JOINT INDEPENDENT AUDIT COMMITTEE

WEDNESDAY, 11 SEPTEMBER 2024 AT 10.00AM IN ROOM 8, THE EXCHANGE, COUNTY HALL, PRESTON,

NB If you have any queries regarding the agenda papers or require any further information, please contact Ian Dickinson 01772 533587, Office of the Police and Crime Commissioner, commissioner@lancashire-pcc.gov.uk

AGENDA

PART I (OPEN TO PRESS AND PUBLIC)

1 APOLOGIES FOR ABSENCE

2 DISCLOSURE OF MEMBERS INTERESTS

Members are asked to consider any personal/prejudicial interests they may have to disclose to the meeting in relation to any matters under consideration on the agenda in accordance with the law, and the Police and Crime Commissioner's/Chief Constable's Scheme of Governance (including Financial Regulations/Standing Orders).

3 MINUTES OF THE MEETING HELD ON 13 JUNE 2024 *(Pages 3 – 8)*

Minutes attached for confirmation.

4 MATTERS ARISING

5 EXTERNAL AUDIT – UPDATE REPORT *(Pages 9 – 38)*

6 INTERNAL AUDIT MONITORING REPORT *(Pages 39 – 48)*

An Internal Audit monitoring report for the period ending 24 August 2023 is attached.

7 DRAFT STATEMENT OF ACCOUNTS *(Pages 49 – 254)*

8 GIFTS AND HOSPITALITY *(Pages 255 – 266)*

9 FINANCIAL MONITORING AS AT 30 JUNE 2024 *(Pages 267 – 278)*

The Q1 financial monitoring report which has been presented to the Accountability Board is attached for information.

10 URGENT BUSINESS

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

11 DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to be held at 10.00am on Wednesday, 11 December 2024 at County Hall, Preston.

Steve Freeman
INTERIM CHIEF EXECUTIVE

JOINT INDEPENDENT AUDIT COMMITTEE

Minutes of the meeting held on the 12th June 2024

DRAFT

PRESENT

Mr Paul Richardson (Chair)

Ms Claire Hounslea

Mr Stephen Dunstan (via Teams)

IN ATTENDANCE

Mr M Green	Grant Thornton
Mr G Winstanley	Grant Thornton
Mr A Dalecki	Head of Audit, LCC
Mrs L Rix	Audit Manager, LCC
Mr S Freeman	Chief Finance Officer, OPCC
Mr D Rogers	Lancashire Constabulary
Mr D Arthur	Lancashire Constabulary
Mrs C Benton	Governance and Accountability Officer, OPCC

Part 1

Apologies for Absence

Ms Margaret Rawding

Mr John Baker

Mrs A Harrison OPCC

Mrs G Routledge Lancashire Constabulary

Ms Nikki Evans Lancashire Constabulary

The Chair opened the meeting and, on behalf of the Committee, offered their congratulations to the new Chief Constable, Sacha Hatchett, and the new Police and Crime Commissioner (PCC), Clive Grunshaw. He also offered the members' best wishes to Mr Rowley and Mr Snowden for the future.

Disclosure of Members Interests

There were no Members' interests for disclosure.

Minutes of the Meeting Held on 13th March 2024

01/2024 Resolved: That the minutes be confirmed as a true record.

Matters Arising

It was noted that all matters arising from the previous meeting had been incorporated into the agenda, except for those relating to the reserves strategy. It was confirmed that these were completed and covered in the outturn report.

External Audit

The Committee received the External Audit Plan for 2023/24 and were given an update relating to the key headlines.

First, by way of context, members were informed that, as a result of the General election in July, there is insufficient time to put the required legislation in place in terms of the backstop proposals, designed to resolve the issue relating to the delays in closing the 21/22 accounts. As a result Grant Thornton have reviewed the audit plan and decided that the Lancashire Constabulary accounts for the FY 2022/23 should be audited. The proposal is to audit the 2022/23 accounts between July and September 2024 and then move straight to auditing the 2023/4 accounts. It was acknowledged that there would be opportunities to undertake some work for both years simultaneously, whilst other work will need to be completed separately.

The Constabulary and OPCC both welcomed this approach, and a plan would be discussed and developed outside of the JIAC. It was recognised that the new PCC would be keen to have external validation of the financial controls in place.

With regard to the External Audit Plan for 2023/24 the significant risks were identified as –

- Management Over-Ride of Controls, requiring work on the journals and accounting estimates;
- Valuation of Land and Buildings, requiring some follow-up work;
- Valuation of the defined benefit pension fund net liability, requiring examination of the processes and controls in place and the actuarial assumptions.

Materiality is set at a different level for the Chief Constable and the PCC, and audits will be to the lower amount.

There are no identified weaknesses relating to value for money, and this will be reviewed periodically until the final annual report is drafted.

Members were advised that there had been a significant fee increase for the FY 2023/24, as the new PSAA contract commences and scale fees are significantly increased.

Further risks identified in the report relate to the implementation of the new ledger, which it is hoped will bring additional checks and balances and efficiencies, and it was confirmed that these are already being seen in force, e.g. the asset register was now held on Oracle. Members were interested in whether efficiencies and benefits continue to be seen going forward.

02/2024 Resolved: That the External Auditor's report be noted.

Internal Audit Annual Report

The Committee received the Internal Audit Annual Report for the year ended 31 March 2024 and were advised that, since the last meeting, audit reports relating to Data Sharing, Catering, OPCC Treasury Management and Financial Services had been completed with follow-ups for Fleet also being analysed. There were two audits left, GDPR and Benefits Realisation, and both are being finalised.

The Constabulary reflected that catering had been in-sourced a few years ago but there had been resourcing issues, the same as with Fleet and Key Financial Systems. The audit opinion was welcomed as it provides the Force with a framework within which to work. A Review of Catering had been initiated as a result, along with a Review of Pricing, also looking at management controls and the financial viability of the service.

The auditors explained that despite there being poor controls and oversight in some areas a positive outcome had been given because the controls in place were still effective.

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Key Financial systems would be audited again this year, but it will be a deep dive in certain areas rather than an overall audit.

A member asked about the follow up recommendations that were not completed or were superseded and whether members could be updated on these? It was confirmed that the follow up actions sit with the Constabulary to monitor and progress once the formal follow up has been completed. There was a spreadsheet that is shared between Internal Audit and Corporate Development which details this.

For 2023/24 a moderate assurance opinion was given, as overall the controls in place are effective but stronger governance and administration is needed to raise it.

03/2024 Resolved: That the shared spread-sheet detailing follow-up actions be circulated to members, with the consent of the Constabulary, or a list of outstanding actions be maintained and circulated periodically.

04/2024 Resolved: That the Internal Audit Annual Report be noted.

Internal Audit Monitoring Report

The Committee received the Internal Audit Monitoring Report for the period ending 31 May 2024 detailing progress on the 2023/24 plan. It was noted that 2.5 days have been spent delivering items within the plan, with two audits started, relating to Outstanding Suspects and Police National Computer (PNC) Circulations and Vehicle Converter Supplier.

05/2024 Resolved: That the Internal Audit Monitoring Report be noted.

Financial Position as at 31 March 2024

The Committee received an overview of the year end financial position as at 31 March 2024, and were informed that the Revenue budget has underspent by £0.956m (- 0.27%) in 2023/24. The reasons for this were discussed and, as the budget position is monitored through the year there were no surprises.

With regard to the Capital budget this was considerably underspent, due to delays with the HQ CPIP development and delays with Pendle and Chorley, which are both underway. Vehicles and IT were spent to budget. It was noted that the PCC elections had delayed decisions resulting in some of the slippage.

The reserves were at an appropriate level at year-end in line with the PCC's reserves strategy.

Overall, from a budget of approximately £350m it was positive to have come in so close to budget.

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06/2023 Resolved: That the position in relation to the monitoring report be noted.

Joint Independent Audit Committee Annual Report

The draft Annual Report circulated to members was discussed.

07/2024 Resolved: That the word 'substantial' be removed from the Section 5 Summary.

08/2024 Resolved: That the draft annual report be progressed, with the identified amendment made.

Assessment of the Joint Independent Audit Committee's Effectiveness

The CIPFA Publication entitled, Audit Committees: Practical Guidance for Local Authorities and the Police had been circulated to members and was discussed. Within it there is a suggested methodology for self-assessment of effectiveness which members agreed was a good starting point for them.

09/2024 Resolved: That the self- assessment forms from the document be circulated to members for them to complete and return ahead of the next JIAC meeting.

Forward Work Programme 2024/5

The draft forward work plan was discussed and it was acknowledged that there had been some slippage on items to be presented to designated meetings. Gifts and hospitality will be presented to the next Accountability Board and can then be presented to the September JIAC meeting.

10/2024 Resolved: That the forward work plan be updated to reflect the slippage and re-circulated.

The Terms of Reference for the JIAC, agreed last year, had been circulated to members with no queries or comments raised.

Members agreed the Chief Constable and the Police and Crime Commissioner should each be invited to open a future meeting (separately) to meet members and discuss mutually relevant items.

Urgent Business

There were no items of urgent business declared.

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Date of Next Meeting

11/2024 Resolved: That the next scheduled meeting of the Committee be held at 10am on Wednesday 11th September 2024, at County Hall, Preston

Part II – Private and Confidential

Lancashire Constabulary Risk Register

The Lancashire Constabulary Risk Reports were presented and it was agreed that for next time a covering summary would assist members, i.e. to identify new risks added since the last meeting, those removed etc. This could be updated for each meeting.

Those present acknowledged the significant progress made relating to the risk register and how the new format and process was helping to monitor any change and inform business decisions.

12/2024 Resolved: That a summary sheet be included in the future.

OPCC Risk Register

The OPCC have reviewed how their risk register is collated and presented, which now allows for trend analysis. The key risks identified were acknowledged.

Members were thanked for their advice and input in this area as it had influenced how this area of business is now being done.

Mrs A Harrison
Chief Executive

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JOINT INDEPENDENT AUDIT COMMITTEE

WEDNESDAY, 11 SEPTEMBER 2024 AT 10.00AM IN ROOM 8, THE EXCHANGE, COUNTY HALL, PRESTON

EXTERNAL AUDIT – UPDATE REPORT

'Appendix A' refers

Contact for further information: Gareth Winstanley, 0161 214 6381, Audit Manager, Grant Thornton UK, gareth.j.winstanley@uk.gt.com

EXECUTIVE SUMMARY

The External Auditor's Joint Audit Plan for the Police and Crime Commissioner for Lancashire and the Chief Constable of Lancashire for the year ended 31 March 2023.

RECOMMENDATION

The Committee is asked that:

i) the report be received;

ii) the External Auditors overall interim findings on the 2021/22 accounts be noted.

1. Background

1.1. The External Auditor's Joint Audit Plan for the Police and Crime Commissioner for Lancashire and the Chief Constable of Lancashire for the year ended 31 March 2023 is attached at Appendix A for the consideration of the Committee.

2. Links to the Police and Crime Plan

2.1. The Joint Audit Committee provides a mechanism through which assurance can be sought and the public assured with regards to the probity, regularity and value for money of resources deployed in the pursuit of the Police and Crime Plan.

3. Consultations

3.1. None

4. Implications

a. **Legal**

There are no legal comments associated with this paper.

b. **Financial**

There are no financial implications in considering this report.

c. **Equality considerations**

There are no direct Equality implications in the consideration of this report.

d. **Data Protection Impact Assessment**

There are no direct Data protection implications in the consideration of this report.

5. Risk Management

5.1. None

6. Background Papers

6.1. Appendix A – Joint Audit Plan for the Police and Crime Commissioner for Lancashire and the Chief Constable of Lancashire Constabulary.

7. Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

Joint Audit Plan for the Police and Crime Commissioner for Lancashire and the Chief Constable of Lancashire Constabulary

Year ending 31 March 2023

11 September 2024

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Police and Crime Commissioner and Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

National context

The police service faces an array of challenges. Levels of public trust are at historically low levels – a consequence of recent scandals (and repeated failures to address these) and a general and widespread belief that the police cannot adequately deal with crime. While overall levels of reported crime have declined over the last 10 years, so too have charge rates. In the period, police resources have been stretched by the combination of increasing crime complexity and growing non-crime demands.

Police spending has increased significantly in recent years, largely to support the successful recruitment of an additional 20,000 police officers. The decline in the charge rate has been halted, and the absolute number of charges increased in 2022/23 for the first time since 2013/14. Similarly, forces are increasing their focus on sexual assaults, while aiming to reduce the amount of time spent on non-crime demands such as responding to mental health incidents.

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

The spiralling cost of living can make things even more challenging and jeopardising progress made in tackling violent crime. Funding continues to be stretched with increasing cost pressures due to the cost of living crisis, increasing pay demands, higher agency costs and increases in supplies and services.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time. In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

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Key matters

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Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Constabulary Chief Finance Officer and the Chief Financial Officer representing the PCC.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Joint Independent Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Joint Independent Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the PCC and/or Chief Constable. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the PCC and/or Chief Constable.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.

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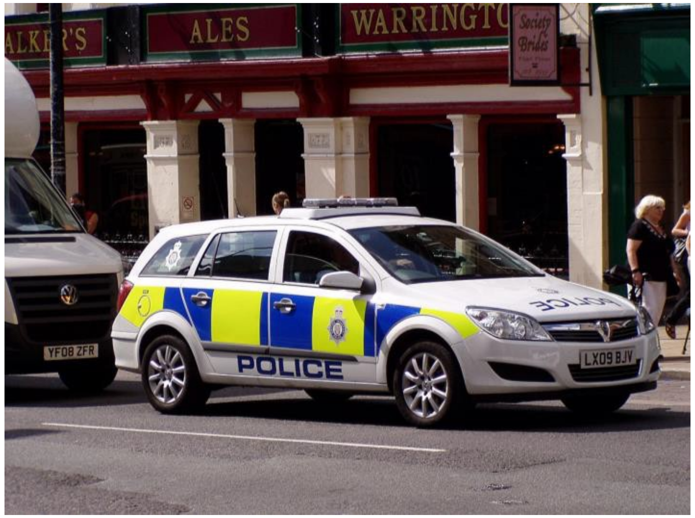
Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of both the Police and Crime Commissioner for Lancashire ('the PCC') and the Chief Constable of Lancashire Constabulary ('the Chief Constable') for those charged with governance. Those Charged with governance are the PCC and the Chief Constable.



Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the PCC and the Chief Constable.* We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the PCC, Chief Constable and group's financial statements that have been prepared by management with the oversight of those charged with governance (the PCC and the Chief Constable); and we consider whether there are sufficient arrangements in place at each body for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the PCC and the Chief Constable of your responsibilities. It is the responsibility of the PCC and the Chief Constable to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and the Chief Constable are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the PCC and the Chief Constable's business and is risk based.

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Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management override of controls;
- valuation of property, plant and equipment; and
- valuation of net pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The PCC and Chief Constable is required to prepare group financial statements that consolidate the financial information of the PCC and CC.

Materiality

We have determined planning materiality to be £8.781m (21/22 £7.770m) for the group, £6.528m (21/22 £7.761m) for the PCC and £8.619 for the Chief Constable (21/22 £7.629m), which equates to 1.5% of 2022/23 gross expenditure for the year.

For our audit testing purposes we apply the lowest of these materiality amounts, which is £6.528m (21/22 £7.761m).

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.326m (PY £0.156m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our audit planning took place during June - July with our final accounts audit occurring in August – November. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £26,501 (PY: £25,188) for the Chief Constable and £51,406 (PY: £47,656) for the PCC, subject to the bodies delivering a good set of financial statements and working papers We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA24: Presumed risk of fraud in revenue recognition	Chief Constable, PCC and Group	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the PCC and the Chief Constable, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • all revenue received by the Chief Constable comes from the PCC; and • the culture and ethical frameworks of public sector bodies, including the Chief Constable and Police and Crime Commissioner, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Chief Constable, PCC or Group.	N/a We have rebutted the presumed risk but we will continue to consider throughout the audit and will perform sample testing of material revenue streams as part of the audit.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

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Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud related to expenditure recognition - Practice Note 10	Chief Constable, PCC and Group	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. Having considered the nature of the expenditure streams of each of the Chief Constable, PCC and Group, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.	N/a We have rebutted the presumed risk but we will continue to consider throughout the audit and will perform sample testing of material expenditure streams as part of the audit.

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Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Chief Constable, PCC and Group	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • make enquiries of finance staff regarding their knowledge of potential instances of management override of controls; • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team; • test a sample of journals made during the year and during the period preparing the draft accounts for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgement applied made by management and consider their reasonableness about corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	PCC and Group	The PCC and Group revalue their land and buildings on a rolling three-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved, £232.1 million as at 31 March 2023 and the sensitivity of this estimate to changes in key assumptions. Management will need to ensure the carrying value in the PCC and Group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; • evaluate the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable; • engage our own valuer to assess the instructions issued by the PCC to their valuer, the scope of the PCC's valuers' work, the PCC's valuers reports and the assumptions that underpin the valuations; • test a selection of other asset revaluations made during the year to see if they had been input correctly into the PCC and Group asset register, revaluation reserve and Comprehensive Income and Expenditure Statement; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

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Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Chief Constable and Group	The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£2.867 billion in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • update our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation; • assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk		Reason for risk identification	Key aspects of our proposed response to the risk
Implementation of new ledger system	Chief Constable, PCC and Group	In January 2023 the ORACLE ledger system, transferred to the PCC and CC from Lancashire County Council. The transfer had the potential to cause disruption and potential loss of key financial information if the transfer is not correctly implemented and there are not appropriate controls around data transfer.	We will: • determine the adequacy of the policies around security management, including the control of access to financial reporting applications and related databases by internal and remote users and authorised third parties; • determine whether controls for the acquisition, development and maintenance of the financial reporting system(s) are in place; • determine the adequacy of the operational procedures and controls for administering, executing and monitoring batch processes, scheduled jobs and/or interface configurations • determine whether adequate controls (implemented during the financial period) have been established to ensure that systems / applications which are developed or acquired are authorised, tested, approved, properly implemented and documented; and • ensure all data has been correctly transferred to the PCC/CC from Lancashire County Council.

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Other risks identified (continued)

Risk		Reason for risk identification	Key aspects of our proposed response to the risk
Application of IFRIC 14 in respect of the Local Government Pension scheme	Chief Constable, PCC and Group	For 2022-23 audit years' many Local Government pension scheme IAS 19 valuations moved from a net liability to a net asset position. Where a net asset position arises, the application of IFRIC 14 in determining the appropriate accounting principles must be considered in informing the asset/liability position to be recognised. As the first time this situation has arisen in the Local Audit accounts, there is a risk of error in the accounting treatment applied.	We will: • Review the IAS 19 valuations provided by the actuary and consider their treatment and interpretation of the application of IFRIC 14 • Review the disclosures and accounting treatments applied by management in preparation of the draft financial statements

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Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Police and Crime Commissioner for Lancashire	Yes	Purple - Audit of the financial information of the component using component materiality	• Management override of controls • Valuation of Land and Buildings • Valuation of net pension fund liability	Full scope audit performed by Grant Thornton UK LLP
Chief Constable of Lancashire Constabulary	Yes	Purple - Audit of the financial information of the component using component materiality	• Management override of control • Valuation of net pension fund liability	Full scope audit performed by Grant Thornton UK LLP

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

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Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Reports and Annual Governance Statements and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the PCC and the Chief Constable.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement[s] are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - issuing a report in the public interest or written recommendations to the PCC or the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audits.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description	Planned audit procedures
Determination We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. For our audit testing purposes we apply the lowest of these materiality's, which is £6.5268m relating to the PCC, which equates to 1.5% of the draft gross expenditure for the year. In the prior year the lowest materiality threshold related to the Chief Constable at £7.629m.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality at 2% of the note value for senior officer remuneration.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description	Planned audit procedures
Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
Other communications relating to materiality we will report to the Joint Independent Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the PCC and the Chief Constable any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Joint Independent Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the group, the PCC and the Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.326m (PY £0.381m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Joint Independent Audit Committee to assist it in fulfilling its governance responsibilities.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have determined financial statement materiality based on a proportion of the gross expenditure of the Group, the PCC and the Chief Constable for the financial year. For our audit testing purposes we apply the lowest of these materialities, which is £6.528m (PY £7.761m), which equates to 1.5% of the PCC's gross expenditure for the year.

	Amount	Qualitative factors considered
Materiality for the Group and PCC financial statements	£8.781m	Materiality equates to 1.5% of your gross expenditure for the Group. This assessment reflects the fact that you operate in a stable, publicly funded environment and no significant control deficiencies have been identified.
Materiality for the Police and Crime Commissioner	£6.528m	Materiality equates to 1.5% of your gross expenditure for the PCC single entity financial statements.
Materiality for the Chief Constable	£8.619m	Materiality equates to 1.5% of your gross expenditure for the Chief Constable single entity financial statements.
Materiality for senior officer remuneration	2% of the note value for senior officer remuneration.	This reflects public sensitivity in the pay of senior officers in the public sector.

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting	• We will test the design and implementation of the ITGCs . • review the adequacy of the entity's policies for administering security, including the control of access to financial reporting applications and related databases by internal and remote users and authorised third parties; • determine whether controls for the acquisition, development and maintenance of the entity's financial reporting system(s) are in place. To ensure that program changes affecting the entity's financial reporting are authorized, designed based on technical specifications, and appropriately tested before being promoted into the production environment; • determine the adequacy of the entity's operational procedures and controls for administering, executing and monitoring batch processes, scheduled jobs and/or interface configurations; • determine the adequacy of the entity's operational procedures and controls to ensure compliance with rules for data retention and to prevent and detect potential breaches; and • determine whether adequate controls for new system have been established to ensure that new systems / applications which are developed or acquired are authorised, tested, approved, properly implemented and documented.

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Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

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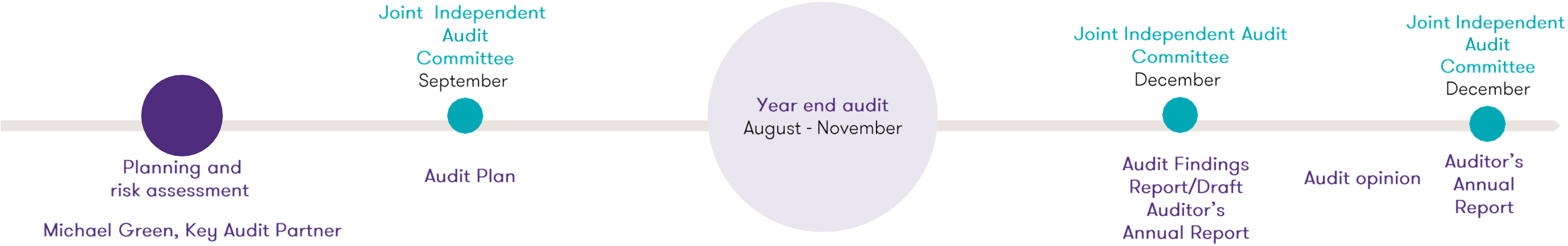
Audit logistics and team



Michael Green, Key Audit Partner

Michael will be the main point of contact for the PCC, Chief Constable and Committee members. He will share his wealth of knowledge and experience across the sector. Michael will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Michael will sign your audit opinion.

Gareth Winstanley, Audit Manager

Gareth will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. Gareth will also be responsible for the delivery of our value for money work.

Chelsey Taylor, Audit In-charge

Chelsey will lead the team and will be the day-to-day contact for the audit. She will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. She will undertake the technical aspects of the audit, coach the junior team members and review their work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

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Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Lancashire PCC and CC to begin with effect from 2018/19. The fee agreed in the contract was £24,769 for the PCC and £14,438 for the Chief Constable. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the PCC and CC's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the PCC and CC's business model, which may result in us needing to perform additional inquiries to understand the end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £2,500. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Constabulary Chief Finance Officer and the Chief Finance Officer representing the PCC.

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Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
PCC Audit	£47,656	£51,406
Chief Constable Audit	£25,188	£26,501
Total audit fees (excluding VAT)	£72,844	£63,755

Assumptions

In setting the above fees, we have assumed that the PCC and Chief Constable will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

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Audit fees – detailed analysis

	CC	PCC
2022/23 Scale fee published by PSAA	**£17,251**	**£29,456**
Additional work on Value for Money (VfM) under the new NAO Code	£2,000	£7,000
Increased audit requirements of revised ISA 540	£500	£1,200
Enhanced audit procedures on journals testing	£1,000	£2,000
Payroll change of circumstances	£500	£-
Reduction in materiality (Major Local Audit)	£1,500	£3,500
Use of auditor valuation expert (Major Local Audit)	£-	£4,000
FRC response additional review requirements (Major Local Audit)	£500	£1,000
Increased audit requirements of revised ISAs 315/ 240	£1,250	£1,250
Review and procedures relating to IFRIC 14 accounting	£2,000	£2,000
Total audit fees 2022/23 (excluding VAT)	**£26,501**	**£51,406**

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Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC and Chief Constable.

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Communication of audit matters with those charged with governance – PCC and CC

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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REPORT TO: JOINT AUDIT COMMITTEE

DATE: 11 September 2024

REPORT AUTHOR: INTERNAL AUDIT SERVICE - AUDIT MANAGER

SUBJECT: INTERNAL AUDIT MONITORING REPORT
PERIOD ENDED 20 August 2024
(Appendix A refers)

1 Issue for Consideration

1.1 The Internal Audit Monitoring Report for the period from 1 April 2024 to 20 August 2024.

2 Recommendation

2.1 The Committee is asked to note the report.

3 Background

3.1 The terms of reference for this Committee include the duty to consider summaries of internal audit work as required.

4 Subject

4.1 The report at Appendix A provides a summary of internal audit activity during the period to 20 August 2024.

5 List of attachments/appendices

- Appendix A – Internal Audit Monitoring Report - period ended 20 August 2024

6 Background Papers

- Internal Audit Plan 2024/25

Report Author

Name: Laura Rix – Audit Manager
Organisation: LCC Internal Audit Service
☎ 01772 536049
✉ Laura.Rix@lancashire.gov.uk

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire

Internal Audit Service - Monitoring report for the period ended 20 August 2024

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire - Internal Audit Service: Monitoring report for the period ended 20 August 2024

1. Introduction

1.1. This report supports the Joint Audit Committee's responsibilities under its terms of reference to consider performance reports from internal audit on progress with delivery of the 2023/24 and 2024/25 audit plans.

1.2. We are grateful for the assistance that has been provided to us in the course of our work.

2. Summary of progress against the 2023/24 audit plan

2.1. The audits listed in the table below have been completed since the last Audit Committee. All work for 2023/24 has now been completed.

Audit review	Assurance Opinion/Conclusion
The Data Protection Act 2018 and UK GDPR	Moderate
Benefits Realisation	Moderate

3. Summary of progress against the 2024/25 audit plan

3.1. Work carried out during the period 1 April 2024 to 20 August 2024 was in accordance with the agreed audit plan. To date, 25.5 days have been spent this financial year on the completion of the 2024/25 plan, equating to 12% of the total planned audit activity of 220 days. The table below shows the current status of all audit work.

3.2. No areas of concern have come to our attention in conducting our assurance work to date that requires bringing to the attention of committee members.

Audit Review	Audit days			Status	Assurance Opinion
	Planned	Actual	Variation		
Key Financial Systems and business processes					
Accounts Payable	10	0	10	Not started	N/A
Accounts Receivable	10	0	10	Not started	N/A
Banking	6	0	6	Not started	N/A
Treasury Management	10	0	10	Not started	N/A
VAT	8	0	8	Not started	N/A
Operational reviews and support services					

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire - Internal Audit Service: Monitoring report for the period ended 20 August 2024

Audit Review	Audit days			Status	Assurance Opinion
	Planned	Actual	Variation		
Grant Governance Arrangements (PCC)	20	0	20	Not started	N/A
Assurance Mapping (PCC)	8	0	8	Not started	N/A
Vehicle Converter Supplier	8	7	1	Complete	Substantial
Governance and Decision Making	10	0.5	9.5	Scoped - Agreed to start in October 2024	N/A
Cyber Security- Governance Arrangements	15	0	15	Not started	N/A
Cyber Security (This will be provided by an external provider)	20	0	20	Not started	N/A
Pensions Processing	20	0	20	Not started	N/A
Body Worn Video	20	0	20	Starting to be scoped	N/A
Outstanding Suspects and Police National Computer (PNC) Circulations	20	15.5	4.5	Draft Report	N/A
Other aspects of the audit plan					
Follow up work	19	0	19		
Audit programme management activity	14	2.5	11.5		
National Fraud Initiative	2	0	2		
Total	**220**	**25.50**	**194.50**		

Follow up work

3.3. The Internal Audit Service aims to follow up the action plans agreed by managers to address the risks identified through the audit process, to confirm that action has been taken. Therefore, the plan for the year includes an allocation of time for this work, as detailed in the table below. No follow up work has been undertaken yet.

Audit review	Date of original audit	Assurance opinion	Actions agreed			Audit progress
			High risk	Medium risk	Low risk	
Payroll Processing and Bureau	August 2023	Substantial	0	2	0	Not started
Catering	April 2024	Limited	2	3	0	Not started
Data Sharing	April 2024	Moderate	0	5	1	Not started
Civil Orders	January 2024	Limited	1	5	0	Not started
Benefits Realisation	July 2024	Moderate	0	5	0	Not started
Data Protection GDPR	August 2024	Moderate	0	4	0	Not started
Processing of Retirements	January 2024	Moderate	0	2	2	Not started
Armoury Management	January 2024	Moderate	1	1	0	Not started
Firearms Licensing	August 2023	Substantial	0	1	4	Not started
Key Financial Systems	May-24	Substantial	0	1	6	Not started
Vehicle Convertor	July 2024	Substantial	0	0	2	Actions already implemented
Total actions			**4**	**29**	**15**	

4. Extracts from Audit Reports

4.1. Extracts of assurance summaries are shown below.

The Data Protection Act 2018 and UK GDPR

Overall assurance rating

Moderate

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	4	0

Overall, we consider that an effective framework of controls has been established to support and monitor compliance with the Data Protection Act 2018 and UK GDPR (General Data Protection Regulations), but some further action is required to complete some of the tasks.

There is an organisational structure for managing data protection and information governance which includes the appointment of a Data Protection Officer (DPO) who is independent and unbiased, and who reports directly to the Chief Executive under a current Service Level Agreement. All staff undertake mandatory induction and annual refresher training, with 100% compliance rates.

Our review showed that there is work ongoing to complete the update of the policies and a review is also underway of the record of processing activity and the information asset registers across all areas, which will also verify that information sharing agreements; data protection impact assessments, privacy notices, together with procedures to ensure a periodic review process. The information asset owners have defined roles and responsibilities and are supported by the Governance Compliance and Review Manager on a day-to-day basis.

There are robust processes in place for reporting information security and data breaches, which are assessed by both the DPO and the Chief Executive, and a lessons learned exercise is undertaken. To date none of these have been reportable to the Information Commissioners Office (ICO). Subject Access Requests and Freedom of Information Requests are processed within statutory timescales.

Whilst there are some areas still being progressed, these are discussed at the monthly Data Protection meeting with actions assigned. The DPO also produces an annual report for the Police and Crime Commissioner with an overall assessment on compliance.

No audits have yet taken place due to limited resources. Once the review of all data sets and information assets has been completed with information risk scores assigned, the Chief Executive and DPO should identify which Information Assets can be prioritised for inclusion in the 2024/25 information audit plan.

Benefits Realisation

Overall assurance rating

Moderate

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	5	0

The Corporate Development Team has made significant progress in developing a Benefits Realisation Framework to support the Constabulary's benefits realisation strategy, which aligns with the Constabulary's strategic vision and values (plan on a page). The framework of control is adequately designed but some action is required to enhance aspects of it.

Training provided by the College of Policing, has been made available to the Corporate Development Team and other project teams. Benefits identification workshops, led by Corporate Project and Benefits Realisation Managers, have been introduced, to assist project sponsors define key benefits and dis-benefits for their programmes and projects.

A robust process has been designed to carry benefits realisation through the entire project lifecycle, from initiation to post-closure. Given that many benefits materialise only after project delivery, decisions are needed on assigning roles and responsibilities for tracking benefits beyond closure, for non-corporate projects.

The framework is gradually being introduced to ICT and Estates with some processes still being defined as the transition from existing methods to the new framework is managed.

Where the processes are more established, benefits are tracked and monitored, with feedback provided to accountability boards. Exception reports are produced and presented to the Tactical Change Board (TCB), the Strategic Change Board (SCB), and the Chief Officer Team (COT). The Corporate Development Team is also exploring dashboard reporting and the use of an IT application, developed by another police force.

Vehicle Converter Supplies

Overall assurance rating

Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	2

The Fleet Department has a well-designed and effectively operated control framework for awarding vehicle conversions to suppliers.

Invitations to quote for Constabulary vehicle conversions are issued to all five suppliers simultaneously, with deadlines clearly specified. Responses are monitored and quotes are checked against the specification, with an electronic log maintained for the awards. Reminders are sent out in an effort to obtain the best market price for each conversion, and late quotes are accepted under certain conditions. Conversion awards are based on the lowest cost and availability, with decisions reviewed by the Head of Fleet. These processes ensure fair and efficient awarding of conversion jobs, in accordance with the framework agreement.

Audit assurance levels and classification of residual risk

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options, and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance**: the framework of control is adequately designed and/ or effectively operated overall.
- **Moderate assurance**: 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.
- **Limited assurance**: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance**: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

Extreme residual risk: critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the Constabulary and/ or the Office of the Police and Crime Commissioner, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the Constabulary and/ or the Office of the Police and Crime Commissioner reputation. *Remedial action must be taken immediately.*

High residual risk: critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the Constabulary and/ or the Office of the Police and Crime Commissioner business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the Constabulary and/ or the Office of the Police and Crime Commissioner reputation. *Remedial action must be taken urgently*.

Medium residual risk: failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken*.

Low residual risk: matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

JOINT INDEPENDENT AUDIT COMMITTEE
Meeting to be held on Wednesday, 13 September 2024 at 10.00am in Room 8, The Exchange, County Hall, Preston

Draft Statements of Accounts 2023/24

(Appendices A and B refer)

Contact for further information: Ian Dickinson, 01772 533587, Head of Governance and Accountability commissioner@lancashire-pcc.gov.uk

1. Issue for Consideration

1.1 The Draft Statements of Accounts for 2023/24.

2. Recommendation

2.1. The Draft Statements of Accounts are attached (Appendix A) for comment.

3. Background

3.1. The Draft Statements of Accounts for the PCC (and Group) and the Chief Constable are provided to the Committee for their review and comment.
3.2. Any queries can be raised with colleagues from Grant Thornton or with Steve Freeman and Dan Rogers.

4. Links to the Police and Crime Plan

4.1. The Joint Independent Audit Committee provides a mechanism through which assurance can be sought and the public assured with regards to the probity, regularity and value for money of resources deployed in the pursuit of the Police and Crime Plan.

5. Consultations

5.1. None

6. Implications

a. Legal

There are no legal comments associated with this paper.

b. Financial

There are no financial implications in considering this report.

c. Equality considerations

There are no direct Equality implications in the consideration of this report.

d. Data Protection Impact Assessment

There are no direct Data protection implications in the consideration of this report.

7. Risk Management

7.1. None

8. Background Papers

8.1. Draft Statements of Accounts 2023/24

9. Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

STATEMENT OF ACCOUNTS

2023/24

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POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

STATEMENT OF ACCOUNTS 2023/24

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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.

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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 £6.16m (PCC increased by £11.75m): a reduction in usable reserves of £0.68m (PCC reduced by £0.68m) and an increase in unusable reserves of £6.85m (PCC increased by £12.42m).

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:

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- 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

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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 2022 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	Variance %
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	334.765	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)
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**

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2023/24 year-end position for reserves

The general reserves (DFM and general fund) at 31 March 2024 are £19.637m and represent around 5.3% 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 **£18.768m** has been spent on capital projects in this year:

	£m
IT Strategy	5.610
Estate	5.897
Vehicle Replacement Programme	6.863
Other schemes	0.398
Total	**18.768**

The main elements of the spend summarised above are:

<u>I.T. Strategy</u>

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

<u>Estate</u>

- £3.623m Chorley police station
- £1.426m Pendle police station
- £0.848m 'Minor works programme'

<u>Other Schemes</u>

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

The following table shows how the expenditure of £18.768m has been financed:

	£m
Financing	
Capital Grant/Contribution	0.112
Revenue Resources	10.750
Revenue Reserves	2.698
Borrowing	5.208
Total	**18.768**

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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. As at 31 March 2024 the PCC has set aside £2.809m in earmarked reserves to support 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.

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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 £2,849,723m, (an decrease of £17.5m over the previous year's figure of £2,687,270m). The net liability is split between the Local Government Pension Scheme (£0.2m surplus) 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.

Due to the inclusion of the prepayment of contributions the PCC Office is showing that as at 31 March 2024 it is showing an asset of £2.2m (nil position at 31 March 2023).

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.

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- 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

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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

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

30 August 2024

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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
Clive Grunshaw

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

STEVE FREEMAN CPFA
CFO to the Police and Crime Commissioner for Lancashire
30 August 2024

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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**
			Chief Constable:			
333,845	0	**333,845**	Centralised Pay Budgets	276,185	0	**276,185**
33,426	(4,386)	**29,041**	Chief Operating Officer	38,815	(5,652)	**33,163**
8,836	(495)	**8,341**	ACC Territorial Ops*	8,978	(656)	**8,323**
4,949	(948)	**4,000**	ACC Crime	5,050	(841)	**4,208**
8,347	(2,666)	**5,681**	ACC Specialist Uniform Operations*	6,933	(3,019)	**3,914**
1,727	(330)	**1,397**	Deputy Chief Constable	1,989	(468)	**1,521**
39,883	(25,625)	**14,258**	Constabulary Non-Devolved budgets	38,699	(32,265)	**6,413**
			PCC:			
1,846	4	**1,850**	Office of the PCC	1,755	(18)	1,737
1,027	(431)	**596**	Fighting Crime	2,779	(2,180)	599
6,043	(5,519)	**523**	Victims and Witnesses	5,854	(5,451)	403
17,991	0	**17,991**	PCC Non-Devolved budgets	16,929	0	16,929
457,919	**(40,396)**	**417,524**	**Net Cost of Services**	**403,965**	**(50,550)**	**353,395**
		(109)	Other operating Income & expenditure (Note 11)			**119**
		125,855	Financing & investment income & expenditure (Note 12)			**134,127**
		(393,227)	Taxation & non-specific grant income (Note 13)			**(414,896)**
		150,043	**(Surplus)/Deficit on Provision of Services**			**72,745**
		(3,759)	(Surplus)/deficit on revaluation of property, plant & equipment assets			**(12,379)**
		(1,832,297)	Re-measurements of pension assets/liabilities			**(66,538)**
		(1,836,056)	**Other Comprehensive (Income) & Expenditure**			**(78,917)**
		(1,686,013)	**Total Comprehensive (Income) & Expenditure**			**(6,099)**

*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*

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	1,755	(18)	**1,737**
742	(431)	**311**	Fighting Crime	1,411	(2,180)	**(769)**
6,043	(5,519)	**523**	Victims and Witnesses	5,847	(5,451)	**396**
406	0	**406**	PCC Non-Devolved budgets	832	0	**832**
424,419	0	**424,419**	Funding provided by PCC to CC (Note 16)	457,699	0	**457,699**
0	(34,450)	**(34,450)**	Income managed within Constabulary Budgets	0	(42,900)	**(42,900)**
433,447	**(40,396)**	**393,052**	**Net Cost of Services**	**467,544**	**(50,550)**	**416,994**
		(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)**
		(172)	**(Surplus)/Deficit on Provision of Services**			**2,712**
		(3,759)	(Surplus)/deficit on revaluation of property, plant & equipment assets			**(12,379)**
		(2,208)	Re-measurements of pension assets/liabilities			**(2,074)**
		(5,967)	**Other Comprehensive (Income) & Expenditure**			**(14,453)**
		(6,139)	**Total Comprehensive (Income) & Expenditure**			**(11,741)**

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)		**(150,043)**	**0**	**0**	**(150,043)**	**1,836,056**	**1,686,013**
Adjs between accounting basis & funding basis under regulations	8	**156,046**	**3**	**243**	**156,291**	**(156,291)**	**0**
Net Increase/(Decrease) in 2022/23		**6,003**	**3**	**243**	**6,249**	**1,679,764**	**1,686,013**
Balance at 31 March 2023		**30,216**	**1,505**	**243**	**31,964**	**(2,715,019)**	**(2,683,055)**
Movement in reserves during 2023/24:							
Total Comprehensive Income & (Expenditure)		**(72,745)**	**0**	**0**	**(72,745)**	**78,917**	**6,173**
Adjs between accounting basis & funding basis under regulations	8	**71,973**	**0**	**93**	**72,066**	**(72,066)**	**0**
Net Increase/(Decrease) in 2023/24		**(772)**	**0**	**93**	**(679)**	**6,852**	**6,173**
Balance at 31 March 2024		**29,444**	**1,505**	**336**	**31,285**	**(2,708,167)**	**(2,676,883)**

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	18,655	30,215
31 March 2022	11,506	12,707	24,213

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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.

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	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)		**172**	**0**	**0**	**172**	**5,967**	**6,139**
Adjs between accounting basis & funding basis under regulations	8	**5,831**	**3**	**243**	**6,076**	**(6,076)**	**0**
Net Increase/(Decrease) in 2022/23		**6,003**	**3**	**243**	**6,249**	**(110)**	**6,139**
Balance at 31 March 2023		**30,216**	**1,505**	**243**	**31,964**	**161,043**	**193,007**
Movement in reserves during 2023/24:							
Total Comprehensive Income & (Expenditure)		**(2,712)**	**0**	**0**	**(2,712)**	**14,453**	**11,741**
Adjs between accounting basis & funding basis under regulations	8	**1,940**	**0**	**93**	**2,033**	**(2,033)**	**0**
Net Increase/(Decrease) in 2023/24		**(772)**	**0**	**93**	**(679)**	**12,420**	**11,741**
Balance at 31 March 2024		**29,444**	**1,505**	**336**	**31,285**	**173,463**	**204,748**

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
232,155	Property, Plant & Equipment	18	245,582
1,834	Investment Property		1,834
1,622	Intangible Assets		1,910
235,611	**Long Term Assets**		**249,326**
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	22	9,599
11,881	Payments in Advance		12,298
93,073	**Current Assets**		**68,448**
(36,218)	Short Term Borrowing	27	(46,497)
(46,602)	Short Term Creditors	21	(49,196)
(1,553)	Short-Term Provisions		(342)
(952)	Receipts in Advance		(916)
(85,325)	**Current Liabilities**		**(96,950)**
(1,759)	Long-Term Provisions		(2,096)
(57,384)	Long Term Borrowing	27	(45,888)
(2,867,270)	Pensions' Liability	28	(2,849,723)
(2,926,413)	**Long Term Liabilities**		**(2,897,707)**
(2,683,055)	**Net Assets**		**(2,676,882)**
(31,964)	Usable Reserves		(31,285)
2,715,019	Unusable Reserves	10	2,708,167
2,683,055	**Total Reserves**		**2,676,882**

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
232,155	Property, Plant & Equipment	18	245,582
1,834	Investment Property		1,834
1,622	Intangible Assets		1,910
235,611	**Long Term Assets**		**249,326**
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	22	9,599
11,881	Payments in Advance		12,298
93,073	**Current Assets**		**81,232**
(36,218)	Short Term Borrowing	27	(46,497)
(37,810)	Short Term Creditors	21	(32,314)
(1,553)	Short-Term Provisions		(342)
(952)	Receipts in Advance		(916)
(76,533)	**Current Liabilities**		**(80,068)**
(1,759)	Long-Term Provisions		(2,096)
(57,384)	Long Term Borrowing	27	(45,888)
0	Pensions Liability	28	2,235
(59,143)	**Long Term Liabilities**		**(45,748)**
193,007	**Net Assets**		**204,748**
(31,964)	Usable Reserves		(31,285)
(161,043)	Unusable Reserves	10	(173,463)
(193,007)	**Total Reserves**		**(204,748)**

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**
150,043	Net deficit on the provision of services	72,745
(170,609)	Adjustments to net deficit on the provision of services for non-cash movements (Note 23)	(58,335)
916	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing & financing activities (Note 24)	205
(19,650)	**Net cash flows from Operating Activities**	**14,615**
14,684	Investing activities (Note 25)	18,443
(22,078)	Financing activities (Note 26)	1,218
(27,045)	**Net (Increase)/Decrease in cash & cash equivalents**	**34,276**
23,083	**Cash & cash equivalents at beginning of the reporting period**	**43,876**
43,876	**Cash & cash equivalents at the end of the reporting period (Note 22)**	**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**
(172)	Net deficit on the provision of services	2,712
(20,394)	Adjustments to net deficit on the provision of services for non-cash movements (Note 23)	11,698
916	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing & financing activities (Note 24)	205
(19,650)	**Net cash flows from Operating Activities**	**14,615**
14,684	Investing activities (Note 25)	18,443
(22,078)	Financing activities (Note 26)	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 22)**	**9,599**

NOTES TO THE ACCOUNTS - Index

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1. EXPENDITURE AND FUNDING ANALYSIS

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

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	25	1,737
Fighting Crime	779	(180)	599	0	599
Victim and Domestic Abuse services	560	(160)	400	3	403
PCC Non-Devolved Budgets	9,603	(9,603)	(0)	16,929	16,929
Net Cost of Services	354,972	45,065	400,037	(46,643)	353,395
Other Income and Expenditure	0	(399,265)	(399,265)	118,615	(280,650)
(Surplus)/Deficit on provision of services	354,972	(354,200)	772	71,973	72,745
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	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	**264,155**	**0**	**264,155**	**69,689**	**333,845**
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**	**(45,217)**	**14,258**
PCC:	**0**	**0**	**0**	**0**	**0**
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**	**17,991**	**17,991**
Net Cost of Services	**334,203**	**40,709**	**374,911**	**42,612**	**417,524**
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)**	**156,046**	**150,043**
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*

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	25	1,737
Fighting Crime	779	(1,547)	(769)	0	(769)
Victim and Domestic Abuse services	560	(167)	393	3	396
PCC Non-Devolved Budgets	9,603	(25,701)	(16,097)	16,929	832
Funding provided to the CC	0	457,699	457,699	0	457,699
Income collected by the CC	0	(42,900)	(42,900)	0	(42,900)
Net Cost of Services	12,663	387,374	400,037	16,957	416,994
Other Income and expenditure	0	(399,265)	(399,265)	(15,017)	(414,282)
Deficit on provision of services	12,663	(11,891)	772	1,940	2,712
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	5,647	(23,233)	(17,585)	17,991	406
Funding provided to the CC	0	424,419	424,419	0	424,419
Income collected by the CC	0	(34,450)	(34,450)	0	(34,450)
Net Cost of Services	8,459	366,452	374,911	18,140	393,052
Other Income and Expenditure	0	(380,915)	(380,915)	(12,309)	(393,224)
Deficit on provision of Services	8,459	(14,463)	(6,003)	5,831	(172)
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				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**
			Chief Constable			
0	0	0	Centralised Pay Budget	0	0	0
465	(481)	(16)	Chief Operating Officer	382	1,077	1,459
0	20	20	ACC Territorial Ops	0	72	72
0	49	49	ACC Crime	0	12	12
0	(307)	(307)	ACC Spec Uniform Ops	0	(1,194)	(1,194)
0	25	25	Deputy Chief Constable	0	(23)	(23)
49,657	(3,055)	46,602	Constabulary Non-Devolved Budgets	56,000	(1,308)	54,692
			PCC			
0	9	9	Office of the PCC	0	(9)	(9)
0	0	0	Fighting Crime	0	(180)	(180)
0	0	0	Victim and Domestic Abuse services	0	(160)	(160)
(7,451)	1,779	(5,672)	PCC Non-Devolved Budgets	(13,045)	3,441	(9,603)
42,671	**(1,962)**	**40,709**	**Net Cost of Services**	**43,337**	**1,728**	**45,065**
(380,915)	0	(380,915)	Other Income & Expenditure	(399,265)	0	(399,265)
(338,244)	**(1,962)**	**(340,206)**	**(Surplus)/Deficit on Provision of Services**	**(355,928)**	**1,728**	**(354,200)**

PCC SINGLE ENTITY

2022/23					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)
(25,011)	1,779	0	(23,233)	PCC Non-Devolved Budgets	(29,142)	3,441	0	(25,701)
0	0	424,419	424,419	Funding provided to the CC	0	0	457,699	457,699
0	0	(34,450)	(34,450)	Income collected by the CC	0	0	(42,900)	(42,900)
(25,011)	**1,787**	**389,676**	**366,452**	**Net Cost of Services**	**(29,142)**	**3,092**	**413,424**	**387,374**
(380,915)	0	0	(380,915)	Other Income & Expenditure	(399,265)	0	0	(399,265)
(405,926)	**1,787**	**389,676**	**(14,463)**	**(Surplus)/Deficit on Provision of Services**	**(428,407)**	**3,092**	**413,424**	**(11,891)**

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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	69,838	(148)	69,689	Centralised Pay Budgets	0	(6,798)	(974)	(7,772)
0	(45,209)	(8)	(45,217)	Constabulary Non-Devolved budgets	0	(55,778)	(52)	(55,828)
0	135	1	136	Office of the PCC	0	25	(0)	25
0	0	0	0	Fighting Crime	0	(0)	(0)	(0)
0	13	0	13	Victim and Domestic Abuse services	0	3	(0)	3
17,982	9	0	17,991	PCC Non-Devolved budgets	16,924	5	0	16,929
17,982	**24,786**	**(156)**	**42,612**	**Net Cost of Service**	**16,924**	**(62,540)**	**(1,027)**	**(46,643)**
(12,841)	125,798	476	113,434	Other income and expenditure from Expenditure and Funding Analysis	(15,336)	133,620	332	118,615
5,141	**150,584**	**321**	**156,046**	**Difference between General Fund deficit and CIES Deficit on Provision of Services**	**1,588**	**71,080**	**(695)**	**71,973**

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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	25	(0)	25
0	13	0	13	Fighting Crime	0	0	0	0
0	0	0	0	Victim and Domestic Abuse services	0	3	(0)	3
17,982	9	0	17,991	PCC Non-Devolved budgets	16,924	5	0	16,929
17,982	**157**	**1**	**18,140**	**Net Cost of Service**	**16,924**	**33**	**(0)**	**16,957**
(12,841)	55	476	(12,309)	Other income and expenditure from Expenditure and Funding Analysis	(15,336)	(12)	332	(15,017)
5,141	**212**	**477**	**5,831**	**Difference between General Fund deficit and CIES Deficit on Provision of Services**	**1,588**	**21**	**331**	**1,940**

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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.

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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	375,249	315,725
Other service expenses	64,689	71,333
Depreciation and amortisation	17,585	16,097
Revaluation losses	397	827
Interest expenses	127,532	136,446
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	**585,814**	**540,933**
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	**150,043**	**72,745**

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	1,140
Other service expenses	7,500	7,916
Revaluation losses	397	827
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	424,419	457,699
Total expenditure	**435,599**	**470,900**
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	**(172)**	**2,712**

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.

The critical judgements made in the statement of accounts are:

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

- The PCC has to determine whether there is a group relationship between the PCC and other entities. The accountants have assessed each relationship that exists between the PCC and other entities in accordance with the accounting standards and the finance guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The most significant of those relationships is the relationship with the CC of Lancashire who has been assessed as being a 100% subsidiary of the PCC and is included in the PCC Group accounts.

- The PCC's valuer is required to exercise judgement in determining the carrying value of land and buildings on the PCC/PCC Group's balance sheet. The valuations are undertaken by appropriately qualified professionals who follow best practice. In addition to valuations which are undertaken in year consideration has been given to the local market conditions and available national data to assess whether there have been changes which would require a review of all asset values held at 31 March 2024.

4. PRIOR PERIOD ADJUSTMENTS

No prior period adjustments have been made.

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.

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

The position 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:

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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 £245.6m. 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 £2.3m for every year that useful lives changed. The value of land & building assets which are subject to rolling revaluations was £212.8m 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 £2.1m and the depreciation charge to the CIES by £42k.
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. There has been substantial volatility in financial markets since the start of the COVID-19 pandemic. 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 £93.911m, however	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 £0.483m. During 2023/24, the PCC's actuaries advised that the net pensions' liability for the Group had reduced by £17.547m (PCC Single Entity reduced by £2.236m) 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.

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	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.	
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. Market activity is being impacted in many sectors as a result of the COVID-19 pandemic. The effects of the global pandemic could have a material effect on these calculations but at this stage the effects cannot be quantified with any degree of certainty	The total of property assets for the PCC Group as outlined in Note 28 is £55.828m (£0.743m 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 (£0.07m for the PCC) in the value of the Pensions Assets.

7. EVENTS AFTER THE BALANCE SHEET DATE

<u>Accounting Policy</u>

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 30 August 2024. 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

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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

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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)	71,080	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)	17,227	0	155
Total Adjustments to Revenue Resources	**87,612**	**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 from 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	**71,973**	**0**	**93**

PCC SINGLE ENTITY	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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)	21	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)	17,227	0	155
Total Adjustments to Revenue Resources	**17,579**	**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 from 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	**1,940**	**0**	**93**

2022/23

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)	150,584	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)	17,208	0	243
Total Adjustments to Revenue Resources	**168,113**	**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 from 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	**156,021**	**3**	**243**

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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)	17,208	0	243
Total Adjustments to Revenue Resources	**17,898**	**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 from 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	**5,806**	**3**	**243**

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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**
Earmarked Reserves:	**£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**

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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**
91,269	100,950	Revaluation Reserve	91,269	100,950
69,797	70,814	Capital Adjustment Account	69,797	70,814
0	2,053	Pensions Reserve	(2,867,270)	(2,871,812)
(13)	(345)	Collection Fund Adjustment Account	(13)	(345)
(10)	(9)	Accumulated Absences Account	(8,801)	(7,775)
161,043	**173,463**	**Total Unusable Reserves**	**(2,715,019)**	**(2,708,167)**

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	**31-Mar-24**
	£000	**£000**
Balance at 31 March		**91,269**
Adjustment written to CAA		**(668)**
Balance at 1 April	**88,791**	**90,601**
Upward revaluation of assets	5,168	20,093
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(1,409)	(7,713)
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	3,759	12,379
Difference between fair value depreciation and historical cost depreciation	1,281	2,017
Accumulated gains on disposed assets	0	14
Amount written off to the capital adjustment account	1,281	2,030
Balance at 31 March	**91,269**	**100,950**

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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	**31-Mar-24**
	£000	**£000**
Balance at 31 March		**69,797**
Adjustment written to CAA		**668**
Balance at 1 April	**73,903**	**70,465**
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	(16,406)	(15,393)
Revaluation (gains)/losses on property, plant and equipment	(397)	(827)
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)
	(18,341)	(17,432)
Adjusting amounts written out of the revaluation reserve	1,281	2,030
Net written out amount of the cost of non-current assets consumed in the year	**(17,060)**	**(15,402)**
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	**69,797**	**70,814**

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)**	**(2,867,270)**
2,208	2,074	Re-measurements of the net defined benefit (liability)/ asset	1,832,297	66,538
(320)	(123)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	(254,508)	(187,043)
108	102	Employer's pensions contribution and direct payments to pensioners payable in the year	103,924	115,963
(0)	**2,053**	**Balance at 31 March**	**(2,867,270)**	**(2,871,812)**

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)
(1)	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	133,620
(196)	0	Changes in fair value of investment properties	(196)	0
4	(3)	Impairment Allowance	4	(3)
112	**495**	**Total**	**125,855**	**134,127**

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	(81)	(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)
Covid Lost Income	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	(387)	(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 £000	2023/24 £000
Depreciation of PPE	16,406	15,393
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	(17,585)	(16,097)
Revaluation losses	397	827
Total charges in respect of property, plant and equipment & intangible assets	**397**	**827**

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.

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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 £000		2023/24 £000
574,634	Provision of services deficit in CC CIES prior to PCC funding	527,731
(254,188)	Adjustment for net IAS19 pensions charges included in cost of service but funded by CC pensions reserve	(186,920)
103,816	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
424,419	**PCC funding for PCC resources consumed at the request of the CC**	**457,699**
	Consisting of:	
17,585	Fair value adjustment for CC consumption of PCC property & equipment	16,097
406,834	Other resources	441,601
424,419	**Total PCC resources consumed at the request of the CC**	**457,699**

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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:

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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 Remunerations exc Pensions Contributions £	Employers Pensions Contributions £	Total Remuneration £
OFFICE OF THE PCC									
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		120,833					120,833	13,727	134,560
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

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	126,068	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	74,326

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 Janaury 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

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Senior Officers and Relevant Police Officers 2022-23

Post Holder Information (Post title only)	Notes	Salary (including allowances) £	Bonus £	Expenses Allowances £	Compensation for loss of employment £	Benefits in Kind £	Total Remunerations exc Pensions Contributions £	Employers Pensions Contributions £	Total Remuneration £
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

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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	118,666		8,261			126,927	0	126,927

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

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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	2	1	£135,684
£40,001 - £60,000	1	0	£43,189
£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	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	**207,173**	**52,336**	**0**	**3,710**	**263,219**
Adjustments	0	(12,719)	11,625	686	**(408)**
Restated Opening Balance	**207,173**	**39,617**	**11,625**	**4,396**	**262,811**
Additions	796	10,292	317	6,367	17,772
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(827)	0	0	0	(827)
Revaluation increase/(decrease) recognised in the revaluation reserve.	5,662	0	0	0	5,662
Reclassification/Capitalisation	0	848	0	(848)	0
De-recognition on disposals	0	(8,828)	(893)	0	(9,720)
At 31 March 2024	**212,804**	**41,929**	**11,050**	**9,915**	**275,697**

Accumulated Depreciation & Impairment					
At 1 April 2023	**(3,646)**	**(27,394)**	**0**	**0**	**(31,039)**
Adjustments	0	5,410	(5,027)	0	**383**
Restated Opening Balance	**(3,646)**	**(21,983)**	**(5,027)**	**0**	**(30,656)**
Depreciation charge	(5,574)	(8,661)	(1,158)	0	**(15,393)**
Depreciation written out to revaluation reserve	6,718	0	0	0	**6,718**
De-recognition on disposals	0	8,331	885	0	**9,216**
At 31 March 2024	**(2,502)**	**(22,314)**	**(5,300)**	**0**	**(30,115)**

Net Book Value					
At 31 March 2024	**210,302**	**19,615**	**5,750**	**9,915**	**245,582**
At 31 March 2023 (restated)	**203,527**	**17,634**	**6,598**	**4,396**	**232,155**
At 31 March 2023	**203,527**	**24,942**	**0**	**3,710**	**232,180**

	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)
Total adjustments to Accumulated Depreciation	0	5,410	(5,027)	0	383
Impact to NBV of Asset Categories	**0**	**(7,308)**	**6,598**	**686**	**(25)**

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	1,519	14,414
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(397)	0	0	(397)
Revaluation increase/(decrease) recognised in the revaluation reserve.	1,731	0		1,731
Reclassification	0		0	0
De-recognition on disposals	0	(7,462)		(7,462)
At 31 March 2023	**207,173**	**52,336**	**3,710**	**263,219**

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	(5,625)	(10,756)		**(16,381)**
Depreciation written out to revaluation reserve	2,025	2		**2,028**
De-recognition on disposals	0	7,102		**7,102**
At 31 March 2023	**(3,646)**	**(27,394)**	**0**	**(31,039)**

Net Book Value				
At 31 March 2023	**203,527**	**24,942**	**3,710**	**232,180**
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 £5.9m. 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 fair value is re-valued sufficiently regularly to ensure that the carrying amount is not materially different from fair 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 fair 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	9,915	56,046
Valued at fair value as at:				
31-Mar-24	141,506			141,506
31-Mar-23	40,158	0	0	40,158
31-Mar-22	31,119	0	0	31,119
31-Mar-21	1	0	0	1
31-Mar-19	21	0	0	21
Total Cost or valuation as at 31st March 2024	**212,804**	**52,979**	**9,915**	**275,697**

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**	**74,548**
Capital Investment		
Property, plant and equipment	14,414	17,772
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	**74,548**	**77,565**
Explanation of movements in year		
New Borrowing required in year	3,856	5,208
MRP applied in year	(1,535)	(2,191)
Increase/(decrease) in Capital Financing Requirement	**2,321**	**3,017**

20. Debtors

PCC			PCC Group	
31-Mar-23 £000	**31-Mar-24 £000**		**31-Mar-23 £000**	**31-Mar-24 £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		
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:		
17,154	16,625	Trade creditors	17,154	16,626
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	Seized Cash	4,027	5,290
223	138	Other Entities and Individuals	11,358	11,341
7,426	0	Intragroup Creditor		
37,810	**32,309**	**TOTAL**	**46,602**	**49,196**

22. 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.

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

PCC			PCC GROUP	
2022/23	**2023/24**		**2022/23**	**2023/24**
£000	**£000**		**£000**	**£000**
(16,803)	(16,219)	Depreciation, impairments and downward valuations	(16,803)	(16,219)
(792)	(584)	Amortisation	(792)	(584)
(14,123)	5,537	Net (increase)/decrease in revenue creditors	(6,319)	(2,558)
11,066	22,224	Net increase/(decrease) in revenue debtors	11,831	9,441
150	211	Increase/(decrease) in inventories	150	211
(212)	161	Pension liability	(158,997)	(48,991)
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
(20,394)	**11,698**	**Total**	**(170,609)**	**(58,335)**

24. **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	**2023/24**
	£000	**£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**

25. **Cash Flow Statement – Investing Activities**

	PCC/PCC GROUP	
	2022/23	**2023/24**
	£000	**£000**
Purchase of property, plant and equipment, investment property and intangible assets	15,599	18,648
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)	(205)
Net cash outflows/(inflows) from investing activities	**14,684**	**18,443**

26. Cash Flow Statement – Cash Flows from Financing Activities

	PCC/PCC GROUP	
	2022/23	**2023/24**
	£000	**£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**

27. 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

	Fair Value Level	Balance Sheet 31-Mar-23 £000	Fair Value 31-Mar-23 £000	Balance Sheet 31-Mar-24 £000	Fair Value 31-Mar-24 £000
Financial liabilities held at amortised cost:					
Long term loans from PWLB	2	43,538	34,146	42,363	33,862
Other Long Term Borrowing		15,000	14,141	5,000	5,208
TOTAL		**58,538**	**48,287**	**47,363**	**39,070**
Liabilities for which fair value is not disclosed*		56,230		66,938	
TOTAL FINANCIAL LIABILITIES		**114,768**		**114,300**	
Recorded on the balance sheet as:					
Long term borrowing		57,384		45,888	
Short-term borrowing		36,218		46,497	
Short-term creditors		21,165		21,916	
TOTAL FINANCIAL LIABILITIES		**114,768**		**114,300**	

*The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is lower than their balance sheet carrying amount because the PCC's portfolio of loans includes a number of loans where the interest is lower than the current rates available for similar loans as at the Balance Sheet date.

Financial assets held at amortised cost:	Balance Sheet 31 March 23 £000	Balance Sheet 31 March 24 £000
Assets for which fair value is not disclosed*	57,186	54,581
TOTAL FINANCIAL ASSETS	**57,186**	**54,581**
Recorded on the balance sheet as:		
Cash and cash equivalents	43,876	9,604
Short-term debtors	13,311	16,027
TOTAL FINANCIAL ASSETS	**57,186**	**25,627**

*The fair value of short-term financial assets held at amortised cost, including trade receivable and surplus cash balances invested "on-call" with Lancashire County Council as well as the short-term deposit, are assumed to approximate to the carrying amount.

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.

	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.

	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 £16k 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 £59k at 31 March 2023 (£50k at 31 March 2022). Provision has been made to 100% of this debt.
- Private Sector and Individual debt – the expected requirement for loss allowance has been assessed at £34k. 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.

	2022/23 £000	2023/24 £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 recallable 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:

Time to maturity (years)	**31-Mar-23**			**31-Mar-24**		
	Liabilities £000	**Assets £000**	**Net £000**	**Liabilities £000**	**Assets £000**	**Net £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 £35.5m 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:

	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.

28. **Defined Benefit Post-Employment Benefits**

<u>Accounting Policies</u>

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 86.

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 2019, which showed that the Fund's liabilities were covered by the fund's assets, equivalent of a funding level of 100%. The fund's employers are paying additional contributions over a period of between 13 and 16 years in order to meet any shortfall.

The weighted average duration of the PCC Group's defined benefit obligation is 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.

<u>Aarons & Ors</u>

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.

<u>Penningtons</u>

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

<u>Transactions Relating to Post-Employment Benefits</u>

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:

PCC GROUP	Local Government Pension Scheme		Police Officer Pension Schemes		Injury Aw
	2022/23 £,000	2023/24 £,000	2022/23 £,000	2023/24 £,000	2022/23 £,000
Comprehensive Income and Expenditure Statement (CIES)					
Cost of Services:					
• Current service cost	25,471	11,942	86,670	32,434	16,094
• Past service/Curtailment costs	58	88	0	0	0
• Admin. Expenses	417	437	0	0	0
Financing and Investment Income and Expenditure*:*					
• Net Interest expense	3,906	(1,643)	114,396	127,260	7,496
Total Post-Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES	**29,852**	**10,824**	**201,066**	**159,694**	**23,590**
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
• Experience (gains)/losses on Liabilities	44,703	3,348	227,836	16,451	9,346
• (Gains)/losses on demographic assumptions	0	(5,656)	(23,411)	(53,558)	(2,231)
• Actuarial (gains)/losses arising on changes in financial assumptions	(305,828)	(17,301)	(1,745,367)	(45,137)	(129,322)
Impact of Asset Ceiling	94,091	159,808			
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(168,968)**	**120,450**	**(1,540,942)**	**(82,244)**	**(122,207)**
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)	(10,824)	(201,066)	(159,694)	(23,590)
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
• Retirement benefits paid to pensioners	0	0	0	0	3,508

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		Tota
	2022/23	2023/24	2022/23	2023/24	2022/23
	£,000	£,000	£,000	£,000	£,000
Comprehensive Income and Expenditure Statement					
Cost of Services:					
• Current Service Cost	256	130	25,215	11,812	25,471
• Past Service/Curtailment costs	5	0	53	88	58
• Admin expenses	4	5	413	432	417
Financing and Investment Income and Expenditure*:*	0		0		0
• Net interest expense	55	(86)	3,851	(1,557)	3,906
Total Post- Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES	**320**	**49**	**29,532**	**10,775**	**29,852**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement					
• Re-measurements (assets)	(29)	(302)	(1,905)	(19,447)	(1,934)
• Experience (gains)/losses on Liabilities	526	43	44,177	3,305	44,703
• Actuarial (gains)/losses arising on changes in demographic assumptions	0	(86)	0	(5,570)	0
• Actuarial (gains)/losses arising on changes in financial assumptions	(4,250)	(115)	(301,578)	(17,186)	(305,828)
Impact of Asset Ceiling	1,540	0	92,551	155,366	94,091
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(2,213)**	**(460)**	**(166,755)**	**116,468**	**(168,968)**
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)	(49)	(31,046)	(10,775)	(31,746)
Actual amount charged against the General Fund Balance for pensions in the year:					
Employers' contributions payable to scheme	108	102	8,719	10,706	9,071

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
PCC GROUP	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Present value of the defined benefit obligation	444,605	444,483	2,699,970	2,676,324	167,299	173,554	**3,311,874**	**3,294,362**
Prepaid Contribution Applied							**0**	
Impact of Asset Ceiling	94,091	159,808					**94,091**	**159,808**
Fair value of plan assets	-538,677	(582,358)	(0)	(0)	0	0	**(538,677)**	**(582,358)**
Acutarial Variance	-19						**(19)**	**0**
Prepaid Contributions Unapplied		(22,089)						**(22,089)**
Net liability arising from defined benefit obligation	**0**	**(156)**	**2,699,970**	**2,676,324**	**167,299**	**173,554**	**2,867,269**	**2,849,724**

	Local Govt Pension Scheme	
	31-Mar-23	31-Mar-24
	£,000	£,000
SINGLE ENTITY PCC		
Present value of the defined benefit obligation	6,824	7,040
Impact of Asset Ceiling	1,540	0
Fair value of plan assets	(8,364)	(9,093)
Prepaid Contributions Unapplied		(183)
Net liability arising from defined benefit obligation	**(0)**	**-2,236**

The net 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 and the police officers and staff under the direction of the CC.

The total liability of £2,849.7m has a considerable impact on the net worth of the PCC Group as recorded in the balance sheets, resulting in a net liability of £2,857.5m (including £7.8m for accumulated absences)

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	**662,904**	**444,605**	**10,418**	**6,824**	**652,486**	**437,781**
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)
Prepayments of Employers Contribution	**0**	0	**0**	0	**0**	
Prepaid Employers Contributon Applied in Year	**8,414**	0	**0**	0	**8,414**	
Past Service/Curtailment Costs	**58**	88	**5**	0	**53**	88
31-Mar	**444,605**	**444,483**	**6,824**	**7,040**	**437,781**	**437,443**

	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**	**2,699,970**	**269,424**	**167,299**
Adjustments to Opening Balance to match actuary report		-230		1
Revised Total	**4,131,204**	**2,699,740**	**269,424**	**167,300**
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	(108,445)	(119,644)	(3,508)	(4,289)
31-Mar	**2,699,970**	**2,676,324**	**167,299**	**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	**522,962**	**538,678**	**8,421**	**8,364**	**514,541**	**530,314**
Adjustment to Opening Balance to match Actuary Report	162	18	**(5)**		**167**	**18**
Interest on plan assets	14,754	27,100	231	412	14,523	26,688
Admin expenses	(417)	(437)	(4)	(5)	(413)	(432)
Employer contributions	9,060	10,808	109	102	8,951	10,706
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**	**582,358**	**8,364**	**9,093**	**530,314**	**573,265**

	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	91,358	100,866	3,508	4,289
Contributions by scheme participants	17,087	18,778	0	0
Benefits paid	(108,445)	(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					
By Sector	-	-			
Corporate			1 / 2.	1,110	481
UK index-linked			3	0	0
Sub-Total Bonds				**1,110**	**481**
Property					
By Type	-	-			
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 £9.093m (£8.369m 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.

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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%

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	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%

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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)

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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)

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29. **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.

30. **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 *Code of Audit Practice* 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

31. **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.

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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.

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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.

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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.

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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.

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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.

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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 £000		31-Mar-24 £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**

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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 101.

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.

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Police and Crime Commissioner for Lancashire
Draft 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

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- 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.

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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 hospitability 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.

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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.

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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.

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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.

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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

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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 an 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.

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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	Steve Freeman Interim Chief Executive, Office of the Police and Crime Commissioner for Lancashire
Date:	**Date:**

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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.

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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.

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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.

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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.

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CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY

STATEMENT OF ACCOUNTS

2023/24

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CHIEF CONSTABLE OF LANCASHIRE CONSTABULARY

STATEMENT OF ACCOUNTS 2023/24

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NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS

Background

Under the Police Reform and Social Responsibility Act (PRSRA) 2011, Police and Crime Commissioners (PCC) and Chief Constables (CC) are deemed to be separate entities (Corporations Sole) and further to this the two entities have been established as Schedule 2 bodies under the Audit Commission Act 1998 (now replaced by the Local Audit and Accountability Act 2014) which means that they are both required to produce accounts which are subject to audit.
The primary function of the PCC is to secure the maintenance of an efficient and effective police force in Lancashire and to hold the CC to account for the exercise of operational policing duties under the Police Act 1996.

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

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

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

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

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

The Accounts and Audit (England) Regulations 2015 require authorities to follow "proper practices in relation to accounts" when preparing the accounts. The Code of Practice on Local Authority Accounting in the United Kingdom 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 prepared in accordance with the Code.

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

Contents of the Statement of Accounts

The statement gives the reader an overall impression of the finances of the CC for the financial year ended on 31 March 2024 (referred to as 2023/24).

The various sections contained within the consolidated financial statements are:

Comprehensive Income and Expenditure Statement (CIES) - This statement shows the accounting cost in the year of the CC providing services in accordance with generally accepted accounting practices, rather than the amount to be funded ultimately from taxation. The PCC raises taxation to cover expenditure in accordance with regulations and uses this income to provide intra-

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group funding to the CC. The accounting costs and those costs ultimately funded by taxation may be different. The taxation position is shown in the movement in reserves statement.

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

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

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

Auditor's Report – This sets out the opinion of the CC's external auditor on whether the accounts present a true and fair view of the financial position and operations of the CC for 2023/24.

Annual Governance Statement – This is a statement by the CC which states their position on governance issues, and provides assurances on the systems of control which are maintained and on the way they conducts their business.

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

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

Financial performance of the Chief Constable

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

To assist the Chief Constable in managing the resources allocated, both the revenue budget and capital programme are devolved to officers within the Constabulary who are nearer to the point of policing delivery and therefore can ultimately influence costs. Pay budgets and costs are managed centrally, with an acceptance by the PCC that, although non-pay costs would be managed locally,

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budget holders would not individually be held to account but the Chief Constable's financial performance would be judged against the overall "cash limit" agreed with the PCC.

The PCC budget for 2023/24 was set against a Central Government core grant settlement of £231.528m alongside an additional government grant of £3.104m to support the cost of additional employer pension contributions to the police officer pension scheme.

As part of the government Spending Review, police budgets were confirmed for a three year period to 2024/25, providing more medium term certainty than the annual settlements of recent years.

The Minister of State for Crime, Policing and Probation, in his settlement letter of 14 December 2022 confirming this arrangement, also provided the opportunity for PCCs to increase council tax by £15 for a band D property in 2023/24.

The PCC, therefore, agreed an increase in Council Tax, from £236.45 in 2022/23 to £251.45 in 2023/24, equivalent to a £15 per annum (6.34%) increase for a Band D equivalent property. This gave a total precept sum of £115.151m.

The budget allocated to the Chief Constable in 2023/24 was £337.863m, compared to £328.401m in 2022/23, equivalent to an increase of £9.462m or 2.88% (compared to 5.50% in 2022/23).

In managing the budget in 2023/24 the non-pay revenue budget continued to be managed by Operational Commanders and Heads of Departments but overseen by the relevant Chief Officer (Deputy Chief Constable, Assistant Chief Constables and Chief Operating Officer) responsible for specific functional areas. Pay budgets were centralised with decisions on budgeted posts and vacancy management made through the Strategic Resourcing Board.

2023/24 Revenue Budget and Outturn

The PCC set an initial overall budget of £347.528m for 2023/24 (net of specific grant funding of £13.599m - Uplift £6.999m; Pensions £3.104m; Counter Terror £1.740m; Victim Services £1.755m) of which £337.863m was allocated to the Chief Constable. The overall budget was increased in-year by £8.4m (to £355.928m) as a result of the pay award grant received from the Home Office.

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

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Responsibility Area	Budget	Spend	Variance	Variance
	£m	£m	£m	%
Centrally Managed Pay Budgets	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
Deputy Chief Constable	1.363	1.544	0.181	13.28
Chief Operating Officer	32.834	31.704	(1.130)	(3.44)
Sub Total	**333.654**	**334.759**	**1.105**	**0.33**
Non-Devolved Resources	9.295	7.550	(1.745)	(18.77)
Total Constabulary Budget	**342.949**	**342.309**	**(0.640)**	**(0.19)**
Total PCC Budget	**12.979**	**12.663**	**(0.316)**	**(2.43)**
Total Budget	**355.928**	**354.972**	**(0.956)**	**(0.27)**

The revenue budget for the Constabulary underspent by £0.640m, alongside a PCC revenue budget underspend of £0.316m. The year-end position is made up of several main elements (below) and also reflected some movements to reserves at year-end to ensure provision for potential future supplier payments currently under challenge with the Competition and Market Authority and to reflect future, one-off training needs in 2024/25.

Over/(Under) spend £m	Reason
0.6	Pay Costs
1.1	Overtime
0.8	Under delivery of external training income
0.4	Vehicle repairs, parts, and tyres
0.2	Counsel Fees
(0.3)	Mast rental income
(0.5)	Telephony and ICT stores costs
(1.1)	Energy
(1.8)	Funding provided by collaboration agreements and grant income
(0.6)	**Constabulary underspend**

2023/24 Capital Budget & Outturn

A total of **£18.768m** has been spent on capital projects in this year:

	£m
IT Strategy	5.610
Estate	5.897
Vehicle Replacement Programme	6.863
Other schemes	0.398
Total	**18.768**

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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
- £0.848m '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 £18.768m has been financed:

	£m
Capital Grant/Contribution	0.112
Revenue Resources	10.750
Revenue Reserves	2.698
Borrowing	5.208
TOTAL FINANCING	**18.768**

The capital expenditure is partially funded from borrowing. 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:

Treasury Management Strategy 2023-24

The Constabulary maintains a rolling five-year capital forecast and resources are set aside to finance future capital expenditure. As at 31 March 2024 £2.644m in earmarked reserves had been set aside to support capital expenditure.

Reserves

The general reserves (DFM and general fund) at 31 March 2024 are £19.637m and represent around 5.3% of the 2024/25 budget of £367.083m. Other earmarked reserves total £9.722m including £2.644m 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 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.

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Pension Liabilities

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

At 31 March 2024 the net pensions' liability of the CC, calculated by the actuary, is £2,852m (an reduction of £15.3m over the previous year's figure of £2,867m). The net liability is split between the Local Government Pension Scheme (£2.1m) and the Police Pension Schemes (£2,850m). The police schemes are unfunded, i.e. no investments or other assets exist to offset future liabilities.

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

Police Pension Account

A police pension account was set up on 1 April 2006 and administers all of the police pension schemes (the 1987, 2006 and the 2015 schemes). Under the Police Reform and Social Responsibility Act 2011, the account is to be managed by the CC and the accounts for 2023/24 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. Prior to 2015/16 this additional contribution was financed in full by a top-up grant from the Home Office received by the PCC.

From 1 April 2019 the actuarial valuation changed the employer contribution rate from 24.2% to 31%. The amount of additional contribution required from the PCC in 2023/24 was £56.0m (2022/23: £49.7m) financed from Home Office grant and the additional funding given to Policing authorities to cover the costs of the additional employer contributions.

Operational Performance and Assessment

The Constabulary was inspected by Her Majesty's Inspectorate of Constabulary Fire and Rescue Service (HMICFRS) Police Efficiency, Effectiveness and Legitimacy (PEEL) inspection programme in June 2022. The results of which are shown below.

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Outstanding	N/A
Good	Preventing Crime Protecting Vulnerable People Managing Offenders Developing a Positive Workplace Good Use of Resources Treatment of the Public
Adequate	Responding to the Public
Requires Improvement	Investigating Crime
Inadequate	N/A

The Force are currently subject to Inspection which will conclude in August 2024 and will report in Autumn 2024.

The Plan on a Page has now been in place for 3 years and is due to be updated in Autumn 2024. The strategic vision remains – "Preventing and fighting crime, keeping our communities and people safe'. A five-point strategy and four pillar plan details how the Constabulary will deliver this while maintaining core values around professionalism, accountability, respect and unity.

The Police and Crime Commissioner (PCC) continues to hold the Chief Constable (CC) to account for delivery of their statutory duties and to ensure that the Constabulary supports delivery of the priorities detailed in The Police and Crime Plan. Lancashire's Police and Crime Plan 2021-2025 identified 5 key priorities:

1. Getting Tough on Anti-Social Behaviour
2. Disrupting and Dismantling Organised Crime
3. Tackling Domestic Abuse and Sexual Violence
4. Cracking Down on Burglary and Robbery
5. Targeting Dangerous Drivers

The Police And Crime Plan - Lancashire Police Crime Commissioner (lancashire-pcc.gov.uk)

The Police and Crime Commissioner election has recently taken place resulting in the appointment of new PCC. This means that the Police and Crime Plan is being revisited and is currently out to public consultation. Quarterly Accountability meetings continue to monitor performance against both these priorities and the National Crime and Policing Measures, as detailed below.

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

Key National Priorities for Policing

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

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

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

Lancashire Constabulary's performance against these measures to the year ending 31st March 2024, is summarised below:

Reduce murder and other homicides

In the 12 months up to March 2024 Lancashire Constabulary has seen the number of homicides increase from 15 (12-month period leading up to March 2023) to 20 (up to March 2024), an increase of 33%. These are thankfully relatively small numbers, and there has not been any pattern or series within these incidents.

Reduce serious violence

When looking at the use of firearms there have been a number of different definitions used, which in the past has presented a confusing picture. For the purpose of the National Measures, we have focussed purely on offences involving the discharge of a firearm apart from hard and soft BB guns and non-lethal barrelled air-weapons. This is in keeping with other forces in the Northwest region recording of this.

In the 12 months up to March 2024 Lancashire Constabulary has seen the number of firearms discharges remain stable at 10 when compared to the 12 months leading up to March 2023.

Another indicator Serious Violence is to look at the prevalence of violence with knives. Using the Home Office (ADR) definition of 'Knife Crime' the constabulary has seen an 10% increase in recorded crime since last year, from 1,244 offences to 1,371.

We also use NHS data as a proxy measure to verify the data in this area, and as an indicator of direction of travel. The measure used is the number of individuals aged under 25 who present to emergency departments with assault injuries where the weapon was a knife, blade or sharp object. For the 12 months leading up to March 2024, this figure has reduced compared to the that of the same period in 2023 with volumes down 19% from 90 to 73.

Overall, there has been no significant change (less than 1% difference) in the prevalence of offences involving violence, with 'Robbery with Intent to Assault' and 'Violence with Injury' HO classifications in the 12 months to March 2024 when compared to the previous year. This is a slight increase of 63 crimes from 16,951 to 17,014.

Disrupt drugs supply and county lines

One measure of the disruption activity targeting drugs supply and county lines offending is the number of disruptions carried out against serious organised crime. In the 12 months leading up to March 2024 there were 1,723 overall disruptions recorded, with 1488 arrests and 271.51kg of class A drugs seized. This is a large increase in activity - in the same period leading up to March 2023 there were 818 overall disruptions recorded, with 1005 arrests and 63.25kg of Class A drugs seized.

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Reduce neighbourhood crime

Neighbourhood crime, defined as Burglary, Robbery, Theft of/from vehicle, and Theft from person, saw no significant change (less than 1% difference) in the 12 months leading up to March 2024 compared to the same period in 2023, from 16,984 to 16,993. This remains at a lower level following a reduction during COVID; we have only seen slight increases since. 2023-24s neighbourhood crime volumes remain 26% lower than 12 months to March 2020.

Tackle cybercrime

The number of recorded online/cyber enabled crimes has decreased during the 12 months leading to March 2024 to 5,152 from 5,872 in the 12 months leading up to March 2023, which is a decrease of 12%.

Improve satisfaction among victims

Year-on-year comparisons shows a decrease in overall victim satisfaction (-4%). This is likely to be due in part to the introduction of the online victim of crime survey in November 2023, which has considerably lower satisfaction results than the previous telephone survey (Telephone 63%, Online 46%, year to end of March 2024).

Satisfaction amongst victims of domestic abuse has decreased (-3%) year-on-year. In the 12 months to March 2024, domestic abuse victims that were satisfied with the way they were treated was 84% compared to 88% in the previous period.

Recorded Crime and Outcomes

Recorded Crime				
Crime Type	**2022/23**	**2023/24**	**% Change**	**Trend**
All Crime	130,886	128,651	-1.7%	
Burglary - Residential	4,859	3,347	-31.1%	
Robbery of Personal Property	965	1,043	8.1%	
Rape	1,446	1,497	3.5%	
Other Sexual Offences	3,444	3,407	-1.1%	

In the 2023/24 financial year, the overall volume of crime categories has reduced from the previous year, with some slight increases in recording of some priority crime types (Robbery of Personal Property, and Rape).

During the same period, we have also seen significant increase in our positive crime outcomes. Looking at 2023/24 in comparison with 2022/23, there was an increase in positive investigative outcomes for overall crime as well as each priority crime type except for Robbery of Personal Property. A programme of work is ongoing to drive continuous improvement in investigative quality.

Positive Investigation Outcomes				
Crime Type	**2022/23**	**2023/24**	**Change**	**Trend**
All Crime	13.3%	17.5%	4.2%	
Burglary - Residential	6.8%	10.8%	4.0%	
Robbery of Personal Property	13.7%	13.1%	-0.6%	
Rape	7.3%	10.5%	3.2%	
Other Sexual Offences	13.0%	15.6%	2.6%	

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Crime Recording

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

From the latest audit completed by HMICFRS in June 2024 (based on data from 2023), crime recording for each category was 95-98% accurate. When combined, these reviews resulted in an overall crime recording rate of 96.7% compliance for all reported offences.

Call Demand and Performance

Efficient and Effective Policing				
Measure	**2022/23**	**2023/24**	**Change**	**Trend**
999 calls answered within SLA (10 seconds)	74.0%	91.8%	17.8%	
% 101 calls abandoned (first point of contact)	6.9%	4.9%	-2.0%	
% 999 calls abandoned	1.5%	0.2%	-1.3%	

2023/24 saw a significant improvement in the service level agreement for answering 90% of 999 calls within 10 seconds, with an increase of 17.8 percentage points from 2022/23. A significant change programme took place during 2023 (the Target Operating Model) which has contributed to this performance increase.

Improvements have been seen in addressing our abandonment rates across both 101 and 999 channels. The improvement in 101 rates has been driven both by the continued use of a switchboard to triage calls, and the 2023 change programme to route demand to the best-placed resource. During this same time 999 rates have significantly reduced below our target of 1% abandonment.

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Financial outlook

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

The longer-term financial position is reviewed regularly based on best estimates of the likely level of cost pressures, grant income and council tax receipts. Based on this environment, 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 represents a significant challenge for the Constabulary.

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

The Constabulary and PCC 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 does not 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

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

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.

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The financial impact of these is not yet fully known with estimated provision included in the draft capital programme based on best available information. When further information is received from the Home Office the financial forecast will be updated

Impact of the Police Pensions Remedy

The Government introduced changes to public sector pensions and introduced revised pension arrangements for Police Officers in 2015. As part of the implementation a series of protection measures were put in place to protect those officers within 10 years of their normal retirement date.

This policy was successfully challenged in the Courts and was found to be discriminatory on the basis of age. The Government has recently announced its proposals to remedy the discrimination. Whilst these proposals will take some time before they are in place, initial indications are that the cost of administering the remediation will be an additional cost on police forces and the ultimate cost of the remedy may require an increase in employer contributions of 10%.

This will form detailed discussion with the Government and the extent to which sufficient funding is made available will be a key element of the discussion.

Conclusion

The overall financial health of the Constabulary budget at the end of the 2023/24 financial year remains strong. The PCC and the Constabulary have been able to demonstrate:

- Strong financial control through service redesign reviews that has led to significant savings and reprioritised investment

- Strong delivery arrangements through achieving the delivery of savings early and ensuring funding is available to support the costs of downsizing the organisation in future years

- Flexibility in ensuring resources are targeted to priority areas and that high-level service delivery is achieved

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

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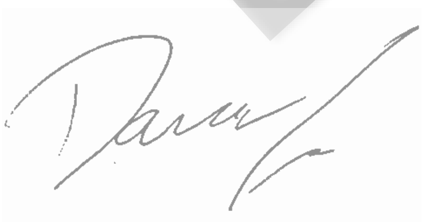

Dan Rogers CPFA
Chief Constable's Chief
Finance Officer

30 August 2024

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Constable of Lancashire Constabulary's Responsibilities

The Chief Constable is required to:

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

I approve these Statements of Accounts for the year-ending 31 March 2023

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The Chief Finance Officer’s Responsibilities

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

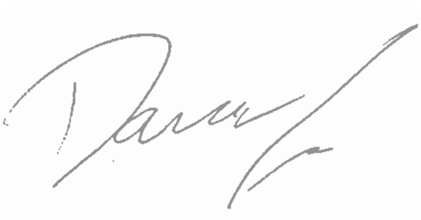
In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that this Statement of Accounts is that upon which the auditor should enter a certificate and an opinion. It presents a true and fair view of the financial position of the Chief Constable of Lancashire Constabulary and their transactions as at 31 March 2023 and for the year then ended.



DAN ROGERS CPFA
Chief Constable's Chief Finance Officer
30 August 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23 (restated)		2023/24		
Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
334,138	Centralised Pay Budgets	277,559	0	**277,559**
51,012	Chief Operating Officer	54,792	0	**54,792**
8,836	ACC Territorial Ops*	8,978	0	**8,978**
4,949	ACC Crime	5,170	0	**5,170**
8,347	ACC Specialist Uniform Operations*	6,933	0	**6,933**
1,727	Deputy Chief Constable	1,989	0	**1,989**
39,883	Constabulary Non-Devolved budgets	38,679	0	**38,679**
(424,419)	Funding received by CC from PCC	0	(457,699)	**(457,699)**
24,472	**Net Cost of Services**	**394,099**	**(457,699)**	**(63,599)**
125,743	Net Interest on Defined Benefit Liability			**133,632**
150,215	**Deficit on Provision of Services**			**70,033**
(1,830,089)	Re-measurements of pension assets/liabilities			**(64,464)**
(1,830,089)	**Other Comprehensive (Income) & Expenditure**			**(64,464)**
(1,679,874)	**Total Comprehensive (Income) & Expenditure**			**5,569**

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

MOVEMENT IN RESERVES STATEMENT 2022/23 and 2023/24

This statement shows the movement in the 2022/23 and 2023/24 financial years on the different reserves held by the CC. At present, the only transactions shown in these statements relate to the Pensions Reserve and the Accumulated Absences Reserve (reflecting movements relating to police officers and police staff under the direction and control of the CC). All other reserves are managed by the PCC. The Deficit on the Provision of Services line (within the Comprehensive Income and Expenditure Statement) shows the true economic cost of providing the CC's services

	Note	General Fund Balance £000	Total Usable Reserves £000	Pensions Reserve £000	Accumulated Absences Reserve £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2022		**0**	**0**	**(4,546,987)**	**(8,949)**	**(4,555,936)**	**(4,555,936)**
Movement in reserves during 2022/23:							
Total Comprehensive Income & (Expenditure)	8	**(150,215)**	**(150,215)**	**1,830,089**	**0**	**1,830,089**	**1,679,874**
Adjs between accounting basis & funding basis under regulations:		**150,215**	**150,215**	**(150,372)**	**157**	**(150,215)**	**0**
Balance at 31 March 2023		**0**	**0**	**(2,867,270)**	**(8,792)**	**(2,876,062)**	**(2,876,062)**
Movement in reserves during 2023/24:							
Total Comprehensive Income & (Expenditure)	8	**(70,033)**	**(70,033)**	**64,464**	**0**	**64,464**	**(5,569)**
Adjs between accounting basis & funding basis under regulations:		**70,033**	**70,033**	**(71,059)**	**1,026**	**(70,033)**	**0**
Balance at 31 March 2024		**0**	**0**	**(2,873,865)**	**(7,766)**	**(2,881,630)**	**(2,881,630)**

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BALANCE SHEET

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

31-Mar-23		**Notes**	**31-Mar-24**
£000			**£000**
7,426	Short Term Debtors –Intragroup Debtor		0
7,426	**Current Assets**		0
(16,218)	Short Term Creditors	12	(29,672)
(16,218)	**Current Liabilities**		(29,672)
(2,867,270)	Pensions Liability	15	(2,851,959)
(2,867,270)	**Long Term Liabilities**		(2,851,959)
(2,876,062)	**Net Assets**		(2,881,630)
2,867,270	Pensions Reserve	9	2,873,865
8,792	Accumulated Absences Reserve	9	7,766
2,876,062	**Total Unusable Reserves**		2,881,630

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CASH FLOW STATEMENT

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

2022/23		2023/24
£0		£0
150,215	Net deficit on the provision of services	70,033
(150,215)	Adjustments to net deficit on the provision of services for non-cash movements (Note 13)	(70,033)
0	**Net Cash Flows from Operating Activities**	**0**

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NOTES TO THE ACCOUNTS - Index

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1. EXPENDITURE AND FUNDING ANALYSIS

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

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	1,374	285,331	(7,772)	277,559
Chief Operating Officer	31,704	23,088	54,792	0	54,792
ACC Territorial Operations	8,251	727	8,978	0	8,978
ACC Crime	4,196	974	5,170	0	5,170
ACC Specialist Uniform Operations	5,108	1,825	6,933	0	6,933
Deputy Chief Constable	1,544	445	1,989	0	1,989
Constabulary Non-Devolved Budgets	7,550	86,956	94,506	(55,828)	38,679
Funding received from PCC	0	(457,699)	(457,699)	0	(457,699)
Net Cost of Services	342,309	(342,309)	(0)	(63,599)	(63,599)
Other Income and Expenditure	0	0	0	133,632	133,632
Deficit on provision of services	342,309	(342,309)	(0)	70,033	70,033
Opening General Fund Balance			0		
In-year deficit			0		
Closing General Fund Balance			0		

**Further details are shown in tables that follow*

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2022/23

	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	264,155	293	264,449	69,689	334,138
Chief Operating Officer	29,057	21,955	51,012	0	51,012
ACC Territorial Operations	8,321	515	8,836	0	8,836
ACC Crime	3,952	997	4,949	0	4,949
ACC Specialist Uniform Operations	5,988	2,359	8,347	0	8,347
Deputy Chief Constable	1,372	355	1,727	0	1,727
Constabulary Non-Devolved Budgets	12,873	72,227	85,100	(45,217)	39,883
Funding received from PCC	0	(424,419)	(424,419)	0	(424,419)
Net Cost of Services	325,718	(325,718)	0	24,472	24,472
Other Income and Expenditure	0	0	0	125,743	125,743
Deficit on provision of services	325,718	(325,718)	0	150,215	150,215
Opening General Fund Balance			0		
In-year deficit			0		
Closing General Fund Balance			0		

**Further details are shown in tables that follow*

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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.

2023/24

	Income reported in PCC CIES	Included in Other Inc & Exp	Movement in reserves- either budgeted or approved in year	PCC funding of Constabulary expenditure, both budgeted and in-year.	Total
	£000	£000	£000	£000	£000
Chief Constable:					
Centralised Pay Budgets	0	0	0	1,374	**1,374**
Chief Operating Officer	382	1,077	5,652	15,977	**23,088**
ACC Territorial Operations	0	72	656	0	**727**
ACC Crime	0	12	841	120	**974**
ACC Specialist Uniform Operations	0	(1,194)	3,019	0	**1,825**
Deputy Chief Constable	0	(23)	468	0	**445**
Constabulary Non-Devolved budgets	56,000	(1,308)	32,265	0	**86,956**
Funding received from the PCC	0	0	0	(457,699)	**(457,699)**
Net Cost of Services	**56,382**	**(1,364)**	**42,900**	**(440,227)**	**(342,309)**

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2022/23

	Income reported in PCC CIES	Included in Other Inc & Exp	Movement in reserves- either budgeted or approved in year	PCC funding of Constabulary expenditure, both budgeted and in-year.	Total
	£000	£000	£000	£000	£000
Chief Constable:					
Centralised Pay Budgets	0	0	0	293	**293**
Chief Operating Officer	465	(481)	4,386	17,585	**21,955**
ACC Territorial Operations	0	20	1,445	0	**1,465**
ACC Crime	0	49	948	0	**997**
ACC Specialist Uniform Operations	0	(33)	1,267	0	**1,234**
Deputy Chief Constable	0	25	312	0	**337**
Constabulary Non-Devolved budgets	49,657	(3,329)	26,091	0	**72,419**
Funding received from the PCC	0	0	0	(424,419)	**(424,419)**
Net Cost of Services	**50,122**	**(3,749)**	**34,450**	**(406,541)**	**(325,718)**

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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.

2022/23				2023/24		
Net change for pensions adjs (Note A)	**Other statutory adjs (Note B)**	**Total Statutory Adjs**		**Net change for pensions adjs (Note A)**	**Other statutory adjs (Note B)**	**Total Statutory Adjs**
£000	**£000**	**£000**			**£000**	**£000**
69,838	(148)	69,689	Centralised Pay Budgets	(6,798)	(974)	(7,772)
(45,209)	(8)	(45,217)	Constabulary Non-Devolved budgets	(55,776)	(52)	(55,828)
24,629	**(157)**	**24,472**	**Net Cost of Service**	**(62,573)**	**(1,026)**	**(63,599)**
125,743	0	125,743	Other income and expenditure from Expenditure and Funding Analysis	133,632	0	133,632
150,372	**(157)**	**150,215**	**Difference between General Fund deficit and CIES Deficit on Provision of Services**	**71,059**	**(1,026)**	**70,033**

Note A - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income.

- For services this represents the removal of the employer pension contributions made by the PCC and CC as allowed by statute and the replacement with current and past service costs;
- For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Note B – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- For services this represents the change in accrued employee benefits such as annual leave and time off in lieu;

2. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2022/23	2023/24
	£000	£000
Expenditure		
Employee expenses	374,117	314,585
Other service expenses	57,188	63,417
Charge for use of assets	17,585	16,097
Pensions interest cost	125,743	133,632
Total expenditure	**574,634**	**527,731**
Income		
Funding received from the PCC	(424,419)	(457,699)
Total Income	**(424,419)**	**(457,699)**
DEFICIT ON PROVISION OF SERVICES	**150,215**	**70,033**

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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4. PRIOR PERIOD ADJUSTMENTS

No prior period adjustments have been made.

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 CC's accounts as the current rental costs which appear in the CIES will be replaced by depreciation, MRP and interest charges at similar levels.

The position is currently being reviewed and any amendments needed will be clearly shown in next year's Statement of Accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the CC balance sheet at 31 March 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
Pensions Liability	Estimation of net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. Included within the Defined Benefits Note 15 is a sensitivity analysis that looks at the impact on net pensions' deficit of each of the significant actuarial assumptions. For instance, a 1% reduction in the discount rate assumption would result in an increase in the pension liability of the CC of around £0.483m. However, the assumptions act in a complex way. During 2023/24, the CC's actuaries advised that the net pensions' liability had reduced by £15.311m as a result of changes in financial assumptions. This included a increase of 0.1% in the discount rate of all the schemes, which increases the liability, along with 0.1% deceases in assumptions for inflation, salary and pension increases which offset this.
Pensions Assets	The value of the assets of the LGPS are dependent on a professional judgement based on information available at the time of making the valuation. Market activity is being impacted in many sectors as a result of the COVID-19 pandemic. The effects of the global pandemic could have a material effect on these calculations but at this stage the effects cannot be quantified with any degree of certainty.	The total of property assets for the CC as outlined in Note 15 is £54.973m (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 £5.5 m in the value of the Pensions Assets

7. Events after the Balance Sheet date

Accounting Policy

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

those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

	2022/23 £000	2023/24 £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)	(150,372)	(71,059)
• Untaken leave and Time Off in Lieu (transferred to the Accumulated Absences Account)	157	1,026
Total Adjustments	**(150,215)**	**(70,033)**

9. Unusable Reserve

<u>Accounting Policy</u>

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

	31-Mar-23 £000	31-Mar-24 £000
Pensions Reserve	(2,867,270)	(2,873,865)
Accumulated Absences Account	(8,792)	(7,766)
Total Unusable Reserves	**(2,876,062)**	**(2,881,630)**

Pensions Reserve

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

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	31-Mar-23 £'000	31-Mar-24 £'000
Balance at 1 April	**(4,546,987)**	**(2,867,270)**
Re-measurements of the net defined benefit (liability)/ asset	1,830,089	64,464
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(254,188)	(186,920)
Employer's pensions contribution and direct payments to pensioners payable in the year	103,816	115,861
Balance at 31 March	**(2,867,270)**	**(2,873,865)**

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Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement and police officers lieu time carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31-Mar-23 £'000	31-Mar-24 £'000
Balance at 1 April	**(8,949)**	**(8,792)**
Settlement or cancellation made at the end of the preceding year	8,949	8,792
Amounts accrued at the end of the current year	(8,792)	(7,766)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	157	1,026
Balance at 31 March	**(8,792)**	**(7,766)**

10. Officers' Remuneration

Accounting Policy Short Term Employee Benefits

Benefits payable during employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the Police General Fund balance to ultimately be charged with the amount payable by the Group to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

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Senior Officers and Relevant Police Officers 2023/24

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

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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

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Senior Officers and Relevant Police Officers 2022/23

Post Holder Information (Post title only)	Note	Salary (including allowances) £	Bonus £	Expenses Allowances £	Compensation for loss of employment £	Benefits in Kind £	Total Remunerations exc Pensions Contributions £	Employers Pensions Contributions £	Total Remuneration £
Chief Constable - 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			131,157	16,945	148,102
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	118,666		8,261			126,927		126,927

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

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

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Exit packages

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

2023/24

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

2022/23

Bandings	Number of Compulsory Redundancies	Number of Other Departures	Total cost of exit packages in each band
£0 - £20,000	2	7	£73,721
£20,001 - £40,000	2	1	£135,684
£40,001 - £60,000	1	0	£43,189
£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	5	8	£252,594

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11. PCC Funding of the Chief Constable

Accounting Policy

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

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

2022/23 £000		2023/24 £000
574,634	Provision of services deficit in CC CIES prior to PCC funding	527,731
(254,188)	Adjustment for net IAS19 pensions charges included in cost of service but funded by CC pensions reserve	(186,920)
103,816	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
424,419	**PCC funding for PCC resources consumed at the request of the CC**	**457,699**
	Consisting of:	
17,585	Fair value adjustment for CC consumption of PCC property & equipment	16,097
406,834	Other resources	441,601
424,419	**Total PCC resources consumed at the request of the CC**	**457,699**

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

2022/23 £000		2023/24 £000
6,037	Buildings	5,574
10,756	Vehicles, Plant and Equipment	9,939
792	Intangible Assets	585
17,585	**Net Expenditure**	**16,097**

Capital Charges and Fair Value Charge to Chief Constable

	2022/23 £000	2023/24 £000
Depreciation of PPE	16,406	15,393
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	(17,585)	(16,097)
Revaluation losses	397	827
Total charges in respect of property, plant and equipment & intangible assets	**397**	**827**

12. **Creditors**

31-Mar-23 £000		31-Mar-24 £000
	Creditors comprise:	
5,084	Tax creditors	5,684
	Other Entities and Individuals	
8,792	Accumulated Absences	7,766
2,342	Other employment-related	3,438
0	Intragroup Creditor	12,784
16,218	**Total**	**29,672**

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

The intragroup creditor is made up of the outstanding element of the LGPS Prepayment of £21.905m offset by £9.122m creditor workings (comprising of the Taxation and other employment related creditors)

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

2022/23 £000		2023/24 £000
7,426	**Net increase/(decrease) in revenue debtors**	(7,426)
1,144	**Net (increase)reduction in revenue creditors**	(13,453)
(158,785)	**Pension liability**	(49,153)
(150,215)	**Total**	**(70,033)**

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14. **Related Parties**

The PCC Group (PCC and CC) is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group.

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

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

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

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15. **Defined Benefit Post- Employment Benefits**

Accounting Policies

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

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

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

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

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

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

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three/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 CC 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:

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Local Government Scheme:

Police staff and PCSOs are members of the Local Government Pension Scheme, a funded defined benefit scheme, which is managed by Lancashire County Council. The PCC funded an employer's contribution of 15.3% (16.3% reduced to 15.3% to offset surplus funds). The Chief Constable contribution for the next three years (including FY23/24) 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 staff employed by the CC are included in the balance sheet on an actuarial basis using the projected unit credit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using discount rates which vary according to the duration of the employer's liability, with an average of 4.9% (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 51.

Police Officers:

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

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

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 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 CC balance sheet within the pensions, liabilities and shown separately in the notes to the accounts.

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

Service cost, comprising:

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

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

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

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

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

Re-measurements (assets) – these are set out in IAS19 as being the return on assets net of interest on assets, so this reflects the extent to which the investment returns achieved are different from the interest rate used at the start of the year. However, for multi-employer schemes such as LGPS, which do not have asset values which are formally segregated between employers, additional adjustments can arise in the year in which a new set of actuarial valuation results is brought into account for IAS19 purposes. In particular, the approach to calculating the IAS19 assets and liabilities in between full actuarial valuations is approximate in nature. At each valuation, the position is reassessed, with the assets (and liabilities) attributable to each employer being fully recalculated. Following each full actuarial valuation, it can therefore be necessary to put through some adjustments to reflect this recalculation. The adjustment is not explicitly catered for under IAS19 and it has been presented as part of the re-measurement on assets and referred to as "Experience gain/loss on assets". 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 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 general fund balance to be ultimately charged with the amount payable by the PCC/PCC Group to the pension funds or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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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.

<u>Lancashire County Pension Fund</u>

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.

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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.

<u>Police Pensions Schemes</u>

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.

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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.

<u>Aarons & Ors</u>

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.

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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.

<u>Transactions Relating to Post-Employment Benefits</u>

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

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	Local Government Pension Scheme		Police Officer Pension Scheme		Injury Awards		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement (CIES)								
Cost of Services:								
· Current service cost	25,215	11,812	86,670	32,434	16,094	8,522	127,979	52,768
· Past service/Curtailment costs	53	88	0	0	0	0	53	88
· Admin. Expenses	413	432	0	0	0	0	413	432
Financing and Investment Income and Expenditure*:*								
· Net Interest expense	3,851	(1,557)	114,396	127,260	7,496	7,929	125,743	133,632
Total Post-Employment Benefits Charged to the surplus/deficit on Provision of Services in the CIES	**29,532**	**10,775**	**201,066**	**159,694**	**23,590**	**16,451**	**254,188**	**186,920**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:								
Re-measurement of the net defined benefit liability, comprising:								
· Re-measurements (assets)	(1,905)	(19,947)	0	0	0	0	(1,905)	(19,947)
· Experience (gains)/losses on Liabilities	44,177	3,305	227,836	16,451	9,346	636	281,359	20,392
· Actuarial (gains)/losses arising on changes in demographic assumptions	0	(5,570)	(23,411)	(53,558)	(2,231)	(3,200)	(25,642)	(62,328)
· Actuarial (gains)/losses arising on changes in financial assumptions	(301,578)	(17,186)	(1,745,367)	(45,137)	(129,322)	(3,344)	(2,176,287)	(65,667)
Impact of Asset Ceiling	92,551	159,808					92,551	159,808
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(166,755)**	**(120,910)**	**(1,540,942)**	**(82,204)**	**(122,207)**	**(5,908)**	**(1,829,904)**	**32,758**
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	(29,532)	(10,775)	(201,066)	(159,694)	(23,590)	(16,451)	(254,188)	(186,920)
Actual amount charged against the General Fund Balance for pensions in the year:								
· Employers' contributions payable to scheme	8,951	10,706	91,358	100,866	0	0	100,309	111,572
· Retirement benefits paid to pensioners	0	0	0	0	3,508	4,289	3,508	4,289

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Police Officer 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**
Present Value of the defined benefit obligation	437,780	437,443	2,699,970	2,676,324	167,299	173,554	**3,305,049**	**3,287,321**
Adjustment to Match Actuary	(17)	0	0	0	0	0	**17**	**0**
Impact of Asset Ceiling	92,551	159,808	0	0	0	0	**92,551**	**159,808**
Fair value of plan assets	(530,332)	(573,265)	0	0	0	0	**(530,332)**	**(573,265)**
Prepaid Contributions Unapplied		(21,906)	0	0	0	0		**(21,906)**
Net liability arising from defined benefit obligation	**0**	**2,080**	**2,699,970**	**2,676,324**	**167,299**	**173,544**	**2,867,269**	**2,851,958**

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

The total liability of £2,852m has a considerable impact on the net worth of the CC as recorded in the balance sheets, resulting in a net liability of £2,860m (including £7.8m for accumulated absences).
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.

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

Reconciliation of the present value of the scheme liabilities:

Funded Scheme – Local Govt Pension Scheme	2022/23	2023/24
	£000	£000
01-Apr	652,486	437,781
Current Service Costs	25,215	11,812
Interest on pensions liabilities	18,374	20,689
Contributions by scheme participants	4,400	4,601
Actuarial gains –changes in demographic assumptions	(0	(5,570)
Actuarial (gains)/losses –changes in financial assumptions	(301,578)	(17,186)
Experience gains on liabilities	44.177	3,305
Benefits paid	(13,760)	(18,077)
Prepaid Employers Contributions Applied in Year	8,414	0
Past Service/Curtailment Costs	53	88
31-Mar	437,781	437,443

Unfunded Liabilities	Police Pension Schemes		Injury Benefits	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
01-Apr	4,131,204	2,699,970	269,424	167,300
Adjustment to match actuary report		(230)		1
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)/losses –changes in financial assumptions	(23,411)	(53,558)	(2,231)	(3,200)
Actuarial gains –changes in demographic assumptions	(1,745,367)	(45,137)	(129,322)	(3,344)
Benefits paid	(108,445)	(119,644)	(3,508)	(4,289)
31-Mar	2,699,970	2,676,324	167,300	173,554

Reconciliation of the fair value of the scheme assets:

Funded Scheme –Local Govt Pension Scheme	2022/23	2023/24
	£000	£000
01-Apr	**514,541**	**530,147**
Revision to Opening Balance to match Actuary Report		18
Interest on plan assets	14,523	26,688
Admin Expenses	(413)	(432)
Employer Contributions	8,951	10,706
Contributions by scheme participants	4,400	4,601
Re-measurements (assets)	1,905	19,947
Benefits paid	(13,760)	(18,077)
31-Mar	**530,147**	**573,265**

Unfunded Schemes	Police Pension Schemes		Injury Benefits	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
01-Apr				
Employer Contributions	91,358	100,866	3,508	4,289
Contributions by scheme participants	117,087	18,778	0	0
Benefits paid	(108,445)	(119,644	(3,508)	(4,289)
31-Mar	**0**	**0**	**0**	**0**

Local Government Pension Scheme assets comprised:

	Fair Value Input Level	31-Mar-23	31-Mar-24
	(if relevant)	£000	£000
Cash and Cash Equivalents		4,216	11,003
Equities		617	654
Bonds			
By Sector			
Corporate	1 / 2.	1,093	474
UK index-linked	3	0	0
Sub-Total Bonds		1,093	474
Property			
By Type			
Retail	2	1,068	1,993
Commercial	2	6,921	5,656
Sub-Total Property		7,989	7,649
Private Equity			
Overseas	3	35,265	35,178
Sub-Total Private Equity		35,265	35,178
Other Investment Funds			
Overseas Pooled Equity	1	252,584	280,396
UK Pooled Equity	1	5,614	1,800
UK Private Equity	1	9,179	9,637
Pooled Fixed Income	1	7,643	22,983
Credit Funds	3	76,956	88,007
Infrastructure	3	82,494	89,997
Property	3	46,684	47,324
Sub-Total Other Investment Funds		481,154	540,144
TOTAL ASSETS		530,334	595,102

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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 2023 by independent property valuers Avison Young in accordance with the Royal Institute of Chartered Surveyors' Valuation Global Standards 2017 (the Red Book).

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

Basis for Estimating Assets and Liabilities

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

Local Government Pension Scheme	**2022/23**	**2023/24**
Mortality assumptions:		
Longevity at 65 for current pensioners (LGPS):		
Men	21.5	21.1
Women	23.8	23,5
Longevity at 65 for future pensioners (LGPS):		
Men	22.8	22,4
Women	25.6	25.3
Rate of inflation: CPI	2.70%	2.60%
Rate of increase in salaries	4.20%	4.10%
Rate of increase in pensions	2.80%	2.70%
Rate for discounting scheme liabilities	4.80%	4.90%

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	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	29.0	28.5	29.0	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%

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

Local Government Pension Scheme:

	Impact on Defined benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	9,841	(9,841)
Rate of inflation (increase or decrease by 1%)	83,856	(83,856)
Rate for discounting scheme liabilities (increase or decrease by 1%)	78,192	(78,192)
Rate of increase in salaries (increase or decrease by 1%)	15,524	(15,524)
Rate of change in 2021/22 investment returns (increase or decrease by 1%	6,208	(6,208)

Police Officer Pension Schemes and Injury Benefits:

	Impact on the Defined Benefit Obligation in the Scheme			
	Police Pension Schemes		Injury Benefits	
	Increase in Assumption £000	Decrease in Assumption £000	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	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)

16. **External Audit Costs**

In 2023/24 the following fees are included in the CC's CIES relating to external audit.

	2022/23	2023/24
	£000	**£000**
Fees payable to Grant Thornton, auditors appointed under the Local Audit and Accountability Act 2014, with regard to external audit services carried out under the *Code of Audit Practice* prepared by the Comptroller and Auditor General in accordance with s19 of the Local Audit and Accountability Act.	28	56
Total Costs	**28**	**56**

17. **Contingent Liabilities**

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

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OTHER SIGNIFICANT ACCOUNTING POLICIES

i. General

The Statement of Accounts summarises the CC's transactions for the 2022/23 financial year and the position at the year-end 31 March 2023. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015.

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

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

ii. Cost Recognition

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

iii. Accruals of Expenditure

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

Supplies are recorded as expenditure when they are consumed.

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

iv. Working Capital

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

v. Exceptional Items

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

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vi. VAT

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

vii. Overheads and Support Services

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

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POLICE PENSION ACCOUNT

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

POLICE PENSIONS ACCOUNT	NOTES	2022/23				2023/24			
		1987 scheme £000	2006 scheme £000	2015 scheme £000	Total £000	1987 scheme £000	2006 scheme £000	2015 scheme £000	Total £000
Contributions receivable									
Employer contributions	3	(0)	(0)	(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

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NET ASSET STATEMENT

NOTES TO THE FINANCIAL STATEMENT

31-Mar-23 £000		31-Mar-24 £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**

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1. **Basis of preparation**

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

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

This financial statement has been prepared in accordance with the Police Pension Fund Regulations 2007 (SI 2007 No 1932) and CIPFA Code of Practice 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 66.

All the pension schemes are unfunded and have no investment assets. Benefits payable are funded by contributions from employees and employers (in this instance the PCC) and any difference between benefits payable and contributions receivable is funded by an additional contribution by the PCC from/to the Police General Fund, which, in 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 additional funding received for Police Pension Costs.

3. **Accounting policies**

General

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

Employers' Contributions

The employers' contribution rate for all the pension schemes is set nationally, based on a percentage of pensionable pay. The rate is subject to triennial revaluation by the Government Actuary's Department, timed to coincide with the revaluation of the local government pension scheme. The rate for 2022/23 was set at 31% (21/22 was 31%).

Employees' Contributions

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

4. **Net Asset Statement**

The net asset statement does not include liability to pay pensions and other benefits after the 31 March 2023. These liabilities remain ultimately with the PCC Group and have been reflected in the CC and PCC Group Balance Sheets. Details of these liabilities can be found in Note 15 to the main statement of accounts.

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Lancashire Constabulary
Draft Annual Governance Statement
2023-24

Lancashire Constabulary

Scope of Responsibility

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

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

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

The CC holds office under the Crown and is appointed by the PCC for Lancashire.

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

The PCC for Lancashire is responsible for holding the CC to account for the exercise of those functions. This statement reports on the governance arrangements in place.

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

The Governance Framework

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

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

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

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

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

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

The system of internal control is a significant part of that framework and is based on an ongoing process designed to provide reasonable (rather than absolute) assurance of the effectiveness of risk management protocols. It is based on a dynamic process designed to identify and evaluate the risks to achievement of the

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Constabulary's priorities, aims and objectives and to ensure that they are managed and mitigated in an efficient, effective, and economical way.

Internal Financial Controls

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

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

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

Good Governance in the Police Service

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

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

Delivering Good Governance Framework

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

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

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

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

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

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

The Constabulary has a robust complaints process, managed by the Professional Standards Department (PSD), which is responsible for the receipt, recording and investigation of public complaints and misconduct

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allegations. The PSD also has specific responsibilities to support the Independent Office for Police Conduct (IOPC) (formerly Independent Police Complaints Commission (IPCC)) in discharging their statutory role.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Constabulary has a commitment to its core policing services; Contact and Response, Local Policing and Serious Crime and Investigation and is underpinned by the expectation that officers and staff adhere to a set of values that are outlined in the Code of Ethics.

Value for money is a strategic priority for the Constabulary and the financial context in which the Constabulary operates makes achieving value for money and delivering the necessary savings a critical objective for the force.

HMICFRS have consistently found, in their PEEL inspections, that the Constabulary is well prepared to deal with financial challenges. The PEEL Inspection for 2022 rated Lancashire as ‘good’ for strategic planning, organisational management, and value for money.

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

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

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

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

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

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

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

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

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

The Constabulary is subject not only to internal and external audit procedures, but also to an extensive and intrusive inspection regime, through HMICFRS and its fellow criminal justice inspectorates; the results of these inspections are published nationally. Lancashire Constabulary is currently subject to its PEEL inspection, the results of which will be received in due course. The Constabulary responds to any issues

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highlighted during this process by developing action plans to address areas for improvement and has a governance process to oversee this work and link to continuous improvement.

The Constabulary takes an inclusive, consultative, and transparent approach to corporate decision making, with appropriately documented scrutiny around the operational need and organisational implications of decisions taken, including the financial costs and the organisational and operational risks and consequences, in every case. These are published on the Constabulary's intranet SharePoint site. Prior to any submission to the Chief Officer Team for decision, a triage process is in place to ensure the relevant stakeholder consultation has taken place with financial oversight where necessary.

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

The Constabulary's change programme is overseen by the Strategic Change Board, chaired by the Deputy Chief Constable. This is supported by a Tactical Change Board, both of which consider risk management and benefits realisation with bespoke programme management attached to the change delivery.

Items outside of the delegated authority of the Chief Constable's CFO are submitted to the Accountability Board for approval by the PCC. In addition, to strengthen the transparency of decision making, those items approved by the Constabulary's Chief Operating Officer/Chief Finance Officer are reported to the PCC for information and to ensure that he remains informed of decisions being made under delegated authority.

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

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

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

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

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

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

Training needs analysis informs an annual, costed, Learning and Development Plan, which outlines training costs, needs and commitments. Evaluation is undertaken at the point of delivery with service users. The

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Constabulary is committed to ensuring that leaders at all levels have the right skills to deliver effective leadership in the challenging environment they face. The Strategic People Board provides the governance over the future proofing of the workforce and the Strategic Resourcing Board to ensure effective recruitment and training is in place. This is particularly pertinent given the government's recent uplift programme of Police Officers and Lancashire's success in delivery of this.

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

The Constabulary conducts regular Staff Engagement Surveys and publicises the work it has undertaken and delivered in response to the issues raised in the survey. Sherlock provides an internal platform to share information with staff, news items and ideas for improvement.

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

The Constabulary has an established risk management policy and procedures. The Corporate Risk Register is reported through the relevant boards with final accountability at Chief Officer Team level. Decisions to remove or include additional corporate risks are made by Chief Officers.

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

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

Performance against priorities is evaluated through a robust framework, which ensures that the Chief Constable and PCC are kept informed about crime, resource, and financial management performance. Performance information is monitored and scrutinised by Chief Officers and the PCC Executive at a range of forums, including the monthly Victim Focused Review Board, HMIC Governance Board and the bi-monthly Strategic Change Board. The PCC formally holds the Chief Constable to account on the force's service delivery at the Strategic Accountability meeting held on a quarterly basis. A record of the Strategic Accountability meeting is published on the OPCC website.

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

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

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

In accordance with the requirements of the Financial Management Code of Practice, a Joint Audit Committee is in place.

The Chief Constable's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government as set out in the CIPFA Statement on 'The role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief

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Finance Officer of the Chief Constable.’ The Chief Constable's Chief Finance Officer is the Constabulary's professional advisor on financial matters.

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

The 2023/24 Statement of Accounts should be formally approved by the PCC and Chief Constable in summer 2024, subject to external audit review.

Overall Assurance Summary

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

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

In his annual report for 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." Further, “Whilst we have agreed actions in a number of areas to enhance the controls in place for the audit reviews we have completed, we do not consider there are any matters arising from the audit work conducted during 2023/24 that require specific identification in the annual governance statement”.

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

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

Review of effectiveness

The Chief Constable is responsible for conducting an annual review of the effectiveness of the governance framework, including the system of internal control and audit.

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

Taking all these factors into account, the Constabulary system of internal control for 20223/24 is both satisfactory and effective.

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

ENSURING EFFECTIVE GOVERNANCE OF ORGANISATIONAL RISKS

Area for action identified for 2023/24

Financial Pressures

The commitment to maintain the police officer 'uplift' programme is in place and has delivered additional government funding for Lancashire. To maintain the increased level of police officers, savings will need to be made elsewhere in the organisation.

This placed a greater burden on police staff budgets as this is the most significant budget area outside police

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officer costs. It was inevitable this budget will face an impact if a significant level of savings is required.

Action delivered: The Chief Constable managed these competing priorities and delivered an overall revenue budget surplus of £0.64m (0.19%) through a combination of delivering identified savings and effective budget management.

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.

This is not ideal for effective financial management due to the uncertainty of such funding and the short timescales for its provision. It also places significant burden on resource to report results when successful.

Action delivered: A medium-term financial strategy is in place that makes best, and prudent, assumptions based on the financial landscape and limitations around shorter-term grant funding. As previously stated, a balanced budget was delivered for 2023/24 whilst, looking forwards, effective strategies have been identified to manage funding uncertainties from year to year.

Areas for Action in 2024/25

Future Government Funding

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

Action to Address:

Horizon scanning, engagement with government and Home Office via NPCC/APCC to ensure changes are made on an informed basis, agile approach to financial planning until CSR undertaken and communicated.

Maintaining the Police Uplift

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

Action to Address:

Ensure that Uplift is not compromised as a result of savings requirements, effective and timely planning of recruitment and retention of officers through Strategic Resourcing Board.

Delivering the Capital Programme.

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

Action to Address:

Effective financial planning to ensure funding in place to deliver the schemes on an affordable basis. Effective project management and flagging of risks to ensure that schemes are either delivered

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within timescales identified or that strategic and financial plans are adjusted to reflect any delays and resultant implications.

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 Chief Constable 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 CC and PCC will remain under review at least annually over forthcoming financial years.

Signed:

Chief Constable
Sacha Hatchett
Date:

Chief Finance Officer
Dan Rogers
Date:

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GLOSSARY OF TERMS

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

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

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

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

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

Appropriation
A contribution to or from a financial reserve.

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

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

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

Cash balance
Cash available to invest on the money market.

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

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

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

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

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

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

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

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

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

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

Current service cost (IAS 19)
The increase in the PCC's defined benefit scheme obligation (pension scheme liability) as a result of employees' service during the current year.

Curtailment cost (IAS 19)
Additional pension scheme liabilities as a result of redundancies and efficiency retirements during the year.

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

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

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

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

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

Employer's pension contributions
Payments to the pension scheme made by the Authority for current employees.

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

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

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

Government grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

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

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

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

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

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

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

Net book value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

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

Non-cash adjustments
Changes in debtors' and creditors' balances over the year.

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

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

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Past service cost or gain (IAS19)
The increase or decrease in pension scheme liabilities as a result of changes to benefits earned in previous years – for example, because of early retirement or changes to pension scheme regulations.

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

Prior period adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

(a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and

(b) the accrued benefits for members in service on the valuation date.

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

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

Public Works Loan Board (PWLB)
A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

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

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

Specific grants
Government grants for a particular service.

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JOINT INDEPENDENT AUDIT COMMITTEE

WEDNESDAY, 11 SEPTEMBER 2024 AT 10.00AM IN ROOM 8, THE EXCHANGE, COUNTY HALL, PRESTON

GIFTS AND HOSPITALITY

'Appendix A' refers

Contact for further information: Ian Dickinson, 01772 533587, Office of the Police and Crime Commissioner, ian.dickinson@lancashire-pcc.gov.uk

EXECUTIVE SUMMARY

The report at 'Appendix A' sets out details of the Gifts and Hospitality registered by Lancashire Constabulary during the financial period 1 April 2023 to 31 March 2024.

RECOMMENDATION

The Committee is asked that:

i) Note the report received at the Accountability held on 18 June 2024.

1. Background

1.1. The report was received at the Police and Crime Commissioner's Accountability Board held on 18 June 2024 and is therefore included to ensure members of the committee have the opportunity to comment on and note the report.

2. Links to the Police and Crime Plan

2.1. The Joint Independent Audit Committee provides a mechanism through which assurance can be sought and the public assured with regards to the probity, regularity and value for money of resources deployed in the pursuit of the Police and Crime Plan.

3. Consultations

3.1. None

4. Implications

a. **Legal**

There are no legal comments associated with this paper.

b. **Financial**

There are no financial implications in considering this report.

c. **Equality considerations**

There are no direct Equality implications in the consideration of this report.

d. **Data Protection Impact Assessment**

There are no direct Data protection implications in the consideration of this report.

5. Risk Management

5.1. None

6. Background Papers

6.1. Appendix A – Gifts and Gratuities Update

7. Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

Appendix A

ACCOUNTABILITY BOARD

Meeting to be held on 18 June 2024

Professional Standards Department – Gifts and Gratuities Update

Contact for further information: Ian Dickinson, 01772 533587, Office of the Police and Crime Commissioner, ian.dickinson@lancashire-pcc.gov.uk

Executive Summary

This report sets out details of the Gifts and Hospitality registered by Lancashire Constabulary during the financial period 1 April 2023 to 31 March 2024.

Recommendation

The Commissioner is asked to note the report.

Background

National headlines concerning issues of integrity within the Police Service continue to receive high levels of public interest. They highlight the significant reputational risk that such issues can have for forces. In some cases, this has resulted in detailed scrutiny of existing force arrangements, both by media organisations and by relevant audit and inspection bodies.

The recommendations that came out of historic reviews prompted the publication of a set of national standards for the recording and monitoring of gifts, gratuities and hospitality. The document is called the "ACPO Guidelines on Gifts, Gratuities and Hospitality (2012)".

The acceptance of gifts, gratuities and hospitality can undermine personal and professional integrity and can in turn undermine public confidence in the police service. As a result, the Constabulary has reviewed its own guidelines for the acceptance of gifts, gratuities and hospitality from members of the public, businesses and from corporate bodies.

There is recognition that offers of a gift, gratuity or hospitality vary widely according to the circumstances, ranging from readily identifiable examples of criminality (such as a breach of the Bribery Act 2010) through to instances of entirely appropriate and reasonable extension of gratitude and common courtesy, which do not amount to the breach of integrity of any party.

Force policy requires all staff to register any gift or gratuity offered to them whether accepted or not.

Process

All staff irrespective of role, rank or circumstance are asked to consider the following mnemonic (**GIFT**) when accepting gifts or gratuities:

Genuine:

- *Is the offer made for reasons of genuine appreciation for something that you have done in the course of your duties or role?*
- *Consider why this offer is being made and the circumstances in which it is done so.*

- *Have you encouraged this offer in any way?*
- *Is it possible that the donor feels in any way obliged to make this offer?*

Independent:
- *Would the offer or acceptance of the gift be seen as reasonable to a member of the public?*
- *Would they be confident that you would remain impartial in your duties or role?*

Free:
- *Are you comfortable with the offer?*
- *Do you feel free from any obligation to do something in return?*
- *What are the donor's expectations should you accept?*

Transparent:
- *Are you comfortable that the acceptance of this offer of a gift or hospitality would stand scrutiny by the Constabulary, your colleagues or the public if it was reported publicly?*
- *What could be the outcome for you and the Constabulary if the offer was accepted or declined?*

All offers of gifts, gratuities or hospitality are recorded in a single corporate register administered by the Anti-Corruption Unit.

The system owner of the Gifts and Gratuities Register and associated processes is the Head of Professional Standards.

The Gifts and Gratuities system is accessed via the force intranet. The system presents users with a template that asks specific questions relating to the nature of the gift, the reason for it being offered, the person or organisation making the offer and the subsequent disposal of it. The data from the submission template is automatically uploaded to a central database hosted on the force Sharepoint site.

On a monthly basis the Head of PSD reviews all submissions to the Gifts and Gratuities Register to ensure that a consistent level of scrutiny and governance is applied and that where necessary individuals are challenged or held to account for the acceptance of offers. This process is also used to identify any recurring recipients or donors and to identify any offers that may indicate a motive other than a legitimate and unsolicited appreciation for services provided.

In line with the Force Publication Scheme, the Gifts and Gratuities offered to members of the Constabulary are posted on the force internet site for public information. The data is redacted to remove any personal information and provides various breakdowns of the information recorded on the Register.

Previous reports have highlighted the impaired functionality of the Gifts & Gratuities Register. To address this, the IT system which hosts the Gifts and Gratuities database is soon to be transferred from a Sharepoint site to a Teams based product. The new application will utilise the existing Teams infrastructure within force and provide a more streamlined submissions and approval process.

The existing Gifts & Gratuities policy is also currently under review with the draft version expected to be circulated for consultation by mid-June 2024.

Analysis

The biggest change that is highlighted in the assessment of the data for this reporting period is that there has been a 43% increase in overall Gifts and Gratuities submissions, following 4 years of decreasing numbers of submissions.

The bulk of gifts and gratuities registered are made to officers and staff in public facing roles and in the main consist of low value food and drink with Investigations, Neighbourhood and Response Policing, and PPU accounting for the majority (74%) of submissions.

The recording of gifts and gratuities by division shows an even distribution across all divisions.

The introduction of the option to record offers as “Re-gifted” has helped resolved the dilemma faced by some staff who have found it difficult to politely or sensitively refuse gifts. 4% of all gifts were rejected or re-gifted to a charitable cause.

There were only 2 gifts valued at over £500. One was regifted and the other was an offer to the entire Rural Task Force to experience off-road motorcycle riding and was used as a team building experience day.

There were 4 monetary gifts submitted with all bar one regifted or rejected. The one that was accepted was for £10 used to buy refreshments for the Fleetwood NHP.

The single gift offered to the DCC was for a meal and refreshments while attending as an official representative of the Constabulary at a police related conference. No gifts or gratuities were recorded for the Chief Constable within the reporting period.

Gifts and Gratuities Data (01/04/23 to 31/03/24)				
Rank	**Accepted**	**Regifted**	**Rejected**	**Total**
Deputy Chief Constable	1			**1**
Superintendent	2			**2**
Inspector	3			**3**
Sergeant	12	2	1	**15**
Constable	41	1		**42**
PCSO	3			**3**
LC1_to_LC14	7		1	**8**
Agency or Contractor	2			**2**
Grand Total	**71**	**3**	**2**	**76**

Department	Accepted	Regifted	Rejected	Total
Chief Officer Group	1			**1**
Investigations	15			**15**
CJS	1			**1**
Contact Management	2			**2**
Corporate Development			1	**1**
Force Intelligence Department	1			**1**
ICT	1			**1**
Response	12	1		**13**
Legal	2			**2**
NHP	16	1	1	**18**
Operational Support Unit		1		**1**
Planned Response	1			**1**
PPU	10			**10**

Road Policing	4			**4**
Senior Management Team	2			**2**
Training	3			**3**
Grand Total	**71**	**3**	**2**	**76**

Category	Accepted	Regifted	Rejected	Total
Entertainment or functions			1	**1**
Food and drink	54			**54**
Monetary	1	2	1	**4**
Object	12			**12**
Other	3	1		**4**
Service	1			**1**
Grand Total	**71**	**3**	**2**	**76**

Value	Accepted	Regifted	Rejected	Total
£500 to £1000	1	1		**2**
£100 to £500	1			**1**
£50 to £100	3		2	**5**
£10 to £50	30	2		**32**
£5 to £10	18			**18**
less than £5	12			**12**
No value	6			**6**
Grand Total	**71**	**3**	**2**	**76**

Relationship	Accepted	Regifted	Rejected	Total
Community related	21			**21**
Crime related	21			**21**
Friend or associate	2			**2**
Incident related	19	1	1	**21**
Supplier / service provider	8	2	1	**11**
Grand Total	**71**	**3**	**2**	**76**

Division	Accepted	Regifted	Rejected	Total
East	18		1	**19**
HQ	15	1	1	**17**
South	15	1		**16**
West	23	1		**24**
Grand Total	**71**	**3**	**2**	**76**

Background

National headlines concerning issues of integrity within the Police Service continue to receive high levels of public interest. They highlight the significant reputational risk that such issues can have for forces. In some cases, this has resulted in detailed scrutiny of existing force arrangements, both by media organisations and by relevant audit and inspection bodies.

The recommendations that came out of historic reviews prompted the publication of a set of national standards for the recording and monitoring of gifts, gratuities and hospitality. The document is called the "ACPO Guidelines on Gifts, Gratuities and Hospitality (2012)".

The acceptance of gifts, gratuities and hospitality can undermine personal and professional integrity and can in turn undermine public confidence in the police service. As a result, the Constabulary has reviewed its own guidelines for the acceptance of gifts, gratuities and hospitality from members of the public, businesses and from corporate bodies.

There is recognition that offers of a gift, gratuity or hospitality vary widely according to the circumstances, ranging from readily identifiable examples of criminality (such as a breach of the Bribery Act 2010) through to instances of entirely appropriate and reasonable extension of gratitude and common courtesy, which do not amount to the breach of integrity of any party.

Force policy requires all staff to register any gift or gratuity offered to them whether accepted or not.

Process

All staff irrespective of role, rank or circumstance are asked to consider the following mnemonic (**GIFT**) when accepting gifts or gratuities:

Genuine:

- *Is the offer made for reasons of genuine appreciation for something that you have done in the course of your duties or role?*
- *Consider why this offer is being made and the circumstances in which it is done so.*
- *Have you encouraged this offer in any way?*
- *Is it possible that the donor feels in any way obliged to make this offer?*

Independent:

- *Would the offer or acceptance of the gift be seen as reasonable to a member of the public?*
- *Would they be confident that you would remain impartial in your duties or role?*

Free:

- *Are you comfortable with the offer?*
- *Do you feel free from any obligation to do something in return?*
- *What are the donor's expectations should you accept?*

Transparent:

- *Are you comfortable that the acceptance of this offer of a gift or hospitality would stand scrutiny by the Constabulary, your colleagues or the public if it was reported publicly?*
- *What could be the outcome for you and the Constabulary if the offer was accepted or declined?*

All offers of gifts, gratuities or hospitality are recorded in a single corporate register administered by the Anti-Corruption Unit.

The system owner of the Gifts and Gratuities Register and associated processes is the Head of Professional Standards.

The Gifts and Gratuities system is accessed via the force intranet. The system presents users with a template that asks specific questions relating to the nature of the gift, the reason for it being offered, the person or organisation making the offer and the subsequent disposal of it. The data from the submission template is automatically uploaded to a central database hosted on the force Sharepoint site.

On a monthly basis the Head of PSD reviews all submissions to the Gifts and Gratuities Register to ensure that a consistent level of scrutiny and governance is applied and that where necessary individuals are challenged or held to account for the acceptance of offers. This process is also used to identify any recurring recipients or donors and to identify any offers that may indicate a motive other than a legitimate and unsolicited appreciation for services provided.

In line with the Force Publication Scheme, the Gifts and Gratuities offered to members of the Constabulary are posted on the force internet site for public information. The data is redacted to remove any personal information and provides various breakdowns of the information recorded on the Register.

Previous reports have highlighted the impaired functionality of the Gifts & Gratuities Register. To address this, the IT system which hosts the Gifts and Gratuities database is soon to be transferred from a Sharepoint site to a Teams based product. The new application will utilise the existing Teams infrastructure within force and provide a more streamlined submissions and approval process.

The existing Gifts & Gratuities policy is also currently under review with the draft version expected to be circulated for consultation by mid-June 2024.

Analysis

The biggest change that is highlighted in the assessment of the data for this reporting period is that there has been a 43% increase in overall Gifts and Gratuities submissions, following 4 years of decreasing numbers of submissions.

The bulk of gifts and gratuities registered are made to officers and staff in public facing roles and in the main consist of low value food and drink with Investigations, Neighbourhood and Response Policing, and PPU accounting for the majority (74%) of submissions.

The recording of gifts and gratuities by division shows an even distribution across all divisions.

The introduction of the option to record offers as “Re-gifted” has helped resolved the dilemma faced by some staff who have found it difficult to politely or sensitively refuse gifts. 4% of all gifts were rejected or re-gifted to a charitable cause.

There were only 2 gifts valued at over £500. One was regifted and the other was an offer to the entire Rural Task Force to experience off-road motorcycle riding and was used as a team building experience day.

There were 4 monetary gifts submitted with all bar one regifted or rejected. The one that was accepted was for £10 used to buy refreshments for the Fleetwood NHP.

The single gift offered to the DCC was for a meal and refreshments while attending as an official representative of the Constabulary at a police related conference. No gifts or gratuities were recorded for the Chief Constable within the reporting period.

Gifts and Gratuities Data (01/04/23 to 31/03/24)

Rank	Accepted	Regifted	Rejected	Total
Deputy Chief Constable	1			**1**
Superintendent	2			**2**
Inspector	3			**3**
Sergeant	12	2	1	**15**
Constable	41	1		**42**
PCSO	3			**3**
LC1_to_LC14	7		1	**8**
Agency or Contractor	2			**2**
Grand Total	**71**	**3**	**2**	**76**

Department	Accepted	Regifted	Rejected	Total
Chief Officer Group	1			**1**
Investigations	15			**15**
CJS	1			**1**
Contact Management	2			**2**
Corporate Development			1	**1**
Force Intelligence Department	1			**1**
ICT	1			**1**
Response	12	1		**13**
Legal	2			**2**
NHP	16	1	1	**18**
Operational Support Unit		1		**1**
Planned Response	1			**1**
PPU	10			**10**
Road Policing	4			**4**
Senior Management Team	2			**2**
Training	3			**3**
Grand Total	**71**	**3**	**2**	**76**

Category	Accepted	Regifted	Rejected	Total
Entertainment or functions			1	**1**
Food and drink	54			**54**
Monetary	1	2	1	**4**
Object	12			**12**
Other	3	1		**4**
Service	1			**1**
Grand Total	**71**	**3**	**2**	**76**

Value	Accepted	Regifted	Rejected	Total
£500 to £1000	1	1		**2**
£100 to £500	1			**1**
£50 to £100	3		2	**5**
£10 to £50	30	2		**32**
£5 to £10	18			**18**
less than £5	12			**12**
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Relationship	Accepted	Regifted	Rejected	Total
Community related	21			**21**
Crime related	21			**21**
Friend or associate	2			**2**
Incident related	19	1	1	**21**
Supplier / service provider	8	2	1	**11**
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Division	Accepted	Regifted	Rejected	Total
East	18		1	**19**
HQ	15	1	1	**17**
South	15	1		**16**
West	23	1		**24**
Grand Total	**71**	**3**	**2**	**76**

5. Links to the Police and Crime Plan

The acceptance of gifts, gratuities and hospitality can undermine personal and professional integrity and can in turn undermine public confidence in the police service.

6. Consultations

7. Implications

a. Legal

There are no legal comments associated with this paper.

b. Financial

The financial implications are contained with the report.

c. Equality considerations

There are no direct Equality implications in the making of this decision.

d. Data Protection Impact Assessment

There are no direct Data protection implications in the making of this decision.

8. Risk Management

9. Background Papers

ACPO Guidelines on Gifts, Gratuities and Hospitality (2012)

10. Public access to information

a. Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

b. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

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JOINT INDEPENDENT AUDIT COMMITTEE **ITEM 9**

Meeting to be held on Wednesday, 11 September 2024 at 10.00am in Room 8, The Exchange, County Hall, Preston

Financial Position 30 June 2024

(Appendix A refers)

Contact for further information: Steve Freeman, 01772 533587, Office of the Police and Crime Commissioner, steve.freeman@lancashire-pcc.gov.uk

1. Issue for Consideration

1.1. The financial monitoring position at 30 June 2024

2. Recommendation

2.1. The financial monitoring report approved by the PCC is attached at Appendix A for comment

3. Background

3.1. The financial monitoring report at 300 June 2024is provided to the Committee for their review and comment.

3.2. Any queries can be raised with Steve Freeman.

4. Links to the Police and Crime Plan

4.1. The Joint Independent Audit Committee provides a mechanism through which assurance can be sought and the public assured with regards to the probity, regularity and value for money of resources deployed in the pursuit of the Police and Crime Plan.

5. Consultations

5.1. None

6. Implications

6.1. Legal

6.1.1. There are no legal comments associated with this paper.

6.2. Financial

6.2.1. There are no financial implications in considering this report.

6.3. Equality considerations

6.3.1. There are no direct Equality implications in the consideration of this report.

6.4. Data Protection Impact Assessment

6.4.1. There are no direct Data protection implications in the consideration of this report.

7. Risk Management

7.1. None

8. Background Papers

8.1. Draft Statements of Accounts 2023/24

9. Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

RECOMMENDATION REPORT

DECISION: 16/2024	DATE: 22 AUGUST 2024
TITLE: FINANCIAL POSITION AS AT 30 JUNE 2024	
REPORT BY: STEVE FREEMAN	

Executive Summary

This report sets out the monitoring position for the 2024/25 revenue and capital budget at 30 June 2024.

Recommendations

The Police and Crime Commissioner is recommended to:

- Note the position on the Police and Crime Commissioner's Revenue budget.
- Approve a revised capital investment programme in 2024/25 of £43.720m
- Note the position for the capital programme
- Note the position on reserves

1. Background and Advice

1.1. Overview

1.1.1. The Commissioner receives regular reports setting out the latest position on income and expenditure and forecast outturn position for the revenue and capital budget. This report sets out the latest position including:

- The position for the PCC's revenue budget for 2024/25,
- The capital programme for 2024/25 and future years, and
- The position on reserves

1.2. Revenue Budget 2024/25

1.2.1. The 2024/25 revenue budget is allocated as follows:

	Budget £m
Chief Constable:	
Pay costs	301.3
ACC Territorial Operations	8.0
ACC Crime	3.8
ACC Specialist Uniform Operations	4.9
Chief Operating Officer	34.2
Deputy Chief Constable	1.5
Sub total	353.7
Non-DFM budget	7.8
Total Constabulary Budget	361.5
PCC:	
Office of the PCC	1.8
Communications	0.1
Fighting Crime	1.0
Victim and Domestic Abuse services	0.7
Sub total	3.6
Non-DFM	2.0
Total PCC	**5.6**
TOTAL BUDGET	**367.1**

1.2.2. At this stage in the financial year a firm forecast of a year-end position is unrealistic however the PCC and Constabulary are confident that they will manage within budget in 2024/25.

1.2.3. The PCC and Chief Constable will monitor spending closely throughout the year and a number of issues have been identified that may impact on the financial position at the end of the year:

- The recent announcement in respect of pay award for police officers will impact upon the budget in Lancashire.
  - The increase of 4.75% from September 2024 is greater than the amount provided for in the revenue budget (2.5%).
  - The Home Office have confirmed that they will provide additional grant funding to meet the pressure on budgets that the 4.25% pay award will realise for all forces.
- The level of staff vacancies is lower than that forecast when setting the budget which places a pressure on the overall pay budget. The number of vacancies is closely monitored throughout the year and will be managed over the coming months to deliver the budget at year-end.
- The recent demand placed upon policing to deal with the extensive disorder across the County will have a significant impact for managing the budget. Whilst government has provided some assurance that these costs will be met centrally the extent to which the operational impact of this activity with have on the budget remains uncertain.
- The level of income generated from external organisations is lower than previous years placing pressure on the budget. This is because the training resources available are being consumed by the Constabulary's own officers and staff. This is a result of the significant influx of new officers through the uplift programme.
- A delay in the start of operations for the regional toxicology collaboration has meant additional cost will be incurred above the budgeted provision, it isn't yet clear when the collaboration will be able to begin its operation.

1.3. As subsequent monitoring reports are presented during the year the forecast year-end position will be provided and the factors impacting upon it will be explained in further detail.

1.4. In setting the 2024/25 budget, savings of £5.9m were identified:

	£m
Departmental savings	1.0
Changes to Operating Model	2.7
Reduced cost of energy	2.2
Total	**5.9**

1.5. The delivery of these savings will be closely monitored through the year and reported in each quarterly financial monitoring report.

1.6. Capital Programme 2024/25

1.6.1. The capital programme for 2024/25 was approved at £51.807m.

1.6.2. At 30 June 2024 £10.113m of spend has been committed against this programme and the forecast spend at the end of the year is £43.720m:

	Programme £m	Committed £m	Forecast £m
ICT	11.150	5.384	11.150
Estate	34.296	3.164	26.209
Vehicle Replacement Programme	5.175	1.293	5.175
Other schemes	1.186	0.272	1.186
Total	**51.807**	**10.113**	**43.720**

1.6.3. The main elements of the forecast spend for the year, summarised above are:

I.C.T.

- £2.178m Network Access and Security
- £2.571m Device upgrade and replacement
- £5.754m System replacement
- £0.647m Development and innovation

Estate

- £2.407m Critical Policing Infrastructure Programme (CPIP)
- £5.269m Operational bases and divisional HQs
- £4.500m Chorley Police Station
- £9.000m Pendle Police Station
- £1.300m Refurbishment of custody suites
- £2.175m Minor works programme

Other Schemes

- £0.132m Replacement of specialist equipment
- £0.674m ANPR equipment and infrastructure
- £0.108m Regional collaborations

1.6.4. To reflect the forecast spend shown above, it is **recommended that the Commissioner revise the capital programme in 2024/25 to £43.720m**.

1.7. Reserves

1.7.1. The reserves brought forward at 1/4/2024 are:

	£m
EARMARKED RESERVES	
Capital Financing Reserve	0.165
Employee/Public liability reserve	0.685
Transition Reserve	2.644

Clothing Reserve	0.638
POCA Equalisation Reserve	0.702
PCCA/Drugs Forfeiture Reserve	0.565
VMU Reserve	0.008
Operational Policing Reserve	1.691
Forensic collaboration reserve	0.120
LFSA operational reserve	0.224
Regional Collaboration – Titan	0.378
Regional Drugs Forensics collaboration	0.181
NDORS course reserve	0.406
Speed enforcement investment reserve	1.315
Total Earmarked Reserves	**9.722**
GENERAL RESERVES	
DFM	10.248
General Fund	9.388
Total General Reserves	**19.636**

1.7.2. Adequacy of Reserves

- General reserves (DFM and general fund) are £19.6m and represent 5.3% of the 2024/25 budget of £361.7m. Other earmarked reserves total £9.7m including £2.6m held to provide investment for the PCC's capital programme in 2024/25 and future years.
- 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 2024/24 (In line with the PCC's published Reserves Strategy).

1.8. Future risks and opportunities

1.8.1. The PCC, in conjunction with the CC, maintains a multi-year financial strategy to deliver efficient and effective financial management for the organisation. The provision of the three-year financial settlement in 2022/23 has assisted with medium-term financial planning however economic conditions over that period increased the level of uncertainty for future cost pressures.

1.8.2. 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 a 'funding gap' of nearly £17m has been identified to 2026/27. This will require a significant level of further savings being made by the PCC and Chief Constable and will impact directly on the shape of future services.

1.8.3. The Constabulary has an on-going business planning programme that will work to develop proposals for how the further savings can be achieved.

1.8.4. 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 challenging, it will be increasingly difficult to find savings on the scale required.

Specific Risks include:

Inflation and pay award

- The rate of inflation has fallen in recent months and current forecasts expect the rate to remain consistent in the coming months. However, the rate of inflation is different for different types of expenditure and certain cost areas remain difficult to predict. For example, the cost of vehicle insurance for Lancashire has almost quadrupled in the last 4 years which is significantly higher than the effect of the average inflation rate.
- Costs such as this will be closely monitored as part of the continuing financial planning process in preparation for setting the 2025/26 budget.
- Any change to pay has a significant impact for the revenue budget with pay related costs accounting for more than 80% of total spending.
- The impact of the annual pay award is therefore the main issue faced in setting budgets. In September 2024 pay will increase by 4.75% and forecast increases in future years are uncertain.
- 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 deliver and maintain the uplift allocation would mean a reduction in funding.
- This affects how savings can be delivered by the organisation 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

- The Commissioner has agreed 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

- The Chancellor recently stated that the financial settlement for policing will be announced in December. It is expected that this will provide confirmation of funding for 2025/26 with outline spending plans for future years.
- A one-year settlement limits the ability to deliver effectively financial management in the medium to longer term as it is difficult to engage in efficient long term planning.
- There is therefore significant risk in any assumption on government funding in future years that will, undoubtably, be subject to significant pressure in future years.
- It is considered appropriate however, to assume a small increase in government funding in future years and the MTFS assumes a 1% increase in such funding each year beyond 2024/25. There is clearly a risk that this may not be realised.

Additional government funding

- The three-year funding announcement made by the Minister of Policing in December 2021, and the financial settlements subsequently provided, gives greater certainty to inform financial planning over the spending review period.
- There continues to be 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 over the three-year funding period. Access to such funding requires a process of bidding that can be done against extremely short timescales. Successful bids can then require spending to be completed in a short space of time which can put pressure on resources and decision making.
- The amount of funding for these area remains uncertain at this time and will be announced in the coming months.

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.

1.9. Conclusion

1.9.1. The overall financial health of the Police and Crime Commissioner's budget remains strong. The PCC and the Constabulary have been able to demonstrate:

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

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

2. Links to the Police and Crime Plan

Effective management of the revenue budget in conjunction with strong medium-term financial planning including for investment in futures years is vital to enable the PCC to deliver the Police and Crime Plan

3. Consultations

None

4. **Implications**:

a. **Legal**

None

b. **Financial**

The financial implications are contained within the report

c. **Equality Impact Assessment**

None

d. **Data Protection Impact Assessment**

None

5 **Risk Management**

6. **Background Papers**

7. **Public access to information**

Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	
EQUALITIES IMPLICATIONS – As above	
CONSULTATION – As above	

Author

Signature Steve Freeman Date 22/8//2024

Sponsor

I have read the above report and confirm this is factually correct.

Signature Steve Freeman Date 22/8/2024

Chief Finance Officer to the Office of the Police and Crime Commissioner

I have read the above report and have considered the financial implications. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.

Signature Steve Freeman Date 22/8/2024

Chief Executive to the Office of the Police and Crime Commissioner (Monitoring Officer)

I have been informed about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.

Signature Steve Freeman Date 22/8/2024

Contact: Steve Freeman, Chief Finance Officer
Telephone: 01772 535259