

Police Service of Northern Ireland
Account
2008-2009

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Report of the Managers – Police Pension Scheme

Introduction

Following the introduction of the New Police Pension Scheme on 6 April 2006, the Police Service of Northern Ireland (PSNI) now administers two Pension Schemes for police officers. Both of these Schemes, the existing Police Pension (now referred to as the 'closed' scheme) and the New Police Pension Scheme (or 'new' scheme), are included in the Police Pension Accounts. Both Schemes are unfunded defined benefit schemes.

The regulations under which the Closed Scheme operates are the Pensions (Northern Ireland) Order 1995 and the RUC Pensions Regulation 1988 and subsequent amendments. The regulations are modified for members of the PSNI Full Time Reserve in accordance with the RUC Reserve (Full Time) Pension Regulations 1994 and subsequent amendments.

The New Police Pensions Scheme operates under the Police Pensions (Northern Ireland) Regulations 2007 which apply from 6 April 2006. This is now the only scheme available to new recruits serving in the PSNI.

Membership of these schemes is not compulsory and officers may make other pension arrangements.

All police officers are given a booklet explaining the scheme rules at induction or training.

This is now the sixth standalone Police Pension Accounts. The rationale of preparing separate Pension Accounts is to avoid the detail required by FRS 17 (Retirement Benefits) from overshadowing and drawing attention away from the record of the police's core financial performance. Prior to these Pension Accounts, a Revenue Account and FRS 17 information was disclosed as part of the PSNI Annual Financial Statements.

Both the Closed Police Pension Scheme and the New Police Pension Scheme are administered by PSNI on behalf of the Northern Ireland Policing Board.

Accounts direction

The Police Pension Accounts have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12 (3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003.

The Managers, advisers and employers for both Schemes are as follows:

Managers:

Accounting Officer and Pension Scheme Practitioner

Chief Constable
Police Service of Northern Ireland
Brooklyn
65 Knock Road
Belfast
BT5 6LE

Pension Scheme Administrator

Northern Ireland Policing Board
Waterside Tower
31 Clarendon Road
Clarendon Dock
Belfast
BT1 3BG

Advisers:

Pension Scheme Actuary

Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

Government Department

Northern Ireland Office
Castle Buildings
Belfast
BT4 3SG

Auditors

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1S 9SS

Bankers

Northern Bank
Donegall Square West
Belfast

The Scheme has no separate bank account. It utilises the banking arrangements of the PSNI.

Employers:

Principal Employer

Police Service of Northern Ireland
Brooklyn
65 Knock Road
Belfast
BT5 6LE

Changes to the schemes

During the year, pensions were increased by 3.9 per cent with effect from 7 April 2008.

There have been no other significant changes to either Scheme during the year.

Membership Statistics

Details of the current membership of the Closed Police Pension Scheme are as follows

Active Members

At 1 April 2008	7,327
New entrants – transfers in	21
Retirements in the year	(359)
Deaths	(6)
Other leavers	(225)
At 31 March 2009	6,758

Deferred Members

At 1 April 2008	922
Members leaving who have deferred pension rights	214
Members taking up deferred pension rights	(16)
At 31 March 2009	1,120

Pensioners in Payment

	Members	Dependents	Total
At 1 April 2008	9,732	1,444	11,176
Members retiring in year at normal retirement age	67	0	67
Other retirements	585	0	585
New dependents	0	107	107
Cessations	(75)	(58)	(133)
At 31 March 2009	10,309	1,493	11,802

Compensation Payments

	Members	Dependents	Total
At 1 April 2008	162	0	162
Members leaving under early retirement	22	0	22
Members reaching normal retirement age during the year	(41)	0	(41)
At 31 March 2009	143	0	143

Details of the current membership of the New Police Pension Scheme are as follows

Active Members

At 1 April 2008	668
New entrants	393
Retirements in the year	0
Deaths	(1)
Other leavers	(32)
At 31 March 2009	1,028

Deferred Members

At 1 April 2008	0
Members leaving who have deferred pension rights	2
Members taking up deferred pension rights	0
At 31 March 2009	2

Pensioners in Payment	Members	Dependents	Total
At 1 April 2008	0	0	0
Members retiring in year at normal retirement age	0	0	0
Other retirements	0	0	0
New dependents	0	1	1
Cessations	0	0	0
At 31 March 2009	0	1	1

Additional Voluntary Contributions and Stakeholder Pensions

The Secretary of State appointed Equitable Life and Standard Life as providers of the in-house Additional Voluntary Contribution (AVC) Scheme for Police Officers in the Closed Scheme. This is legislated in Statutory Rules of Northern Ireland for the PSNI Pension Scheme. PSNI designated Standard Life as Stakeholder Pension Provider. PSNI have made known to staff the arrangements and provide a facility for staff to contribute through payroll if they so wish.

£33,644 of contributions have been made by members of PSNI to the scheme during the year 2007-2008 £46,117, (see note 16).

There is no in-house AVC Scheme available to members of the New Police Pension Scheme introduced from 6 April 2006.

Going concern

The Combined Balance Sheet (which includes liabilities belonging to both the closed and the new pension schemes) at 31 March 2009 shows net liabilities of £4,530.34m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the PSNI's other sources of income, may only be met by future grants or grants-in-aid from the PSNI's sponsoring Department (the Northern Ireland Office). This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grants for 2009-2010 have already been included in the NIO's Estimates for that year, taking into account the amounts required to meet the PSNI's liabilities falling due. These have been approved by Parliament and there is no reason to believe that the NIO's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these pension scheme accounts.

Post balance sheet events

From 6 April 2009, pensions were increased by 5.0 per cent, this was notified in April 2009.

New commutation factors were announced on 21 May 2008 and the factors were to be backdated to 1 October 2007. Following a Judicial Review brought by the Police Federation (England and Wales) adjudicated on 17 March 2009 (with no appeal being made by the Home Office in April 2009 within the required deadline) these factors are now to be backdated to 1 December 2006, will also apply in the Northern Ireland Police Pension scheme, and therefore a provision of £15m has been built into the Police Pension Accounts for 2008-2009.

The Annual Report and Accounts were authorised to be issued and laid in the Houses of Parliament on 10 July 2009.

There are no other post balance sheet events to be noted.

Audit services

The National Audit Office is responsible for the audit of the Police Pension Accounts. Audit services are paid by the Police Service of Northern Ireland and therefore payments details are included in their Annual Financial Statements. The fees for this year are £18,000 (2007-2008 £17,000).

So far as the Chief Constable is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. The Chief Constable has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

Further information

A full certified copy of these Police Pension Annual Report and Accounts will be available on the PSNI's website (www.psni.police.uk), together with the Chief Constable's general report 2008-2009 due to be published in June 2009. The Chief Constable's report is posted to every household in Northern Ireland.

Any enquiries regarding either the PSNI Closed Police Pension Scheme or the New Police Pension Scheme should be addressed to the Head of Pensions Branch, PSNI.

Report of the Actuary

a Liabilities

The capitalised value as at 31 March 2009 of expected future benefit payments under the police pension schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2009, has been assessed using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members as follows

	Closed Scheme £ million	New Scheme £ million
Active (past service)	(1,903.28)	(18.44)
Deferred Pensioners	(139.93)	(0.02)
Current Pensioners	(2,468.67)	0
Total	(4,511.88)	(18.46)

b Accruing Costs

The cost of benefits accruing for each year is met partly by contributions by members, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2008-2009 has been assessed as follows

	% of pensionable pay	
	Closed Scheme	New Scheme
Current service cost	52.3	44.0

In relation to the pensionable payroll for the financial year, the Current Service Cost is as follows

	Closed Scheme £ million	New Scheme £ million
Current service cost	126.47	9.72

c Methodology

The value of the liabilities has been obtained by projecting the accrued benefits, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has also been determined using the projected unit method.

d Assumptions

The assessments have been prepared in accordance with the Financial Reporting Manual (FreM) issued by HM Treasury. The main financial assumptions are set in accordance with the FreM. The assumptions proposed by the Government Actuary's Department and agreed with the PSNI in nominal terms are

- A rate of earnings increases of 4.30 per cent p.a. excluding promotional and performance increments;
- A long term nominal discount rate of 6.04 per cent p.a.; and
- A rate of long term inflation and pensions increases of 2.75 per cent p.a.

The PSNI's workforce is too small to provide sufficient data from which to draw statistically reliable conclusions for all of the assumptions which are to be made. The PSNI has confirmed that demographic assumptions should be derived from aggregate experience across all authorities with officers in the Police Pension Scheme supplemented as necessary by appropriate standard tables. We are not aware of any reason why the PSNI's demographic experience over the long term should be significantly different from the aggregate experience assumed in our assessment.

e Notes

- 1 We understand that some benefits payable under the PSNI Severance Schemes will be accounted for outside the PSNI Police Pension Scheme Accounts. PSNI have instructed us as to which benefits should be included in these statements.
- 2 The data for this assessment was provided by the Police Service of Northern Ireland. Full data was provided in respect of the current and former members of the pension scheme as at 31 December 2008, together with summary data as at 31 March 2009.

Ian Boonin
Government Actuary's Department

28 April 2009

Statement of Accounting Officers responsibilities

Under Section 12(3) of the Police (Northern Ireland) Act 2000 as amended by Section 7(4) of the Police (Northern Ireland) Act 2003, the Chief Constable of the Police Service of Northern Ireland is required to prepare a statement of accounts for pensions purposes on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Secretary of State.

With the exception of certain transactions (which are accounted for on a cash basis) the financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the Schemes during the year and the disposition, at the end of the financial year, of the net liability. Note 2, 'Accounting Policies', to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the net liability at the year end.

In preparing the financial statements, the Chief Constable of the PSNI is required to comply with the requirements of the Government Financial Reporting Manual and in particular to

- observe the Accounts Direction issued by the Northern Ireland Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Northern Ireland Office has appointed the Chief Constable of the Police Service of Northern Ireland as Accounting Officer for the Police Pension Accounts. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension schemes, are set out in Managing Public Money published by HM Treasury.

Statement on Internal Control

Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational 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 system of internal control has been in place in PSNI for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk.

The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document will be reviewed and updated during the first quarter of 2009-2010. The findings of the review will be incorporated into a revised policy and published to the organisation in July 2009.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2008-2009. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2008-2009 were in relation to the threat of terrorist attack, funding issues and legacy investigations. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

Stewardship reporting is a key element of ensuring accountability and ownership of risks and their management within the organisation. All Chief Officers and Senior Managers are required to sign a Stewardship Statement on a half yearly basis to confirm that over a period of time, they have reviewed the risk register for their respective areas of responsibility and assessed the management of the risks identified. The signing of the Stewardship Statements provides assurance that key risks are being managed across the organisation.

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. The remit of the Organisational Development Committee will be expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. An enhanced programme of risk management inspections is planned for 2009-2010. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

The PSNI Audit and Risk Committee, chaired by a Non Executive Member, is responsible for providing assurance to the Chief Constable that effective risk management, governance and control arrangements are in place. The Committee receives reports on risk management and updates on the Corporate Risk Register. In addition, the Committee also receives reports from both Internal and External Audit and from a number of other assurance sources. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary, the Criminal Justice Inspectorate for Northern Ireland and other independent monitoring bodies, adding to the assurance framework.

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' system to track and manage the implementation of external recommendations arising from third party reports. The Organisational Development Committee (ODC) has provided a satisfactory level of assurance in relation to the effectiveness of this new system during 2008-2009.

During 2008-2009 PSNI reviewed their corporate governance model. The scope of this work included: a Revised Terms of Reference for CCF and the 6 Sub-Committees reporting through to CCF, the Corporate Governance Assurance Framework and the Charter for the Committees.

A new Service Procedure was developed in relation to the above model and approved by CCF in January 2009. PSNI are currently in the process of implementing the revised governance model with sound progress having been made in relation to the development of the assurance framework. Committee Secretaries are in the process of being appointed and they will take play a key role in the implementation of this model. PSNI have plans to undertake during 2009-2010 an operational assurance inspection programme to ensure ongoing compliance against operational service instructions.

PSNI is acutely aware of the need for all information used for operational purposes and financial reporting purposes to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other agencies within the Criminal Justice community.

PSNI has developed an Information Assurance Strategy under the direction of the Senior Information Risk Owner (ACC Operational Support). The Information Management Committee approved this Strategy in March 2009. Key components of the IS Strategy include security policy implementation, the application of physical, personnel and operational security controls and the delivery of an education, training and awareness programme. The Information Assurance Governance framework is informed by means of the Information Risk Register, which details the current level of risk and from which an implementation plan has been developed to enhance the control environment in relation to information risk management.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Chief Officers and the Audit and Risk Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisations system of internal control.

Sir Hugh Orde
Chief Constable
Police Service of Northern Ireland

19 June 2009

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Police Service for Northern Ireland Pension Accounts for the year ended 31 March 2009 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Combined Revenue Account, the Combined Balance Sheet, the Combined Cash Flow Statement and Combined Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Police Service of Northern Ireland, Chief Constable and Auditor

The Police Service of Northern Ireland and Chief Constable as Accounting Officer are responsible for preparing the Report of the Managers and the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Police Service for Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Police Service of Northern Ireland's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Police Service for Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Police Service of Northern Ireland Police Pension Accounts and consider whether it is consistent with the audited financial statements. This information comprises the Report of the Managers and the Report of the Actuary.

I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Police Service of Northern Ireland and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Police Service for Northern Ireland Pension Scheme's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Service for Northern Ireland Pension Scheme's affairs as at 31 March 2009 and of its net outgoings, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland.

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

10 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Combined Revenue Account for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Income			
Contributions receivable	3	82,140	81,596
Transfers in	4	1,220	1,690
Total		<u>83,360</u>	<u>83,286</u>
Outgoings			
Current service costs	5	(136,190)	(158,740)
Enhancements	6	(29,290)	(8,980)
Transfers in	4	(1,220)	(1,690)
Interest on scheme liabilities	7	(258,600)	(236,060)
Total		<u>(425,300)</u>	<u>(405,470)</u>
Net outgoings for the year		<u>(341,940)</u>	<u>(322,184)</u>

The notes on pages 89 to 97 form part of these accounts.

Combined Statement of Total Recognised Gains and Losses for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Net outgoings for the year		(341,940)	(322,184)
Actuarial gain	11.4	599,450	499,280
Total Recognised gains for the year		<u>257,510</u>	<u>177,096</u>

The notes on pages 89 to 97 form part of these accounts.

Combined Balance Sheet as at 31 March 2009

		Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Current assets			
Debtors	9	7,160	4,372
Creditors due within one year			
Creditors	10	(7,160)	(4,372)
Net current assets, excluding pension liabilities		0	0
Provisions for Pension liabilities			
Closed Scheme	11.1	(4,511,880)	(4,869,560)
New Scheme	11.2	(18,460)	(10,150)
Net liabilities, including pension liabilities		(4,530,340)	(4,879,710)
Taxpayers' Equity			
Opening balance		(4,879,710)	(5,129,570)
Grant In Aid	12	91,860	72,764
Net outgoings for the year		(341,940)	(322,184)
Actuarial gains	11.4	599,450	499,280
Closing balance		(4,530,340)	(4,879,710)

The notes on pages 89 to 97 form part of these accounts.

Sir Hugh Orde
Chief Constable
Police Service of Northern Ireland

19 June 2009

Combined Cash Flow Statement for the year ended 31 March 2009

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Reconciliation of net outgoings to operating cash flows		
Net outgoings for the year	(341,940)	(322,184)
Adjustments for movements in working capital	0	0
<i>Increase in pension provision</i>		
Closed Scheme	11.1 384,250	387,490
New Scheme	11.2 10,540	7,310
<i>Increase in pension provision – enhancements and transfers in</i>		
Closed Scheme	11.1 29,290	9,180
New Scheme	11.2 1,220	1,490
<i>Use of provision</i>		
Closed Scheme	11.1 (175,080)	(156,030)
New Scheme	11.2 (140)	(20)
Net cash outflow from operating activities	(91,860)	(72,764)
Financing	12 91,860	72,764
Increase/(decrease) in cash in the period	0	0

The notes on pages 89 to 97 form part of these accounts.

Notes to the Accounts

1 Basis of preparation of the Pension Accounts

The PSNI Pension Accounts have been prepared in accordance with the relevant provisions of the 2008-2009 Government Financial Reporting Manual (FRM) issued by the Treasury, which reflects the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. These accounts show the unfunded pension liabilities and movements in those liabilities during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice (SORP) *Financial Reports of Pension Schemes* to the extent that these are appropriate, together with Section 12 (3) of the Police (Northern Ireland) Act 2000 as amended by Section 7 (4) of the Police (Northern Ireland) Act 2003 and the Accounts Direction from the Northern Ireland Office.

The Accounts summarise the transactions of both the Closed Police Pension Scheme and the New Police Pension Scheme. The combined balance sheet shows the deficits on each scheme; the combined revenue account shows the total of the movements from each scheme liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of each pension scheme is dealt with in the Report of the Actuary, and the pension accounts should be read in conjunction with that report.

2 Statement of accounting policies

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Contributions receivable

Employers' normal pension contributions are accounted for on an accruals basis.

Employers' special pension contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on a cash basis.

Employees' pension contributions which exclude amounts paid in respect of the purchase of added years and Additional Voluntary Contributions are accounted for on an accruals basis.

Employees' contributions paid in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure.

2.3 Transfers in and out

Transfers in are normally accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis, although group transfers in may be accounted for on an accruals basis where the scheme has formally accepted or transferred a liability.

2.4 Other income

Other income, including refunds of gratuities, overpayments recovered other than by deduction from future benefits are accounted for on an accruals basis. To the extent that this income also represents an increase in the scheme liability, it is also reflected in expenditure.

2.5 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current member's service in the current period and is recognised in the Revenue Account. The cost is based on a real discount rate of 2.5 per cent.

2.6 *Past service costs*

Past service costs are increases in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Past service costs are recognised in the Revenue Account on a straight-line basis over the period in which increase in benefit vest.

2.7 *Enhancements*

Any enhancements to pensions, including on departure or retirement, are measured and reflected immediately in the Revenue Account.

2.8 *Interest on scheme liabilities*

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Revenue Account. The interest cost is based on a real discount rate of 2.5 per cent.

2.9 *Other payments*

Other payments are accounted for on an accruals basis.

2.10 *Scheme liabilities*

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and is discounted at a real rate of 2.5 per cent.

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions.

2.11 *Pension benefits payable*

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis.

2.12 *Pension payments to those retiring at their normal retirement age*

Where a retiring member of either pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a retiring member of either pension scheme has a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

2.13 *Pension payments to and on account of leavers before their normal retirement age*

Where a member of either pension scheme is entitled to only a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a member of either pension scheme has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

2.14 *Injury benefits*

Injury benefits are accounted for in the main PSNI Financial Statements.

2.15 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.16 Actuarial gains/losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses for the year.

2.17 Additional voluntary contributions

Additional Voluntary Contributions (AVC's) are deducted from employees' salaries and are paid over directly by the employing departments to the approved AVC providers.

3 Contributions receivable

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Notes		
Employers' Contributions		
Closed Scheme	48,929	50,435
New Scheme	4,508	2,546
Employees' Contributions		
Closed Scheme	26,604	27,426
New Scheme	2,099	1,189
	<u>82,140</u>	<u>81,596</u>

4 Transfers in

Closed Scheme	11.1	0	200
New Scheme	11.2	1,220	1,490
		<u>1,220</u>	<u>1,690</u>

5 Current service costs

Closed Scheme	11.1	126,470	151,740
New Scheme	11.2	9,720	7,000
		<u>136,190</u>	<u>158,740</u>

6 Enhancements

Closed Scheme	11.1	29,290	8,980
New Scheme	11.2	0	0
		<u>29,290</u>	<u>8,980</u>

7 Interest on scheme liabilities

		Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Interest charge for the year			
Closed Scheme	11.1	257,780	235,750
New Scheme	11.2	820	310
		<u>258,600</u>	<u>236,060</u>

8 Administration fees and expenses

All costs of administering the PSNI Pension Schemes are borne by the Police Service of Northern Ireland.

9 Debtors

		Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
<i>9a Analysis by type</i>			
Pension contribution due from employer		6,340	4,034
Pension overpayments	235	285	
Provision for doubtful debts	<u>(70)</u>	165	<u>(75)</u> 210
Amounts due from PSNI main accounts		649	124
Other debtors		6	4
		<u>7,160</u>	<u>4,372</u>

9b Intra-Government Balances

		Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Amounts falling due within one year			
Balances with other central government bodies		6,989	4,158
Balances with bodies external to government		171	214
At 31 March		<u>7,160</u>	<u>4,372</u>

10 Creditors due within one year

		Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
<i>10a Analysis by type</i>			
Amount due to PSNI main accounts		6,511	4,248
Unpaid pensions		68	123
HM Revenue and Customs		581	1
		<u>7,160</u>	<u>4,372</u>

10b *Intra-Government balances*

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Amounts falling due within one year		
Balances with other central government bodies	7,092	4,249
Balances with bodies external to government	68	123
At 31 March	<u>7,160</u>	<u>4,372</u>

11 Provision for pension liabilities

Both the PSNI Police Pension Schemes are unfunded defined benefit schemes. An actuarial valuation of each scheme was carried out as at 31 March 2009 by the Government Actuary's Department. The major assumptions used by the Actuary were

	At 31 March 2009 per cent	At 31 March 2008 per cent	At 31 March 2007 per cent
Rate of inflation	2.75	2.75	2.75
Rate of increase in salaries	4.3	4.3	4.3
Rate of increase in pensions	2.75	2.75	2.75
Rate for discounting scheme liabilities	6.04	5.3	4.6

The PSNI are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure, including details of expected bulk transfers into or out of the scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing each scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of each scheme liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation, or the assumed rate of increase in salaries, then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The PSNI accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in this note. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

11.1 Analysis of movement in the closed pension scheme liability

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Scheme liability at 1 April	(4,869,560)	(5,127,000)
Current service cost	(126,470)	(151,740)
Interest on pension scheme liability	(257,780)	(235,750)
	(384,250)	(387,490)
Enhancements	(29,290)	(8,980)
Transfers in	0	(200)
	(29,290)	(9,180)
Pension payments (see note 11.3)	175,080	156,030
Actuarial gain (see note 11.4)	596,140	498,080
Scheme liability at 31 March	(4,511,880)	(4,869,560)

During the year ended 31 March 2009, employee contributions represented an average of 11.0 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay.

11.2 Analysis of movement in the new pension scheme liability

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Scheme liability at 1 April	(10,150)	(2,570)
Current service cost	(9,720)	(7,000)
Interest on pension scheme liability	(820)	(310)
	(10,540)	(7,310)
Transfers in	(1,220)	(1,490)
Pension payments (see note 11.3)	140	20
Actuarial gain (see note 11.4)	3,310	1,200
Scheme liability at 31 March	(18,460)	(10,150)

During the year ended 31 March 2009, employee contributions represented an average of 9.5 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay.

11.3 Analysis of pension payments

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Closed Scheme		
Pension payments	124,490	112,331
Gratuities/Commutations	50,350	42,759
Payments to and on account of leavers	240	940
	175,080	156,030
New Scheme		
Pension payments	10	0
Gratuities/Commutations	80	0
Payments to and on account of leavers	50	20
	140	20

11.4 Analysis of actuarial gain/(loss)

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Closed Scheme		
Experience gains and losses arising on pension liabilities	(54,470)	22,340
Changes in assumptions underlying the present value of the pension liabilities	<u>650,610</u>	<u>475,740</u>
	596,140	498,080
New Scheme		
Experience gains and losses arising on pension liabilities	(2,050)	(1,120)
Changes in assumptions underlying the present value of the pension liabilities	<u>5,360</u>	<u>2,320</u>
	3,310	1,200
Total actuarial gain	<u>599,450</u>	<u>499,280</u>

11.5 History of experience gain / (loss)

Year ended 31 March	2009	2008	2007	2006	2005
Closed Scheme:					
Experience gain / (loss) on scheme liabilities					
Amount (£m)	(54.47)	22.34	(15.24)	(6.35)	(5.63)
Percentage of liability at the year end	(1.2%)	0.5%	(0.3%)	(0.2%)	(0.2%)
Total actuarial gain / (loss)					
Amount (£m)	596.14	498.08	(947.81)	(15.79)	(813.79)
Percentage of liability at the year end	13.3%	10.2%	(18.5%)	(0.4%)	(23.4%)
New Scheme:					
Experience gain / (loss) on scheme liabilities					
Amount (£m)	(2.05)	(1.12)	(0.03)	0	0
Percentage of liability at the year end	(11.1%)	(11.0%)	(1.2%)	0	0
Total actuarial gain / (loss)					
Amount (£m)	3.31	1.20	(0.82)	0	0
Percentage of liability at the year end	17.9%	11.8%	(31.9%)	0	0

12 Grant-In-Aid

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Grant-in-Aid from the Northern Ireland Office	<u>91,860</u>	<u>72,764</u>

13 Related party transactions

PSNI is a body of constables, funded through the Northern Ireland Policing Board which is a Non-Departmental Public Body of the Northern Ireland Office.

The Northern Ireland Office is regarded as a related party. During the year the PSNI Pension Account has had a number of material transactions with the Northern Ireland Office and other government Departments, namely the Department of Finance and Personnel.

None of the Managers of the Schemes, key managerial staff or other related parties has undertaken any material transactions with either Scheme during the year.

14 Financial instruments

Accounting Standards require disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which PSNI is funded from the Northern Ireland Office, the PSNI Police Pension Accounts are not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies.

The PSNI Pension Accounts rely primarily on departmental funding for its revenue resource requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all assets and liabilities are determined in sterling, so it is not exposed to interest rate or currency risk.

15 Losses and special payments

During the year there were no losses or Special Payments recorded (2007-2008 £544).

16 Additional voluntary contributions

The Closed Police Pension Scheme provides for officers to make additional voluntary contributions (AVC's) to increase their pension entitlements or to increase life assurance cover. Officers may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider. (i.e. Equitable Life or Standard Life). The Managers of the Police Pension Scheme have responsibility only for onward payment by employers of officer's contributions to the scheme's approved provider. These AVC's are not brought to account in this statement. Officer's participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows

	Year ended 31 March 2009	Year ended 31 March 2008
Movements in the year	£000	£000
Balance at 1 April	941	1,102
New Investments	34	46
Sale of investments to provide pension benefits	(85)	(188)
Changes in market value of investments	(97)	(19)
Balance at 31 March	793	941
Contributions received to provide life cover	0	0
Benefits paid on death	0	0
	0	0

There is no in-house AVC Scheme available to members of the New Police Pension Scheme introduced from 6 April 2006.

17 Post balance sheet events

From 6 April 2009, pensions were increased by 5.0 per cent.

New commutation factors were announced on 21 May 2008 and the factors were to be backdated to 1 October 2007. Following a Judicial Review brought by the Police Federation (England and Wales), adjudicated on 17 March 2009 (with no appeal being made by the Home Office in April 2009 within the required deadline) these factors are now to be backdated to 1 December 2006, will also apply in the Northern Ireland Police Pension scheme, and therefore a provision of £15m has been built into the Police Pension Accounts for 2008-2009.

The Annual Report and Accounts were authorised to be issued and laid in the Houses of Parliament on 10 July 2009.

There are no other post balance sheet events to be noted.

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