioner."

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

The PCC has been assured that all the actions identified as required by the internal audit review has been implemented or are to be implemented shortly.

Review of effectiveness

The PCC has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and the systems of internal control. The review has been conducted by the Chief Officer team and takes account of comments from both internal and external audit and inspectorate reports.

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

Considering all these factors, the PCC, and Constabulary systems of internal control for 2023/24 are considered both satisfactory and effective.

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

ENSURING EFFECTIVE GOVERNANCE OF ORGANISATIONAL RISKS

Area for action identified for 2023/24

1. Financial Pressures

The commitment to deliver the 'uplift' programme for 20,000 additional officers by March 2023 was met but the additional cost pressures from high inflation and pay awards have a financial and organisational impact because of this programme. There is an ongoing pressure to maintain the number of officers delivered through the programme where failure to do so will reduce grant funding.

Strong financial control through the monitoring process has continued and the Medium-Term Financial Strategy has been reviewed and refreshed to form a plan to meet future cost pressures.

2. Increased complexity of Government Funding

In recent years the Government has provided a series of grant funding streams targeted at specific policy objectives.

This funding comes with a significant administrative burden including significant pressure to formulate bids in extremely short timescales and then requiring extensive reporting of outcomes.

The PCC and Constabulary have ensured that the staff involved in securing and monitoring such initiatives have received the required training and resource to identify and secure such funding and deliver the organisations compliance with all relevant grant conditions.

Areas for Action in 2024/25

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.

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

Action to address:

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

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

2. Specific grant funding

In recent years the Government has provided a series of grant funding streams targeted at specific policy objectives. A number of these grants end on 31 March 2025.

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

Action to address:

The PCC will ensure that services are delivered to the best standard possible within the funding available.

This will form an integral part of the business planning and budget setting process for 2025/26 and future years.

Significant governance issues

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

There were no significant actual or potential governance issues identified for 2023/24.

There are currently no significant actual or potential governance issues identified in respect of 2023/24 'business as usual' activities. The PCC is satisfied to the best of his knowledge that no material breaches of the governance arrangements occurred in 2023/24 and there are no significant weaknesses in the internal control and governance environment.

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

Signed: 	Signed: 
Clive Grunshaw Police and Crime Commissioner for Lancashire	Dr Anna Hopkins Chief Executive, Office of the Police and Crime Commissioner for Lancashire
Date: 26th February 2025	Date: 26th February 2025

GLOSSARY

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.

Assets held for Sale

Assets that are no longer needed by the PCC and which he is selling.

Budget

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

Capital assets

Assets bought through capital expenditure. They are also known as 'capital items' and 'non-current assets'.

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'.

Capital grant

Money received for capital items (see 'capital expenditure' above).

Capital receipts

Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital reserve in order to repay the county council's borrowings or to finance new capital expenditure.

Capital reserves

Amounts set aside to support future capital projects.

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.

Non-current assets

The classes of non-current assets required to be included in the accounting statements are:

Property Plant & Equipment

- Land and buildings.
- Vehicles, plant, furniture and equipment.
- Assets under construction

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.

Current Value

For land and buildings, the amount that would be exchanged for the asset in its existing use.

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.

Expected return on assets (IAS 19)

The average rate of return expected on investment assets held by the pension scheme.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financing charges

Repayments on amounts loaned to the PCC by external organisations. These charges include interest as well as repayment of the amount borrowed (the 'principal').

Financial instrument

A financial instrument can be a financial asset or a financial liability. A financial asset is a contract such as an investment or loan representing amounts due to the authority. A financial liability is a contract such as borrowing representing amounts owed by the authority.

Non-current 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.

Intangible assets

Assets which do not have a physical form. Examples include internally developed systems, computer software, brand names, patents and copyrights.

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.

Investing The acquisition of and disposal of long-term assets and other investments not included as part of cash equivalents.

Investment Property

Property which is held solely to earn rentals or for capital appreciation, not as part of service delivery.

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.

Minimum revenue provision

The minimum amount (as laid down in statute) that the PCC must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

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.

Net realisable value

The amount for which an asset can be sold, less the cost of selling it.

Nominal value of a financial instrument

The nominal value of a financial instrument is the amount, exclusive of interest, payable or receivable when the instrument matures.

Non-cash adjustments

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

Non-distributed costs

These are costs that cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Non-operational assets

Assets which are not in use.

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 (IAS 19)

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 PCC's general conditions of employment.

Principal

The amount of money borrowed, not including interest charges.

Principal repayment of debt

Re-payment of a loan, not including interest charges.

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 purpose.