

**POLICE SERVICE OF
NORTHERN IRELAND**

**Annual Report and Accounts
For the year ended 31 March 2011**



The Accounting Officer authorised these
financial statements on behalf of the
Northern Ireland Policing Board for issue

on

30 June 2011

Laid before the Northern Ireland Assembly under Section 12 (3) of Part 2 to the
Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act
2003 and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions)
Order 2010

on

01 July 2011

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ANNUAL REPORT

FOREWORD

Background Information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year 2010-11 to which they relate as the Department of Justice may determine. This is to allow the Policing Board to meet its own specific requirements under Section 12(1)(a) of the Act.

Principal Activities

The Police Service of Northern Ireland (PSNI) will work with communities and partners to make Northern Ireland safe, confident and peaceful. It aims to do this by working closely with, and in, the whole community. The key themes, which continually drive forward the development of policing services, are partnership and co-operation, both with the community served and with other agencies in the private, public and voluntary sectors. This is all done against a background of ongoing change and improvements and with a determination to make best use of finite resources, whether financial or human, to provide the best value services possible.

Accounts Direction

The Annual Report and Accounts for 2010-11 have been prepared in a form directed by the Department of Justice in accordance with Section 12 (3) of Part 2 to the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

Devolution of Policing and Justice Functions

On 12 April 2010, justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a new Northern Ireland Department. From this date, the PSNI became an executive non-departmental public body of the Department of Justice.

In accordance with the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the annual report and accounts of the PSNI for the year ended 31 March 2011 and onwards, will be laid in the Northern Ireland Assembly.

During the period up to 12 April 2010, the PSNI complied with the corporate governance and accountability framework arrangements (including *Managing Public Money*) issued by HM Treasury and the Northern Ireland Office.

ANNUAL REPORT (CONTINUED)

From 12 April 2010 onwards, the PSNI complied with the corporate governance and accountability framework arrangements (including *Managing Public Money Northern Ireland*) issued by the Department of Finance and Personnel and Department of Justice.

Chief Officers

The Chief Officers who served throughout the 2010-11 year were as follows:

Chief Constable

Matt Baggott

Deputy Chief Constable

Judith Gillespie

Assistant Chief Constable Crime Operations

Drew Harris

Assistant Chief Constable Operational Support

Duncan McCausland (retired 31 March 2011)

Assistant Chief Constable Criminal Justice

Will Kerr

Assistant Chief Constable Rural Region

Dave Jones

Assistant Chief Constable Urban Region

Alistair Finlay

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart

Further details are provided in the Remuneration Report section on page 16.

ANNUAL REPORT (CONTINUED)

Corporate Governance

Corporate Governance within PSNI is structured on a committee model, reporting to the Chief Constable's Forum (CCF), renamed the Service Executive Board (SEB) from April 2011, comprised of all Chief Officers and chaired by the Chief Constable.

Each sub committee of the CCF consists of relevant Chief Officers and other members of the Senior Management Team. These committees provide a conduit through which major policy decisions are formulated and responsibility is exercised for specific aspects of governance within the PSNI.

The key sub committees supporting the CCF during the year were:

- Strategic Tasking & Coordinating Group;
- Organisational Improvement Committee;
- Delivery Forum;
- Resource Demand & Risk Committee;
- Audit and Risk Committee.

Beneath this structure were four programme boards:

- Leadership and Training;
- Security and Serious Harm;
- Local Crime and Justice;
- Service Excellence.

The role of the Audit and Risk Committee is to advise the Chief Constable on the adequacy of internal control arrangements including risk management, information assurance and governance. This committee currently includes three Non-Executive Members, one as Chair, with both Internal and External Audit, the Policing Board and the Department of Justice invited to attend.

Company directorships

Chief Officers held no company directorships or other significant interests which conflict with their management responsibilities.

Non current assets

Details of the movement in non current assets are set out in notes 8 and 9 to the Accounts. There are no significant differences between the market values and book values of land and buildings to be disclosed.

Research and development

PSNI has no activities in the defined field of research and development.

ANNUAL REPORT (CONTINUED)

Interest rate and currency risk

PSNI has no borrowings, relying primarily on Departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits. As all significant assets and liabilities are determined in sterling, it is not exposed to material interest rate or currency risk.

Future developments

The Northern Ireland Policing Board, in conjunction with the PSNI, published a Policing Plan covering the period 2011-2014 on 24 March 2011. The Policing Plan sets out performance indicators and targets by which the organisation will be held to account.

The Plan was developed in consultation with the community. It places an emphasis on addressing the concerns of the public, increasing their confidence in us and improving the service we deliver. The plan provides a framework through which a personal, professional and protective policing service will be delivered.

A copy of the Policing Plan 2011-2014 can be viewed on the Policing Board's website:

<http://www.nipolicingboard.org.uk/index/publications/policing-plans.htm>

or the PSNI website:

www.psni.police.uk.

The PSNI will continue to work to reduce crime and increase detection rates. The types of crime that cause most concern to the community include anti-social behaviour, violent crime and burglary. There are improvement targets on all of these issues in the plan. Additionally, we are committed to playing our part in continuing to reduce the amount of people killed or seriously injured on the roads and tackling the harm caused by organised crime.

We will implement the Policing with the Community 2020 Strategy, developed in partnership with the Northern Ireland Policing Board. This will build confidence in communities through partnership working, engagement and the delivery of an excellent policing service. Our Programme Boards will manage continuous improvement in service delivery via various projects including initiatives in the following areas; contact management, resource deployment, custody management, justice streamlining, investigative procedures and major crime.

These initiatives are complemented by overarching strategies aimed at ensuring personal, professional and protective policing is supported by best practice in how we manage our people, our technology, our buildings and our business. To ensure proper management of public money, our entire approach will underpinned by a four year Efficiency Plan.

Charitable donations

PSNI made two charitable and no political donations during the year. The Charities concerned were St Vincent de Paul and Salvation Army, each receiving a donation £100 in December 2010.

ANNUAL REPORT (CONTINUED)

Disabled persons

PSNI is an equal opportunity employer and took full cognisance of the Northern Ireland Civil Service Code of Practice on the employment of people with disabilities.

Employee involvement

PSNI maintains regular communications and contact with managers and staff through meetings, team briefings, internal blogs, intranet, seminars, circulars, information bulletins and staff newsletters. It also has well established arrangements for formal consultation with recognised Trade Union representatives on all significant developments and issues affecting staff.

Health and safety

PSNI is committed to providing for staff an environment that is as far as possible safe and free from risk to health. In accordance with this commitment, PSNI has complied with the relevant legislation.

Payment of suppliers

The PSNI's policy is to pay bills from all suppliers within 10 working days following receipt of a properly rendered invoice or in accordance with contractual conditions, whichever is the earlier.

During the 2010-11 financial year, monthly statistics highlight that the PSNI achieved almost 90% of payments to suppliers within 10 working days and in latter months of this year exceeded 90%. The average overall performance for 2010-11 was 89.5% (83% 2009-10). This was invoices, paid within 10 working days following receipt of a properly rendered invoice.

Pension liabilities

The pension liabilities of Police Officers are accounted for separately in the PSNI Police Pension Accounts. Pension benefits and liabilities for Police Staff are provided through the Principal Civil Service Pension Scheme (NI). (See further details in the Remuneration Report on page 16 and note 3 to the Accounts.)

Audit services

Prior to the devolution of policing and justice functions in Northern Ireland, the Financial Statements were audited by the Comptroller and Auditor General (who heads the National Audit Office) and reported to Parliament. Financial statements for 2010-11 onwards are audited by the Comptroller and Auditor General for Northern Ireland (C&AG), who heads the Northern Ireland Audit Office and is appointed by statute and reports to Northern Ireland Assembly. His certificate and report is produced at pages 30 to 31.

ANNUAL REPORT (CONTINUED)

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware and the Accounting Officer 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 entity's auditors are aware of that information.

The audit fee for the work performed by the staff of the C&AG during the reporting period, and which relates solely to the audit of these Financial Statements was £70,000 (2009-10 £74,000). This includes the audit fees in respect of the Main Police Account (£50,000), the Police Pension Scheme Accounts (£15,000) the Police Fund (£2,500) the Police Property Fund (£2,500). The audit charges for 2009-10 include additional costs for the audit of the implementation of International Financial Reporting Standards.

The C&AG may also undertake other statutory activities that are not related to the audit of the body's Financial Statements such as Value for Money reports. No such activity took place during the year.

The Accounts of the PSNI for 2010-11 are required to be audited by the Comptroller and Auditor General who is responsible for laying the accounts before the Northern Ireland Assembly.

Chief Constable's Annual Report

A full certified copy of the Annual Report and Accounts will be available on the PSNI's website (www.psni.police.uk)

Police Pension Scheme Accounts, Police Fund and Police Property Fund

Financial Statements for the Police Pension Scheme Accounts, Police Fund and Police Property Fund are prepared separately.

ANNUAL REPORT (CONTINUED)

MANAGEMENT COMMENTARY

This Management Commentary focuses on matters relevant to all users of financial statements. Although it is designed to be a self-standing document, much of the information contained in it is simply a summary of information provided in other documents and is therefore cross-referenced as appropriate.

The Management Commentary discusses the following main areas:

Nature of the business

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland.

The PSNI provides effective, efficient and professional policing to the people of Northern Ireland. It aims to achieve this by working in partnership with local communities. It is the role of the PSNI to work with local communities to reduce crime (including hate crime) and the fear of crime to ensure a safer Northern Ireland for all.

The purpose of PSNI is to work with communities and partners to make Northern Ireland safe, confident and peaceful.

The vision of PSNI is to be the finest, personal, professional and protective police service in the world.

The purpose and vision of PSNI will be delivered by the underlying principles of a:

- Personal, impartial and accountable police officers and staff, present and influential in the heart of all communities, in the right numbers to make a difference.
- Responsive, flexible, 24/7 service; tailor-made to the unique needs of the person or place, with a reputation for promise keeping and professionalism.
- Resources and time focused upon genuine operational delivery. Ensuring we have the right people in the right place to prevent harm, protect from danger and inspire confidence.
- Challenging the status quo, keeping red tape to a minimum, always at the forefront of value for money and effective practice.
- Partnership at the heart of our outlook and actions, sharing expertise, information and responsibility. Open and transparent in-line with over-riding Human Rights or legal obligations.

ANNUAL REPORT (CONTINUED)

The Northern Ireland Policing Board is an independent public body established under the Police (Northern Ireland) Act 2000. The Policing Board is responsible for overseeing policing in Northern Ireland, for supporting the PSNI in its aim to deliver effective and efficient policing, and for holding the PSNI to account, through the Chief Constable, for delivery of those aims.

Each year the PSNI and the Policing Board publish an annual Policing Plan in accordance with the Police (Northern Ireland) Act 2000. The annual Policing Plan is prepared by the Chief Constable, agreed by the Board and endorsed by the Minister for Justice. It sets out specific annual performance targets and indicators for the PSNI and takes a strategic view of policing in Northern Ireland over the next three years.

Local policing plans are also produced for each of the eight District Command Units. These plans are developed in consultation with the local community and District Policing Partnerships. They emphasise local issues and agree and establish performance indicators and targets against which each District is measured.

A copy of the annual Policing Plan is available on the Policing Board's website www.nipolicingboard.org.uk or the PSNI website www.psni.police.uk, as well as being available in a number of other formats.

Review of performance and future developments

During the year, the Policing Board monitors and reviews PSNI's progress in meeting the targets outlined in the annual Policing Plan. This oversight role is carried out in part during the Policing Board's public meetings where the Chief Constable provides a progress report against all targets. This forum allows the Chief Constable to outline remedial actions taken to address underperformance and to outline and share good working practices which has resulted in improved performance.

After the end of the financial year 2010-11, the Chief Constable submits this Annual Report to the Policing Board. This report is sent to the Minister of Justice who lays it before the Northern Ireland Assembly. A copy of this report for 2010-11 is available on the PSNI website www.psni.police.uk, as well as being available in a number of other formats.

The Policing Board must also produce a report on the extent to which the targets set in the annual Policing Plan have been met and this information is set out in the Board's Annual Report and Statement of Accounts 2010-11, available online at www.nipolicingboard.org.uk.

During 2010-11, the overall level of recorded crime fell by 4,099 offences, a decrease of 3.8% to 105,040. This is the lowest level recorded in Northern Ireland since the Home Office Counting Rules were introduced in April 1998. There was an increase in the number of bombing incidents from 50 in 2009-10 to 99 in 2010-11. During 2010-11 there were 26 bombing incidents involving attacks on the security forces, including 11 attacks on police officers and 12 attacks on police stations. There were also 72 shooting incidents during 2010-11, 7 of which involved shots fired at police officers or stations.

ANNUAL REPORT (CONTINUED)

In 2010-11, a total of 188 persons were arrested under section 41 of the Terrorism Act (an 11.2% increase from the 169 recorded last year). Forty persons were subsequently charged.

The detection rate for recorded crimes was 27.3%, an increase of 1.5% on the previous year. This continued the steady increase in sanction detection rates since 2001-02 when the sanction detection rate stood at 11.3%.

In a number of categories, there were substantial decreases in the number of crimes being committed. For example, recorded offences of Criminal Damage fell by 1,447, a decrease of 5.5%. Theft fell by 1,168, a decrease of 4.4% and Fraud and Forgery offences fell by 320 offences, a decrease of 9.5%. There were also increases in the detection rate for Criminal Damage and Fraud and Forgery, whereas the detection rate for Theft dropped slightly.

With regard to Violent Crime, the overall level fell by 237, a decrease of 0.7% with the detection rate rising from 34.1% to 36.9%. Within this category, there were 20 murders during 2010-11.

Sexual offences increased by 176, an increase of 9.1% from 1,944 to 2,120. The detection rate increased by 0.9%. Rape offences (including attempts) rose by 89, an increase of 19.3% from 461 to 550, while offences of sexual assault/sexual activity rose by 77, an increase of 7.9% from 974 to 1,051.

Overall, the total number of burglary offences decreased by 642, a reduction of 5.1%. Domestic burglary fell by 189, a reduction of 2.6% and non-domestic burglary decreased by 423, a reduction of 8.1%. The detection rate for domestic burglary decreased slightly from 10.0% to 9.7%, while the detection rate for non-domestic burglary rose from 12.1% to 13.2%.

A total of 3,564 drug seizure incidents were recorded in 2010-11, an increase of 7.4% on 2009-10. As in previous years cannabis was the drug most commonly seized. The number of persons arrested for drug related offences increased by 8.2% from 2,250 in 2009-10 to 2,435 in 2010-11.

There were 58 fatalities on Northern Ireland's roads during 2010-11, including 3 children aged under 16. This was a noticeable reduction on 2009-10 (101 fatalities) and continued the year on year reduction in fatalities since 2002-03 when 158 people, including 15 children were killed on Northern Ireland's roads. In comparison with 2009-10, there was a 10% decrease in the number of collisions where injury was caused and a 9% decrease in the number of people injured as a result of those collisions.

ANNUAL REPORT (CONTINUED)

The PSNI continued to proactively deal with antisocial behaviour, a major concern to local communities. There were 3,398 fewer incidents of antisocial behaviour recorded during 2010-11, continuing the downward trend since 2007-08.

In the year ahead, PSNI will continue to deal with those issues which cause most concern to people, tackle serious harm and strive towards the provision of an excellent policing service. A number of strategic priorities have been identified in partnership with the Northern Ireland Policing Board, including organised crime, violent crime, burglary and antisocial behaviour. Through investment in new technology, reducing the bureaucratic burden on officers and increasing the visible presence of police officers in the community, the PSNI will deliver a personal, protective and professional policing service to all our communities. Our efforts will be focused on listening to communities, identifying local issues of concern and working together to solve them. We will continue our efforts to prevent people becoming victims of crime and where crimes occur bringing those responsible to justice.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the PSNI's long-term performance. These risks are managed within the PSNI risk and control framework.

The key risk priorities detailed in the Corporate Risk Register, which is currently facing the organisation were in the areas of Recruitment and Retention of Staff for Crime Investigations, Terrorist Attack, Funding for future years, Legacy Issues, Confidence in Policing, Information Systems Interoperability and the Removal of Agency Workers.

Review of financial position and resources

Results for the year

The Statement of Comprehensive Expenditure is set out on page 32 and shows a deficit for the year of £833.3m (£896.3m in 2009-10 restated).

An amount of £833.3m was transferred from reserves after accounting for an actuarial loss of £10.7m and a transfer from Revaluation reserve of £0.2m.

ANNUAL REPORT (CONTINUED)

The total cost of policing

The total Resource DEL budget allocation (excluding costs of the Police Pension Scheme and AME impairments) available for 2010-11 was £903.6m. The DEL expenditure against this budget during the year was £881.1m, resulting in an overall surplus of £22.5m. This planned surplus was required to fund some non-budget pressures in the current year and to fund anticipated pressures in 2011-12.

The total AME (annually Managed Expenditure) 2010-11 budget allocation (including Pension Scheme, AME impairments, Release and Movements to Provisions) was £320.7m. The AME expenditure against this budget during the year was £282.2m, resulting in an overall surplus of £38.5m.

The Capital budget was £43.1m and a small surplus of £1.1m was reported.

The overall performance in 2010-11 reflects the continued success of the devolved budgeting/financial management framework within the organisation and local empowerment of Districts and Headquarter Departments

Value For Money Efficiency (VFM) Initiative

In 2008-09, the three year governmental target efficiency was introduced to achieve further efficiencies and 'Value For Money' (VFM) within the Public Sector. In the second year of reporting, the organisation agreed a VFM efficiency target of £56.3m. The PSNI reported and achieved a range of efficiencies totalling £68.4m, exceeding the target by £12.1m. In the third final year, no further savings were reported since a new further savings mechanism is being developed.

Environmental matters

PSNI has developed a corporate Sustainability Strategy focussing on the legislative requirements applicable to a public body. This Sustainability Strategy encompasses governance and monitoring arrangements and reflects the individual requirements associated with transportation, estates management, I.T. development and general operations. The estate's element established key targets for 2010-11 with the emphasis on carbon emission reductions, waste management and recycling, use of sustainable energy resources and overall management of utilities.

In addition, low carbon design is being implemented in relation to significant building projects (new builds and maintenance refurbishments) and innovative concepts such as the use of ground water for building cooling are being developed with the Carbon Trust. PSNI has achieved the 2010-11 objectives in relation to reductions in energy reduction, carbon emission reductions and water usage reduction established in the 2010-11 Estates Annual Business Plan.

ANNUAL REPORT (CONTINUED)

Employees

PSNI places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting performance of the organisation. This is achieved through formal and informal meetings, regular briefings, information bulletins, intranet updates/blogs and staff newsletters.

Employee representatives are consulted regularly on a wide range of matters affecting current and future interests.

PSNI has a policy of equal opportunities which applies in relation to recruitment of all new employees and to the management of existing personnel. All staff are offered training relevant to their roles and this has contributed to the overall performance of the organisation.

Social and community issues

The officers and staff of the Police Service have a long tradition of very generous giving to a range of charities. The primary method for doing so has been through the 'Payroll Giving' scheme and the efforts in this regard were recently recognised with two national awards. On occasions (approximately every 3 years) the PSNI designate a 'Charity of the Year' and various fund raising events and activities will take place in support of the designated charity.

Going concern

The Statement of Financial Position at 31 March 2011 shows net current liabilities of £16,188k. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants of Supply approved annually by the Northern Ireland Assembly, to meet the net cash requirement of the Department of Justice which funds the PSNI. Under the Government Resources (NI) Act 2001, no money may be drawn from the Fund by the Department of Justice other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the PSNI's liabilities is accordingly to be met by future grants of Supply to the Department of Justice and the application of future income, both to be approved annually by the Northern Ireland Assembly. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the PSNI's financial statements for 2010-11.

ANNUAL REPORT (CONTINUED)

Sickness absence data

The reported average number of working days lost due to sickness for 2010-11 were:

	Average Working Days Lost 2010-11
Police Officers	7.93
Police Staff	9.13

Personal data related incidents

During the financial year 2010-11, the PSNI reported one significant incident of personal data related incidents.

PSNI suffered one breach of sensitive data during the period. This resulted when a member of staff was assaulted and had his briefcase stolen. The circumstances were reported to the Information Commissioner and are the subject of an on-going investigation.

REMUNERATION REPORT

Remuneration policy

The remuneration of PSNI Chief Officers is set by the Northern Ireland Policing Board.

In reaching its recommendations, the Policing Board has considered the following:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments and other public bodies to meet the output targets for the delivery of services;
- the funds available to the organisation;
- the Government's inflation target; and
- Police Negotiating Board pay scales for Chief Officers.

The Policing Board takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Remuneration Committee

PSNI have a Remuneration Committee chaired by the Deputy Chief Constable and comprising of members including Director of Finance and Support Services, Director of Human Resources, Assistant Chief Constable Rural and an Executive of the Policing Board. The Committee meets three times per annum and issues reports through the Resource, Demand and Risk Committee.

Service contracts

The Policing Board is responsible for the appointment and service contracts of Chief Officers.

Chief Constable & Deputy Chief Constable

The Chief Constable was appointed by the Policing Board on the 21 September 2009.

The Deputy Chief Constable was appointed by the Policing Board on the 1 June 2009.

REMUNERATION REPORT (CONTINUED)

The PSNI Regulations 2005 specify a fixed term of five years for the post of Chief Constable or Deputy Chief Constable, which may be extended for a further term of a maximum of three years and for subsequent terms of a maximum of one year. Any extension or subsequent extension which is due to expire more than one year after the expiry of the original fixed term shall require the consent of the Minister of Justice.

Should the Policing Board decide not to extend a contract of the Chief Constable or Deputy Chief Constable, it is required to give a minimum notice period of six months.

Assistant Chief Constables

There is a requirement for the Policing Board to provide an annual review of appointment in respect of those Assistant Chief Constables with more than 30 years pensionable service and who have reached the age of 55, to determine whether their continuing service is in the interests of the service.

The appointment dates for current Assistant Chief Constables are as follows:

Duncan McCausland	1 September 2002 (Retired 31 March 2011)
Drew Harris	13 March 2006
Alistair Finlay	28 August 2006
David Jones	8 September 2008
William Kerr	16 August 2009

Civilian Chief Officers

The appointment dates for current Civilian Chief Officers are as follows:

David Best	1 October 1999
Joe Stewart	3 September 2001

Unless otherwise stated, Civilian Chief Officers hold appointments which are open ended or until they reach retirement age.

Provision for compensation on early termination, for anything other than misconduct, is subject to the advice of the Department of Justice.

There have been no awards made in respect of early termination during the year.

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

REMUNERATION REPORT (CONTINUED)

Salary and pension entitlement:

Remuneration and pension information for the year ended 31 March 2011 is provided for Chief Officers of the PSNI as follows:

Audited Information	Benefits In Kind 2010-11 £000	Bonus 2010-11 £000	Salary 2010-11 £000	Benefits In Kind 2009-10 £000	Bonus 2009-10 £000	Salary 2009-10 £000
Chief Constable Matt Baggott Full Year Equivalent	NIL	NIL	190-195	NIL	NIL	100-105 (190-195)
Deputy Chief Constable Judith Gillespie Full Year Equivalent	NIL	NIL	170-175	NIL	NIL	160-165 (165-170)
Assistant Chief Constable Operational Support Duncan McCausland (Retired 31 March 2011)	Nil	5-10	145-150	Nil	5-10	125-130
Assistant Chief Constable Criminal Justice Will Kerr Full Year Equivalent	NIL	NIL	110-115	NIL	NIL	40-45 (105-110)
Assistant Chief Constable Crime Operations Drew Harris	NIL	NIL	120-125	NIL	NIL	110-115
Assistant Chief Constable (Urban Region) Alistair Finlay Seconded to National Improvement Police Agency from 26/01/2011	NIL	NIL	115-120	NIL	NIL	110-115
Assistant Chief Constable (Rural Region) Dave Jones	NIL	NIL	115-120	NIL	NIL	115-120
Director of Finance & Support Services David Best	NIL	NIL	115-120	NIL	5-10	115-120
Director of Human Resources Joe Stewart	NIL	NIL	115-120	NIL	5-10	115-120

‘Salary’ includes gross salary; performance pay and bonuses paid; untaken leave allowance, overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

REMUNERATION REPORT (CONTINUED)

Chief Officer Pension Benefits

Audited Information	Accrued pension as at 31 March 2011 or Date of Leaving and related lump sum £000	Real increase in pension and related lump sum at 31 March 2011 or Date of Leaving £000	CETV at 31 March 2011 or Date of Leaving £000	CETV at 31 March 2010 recalculated ² £000	Real increase in CETV £000
Matt Baggott ¹	125-130	15-17.5	2,902	2,534	347
Judith Gillespie ¹	95-100	7.5-10	2,209	2,021	171
Duncan McCausland ¹	70-75	7.5-10	1,614	1,390	212
Drew Harris ¹	55-60	2.5-5	1,174	1,079	84
Alistair Finlay ¹	60-65	2.5-5	1,467	1,356	101
David Jones ¹	40-45	2.5-5	505	462	32
Will Kerr ¹	40-45	5-7.5	474	405	59
David Best	45-50 plus lump sum of 135-140	0-2.5 plus lump sum of 5-7.5	963	853	26
Joe Stewart	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 2.5-5	412	359	24

Notes:

- 1 PSNI Police Officers have the option of electing for a lump sum paid on retirement (up to 25% of their total accrued pension benefits). The figures shown are the gross pension figures assuming no lump sum payment.
- 2 CETV at 31 March 2010 has been restated to reflect change in factors from Retail Price Index to Consumer Price Index.

These pension benefits are provided through two pension schemes depending on the employment status of the individual. Details of these schemes are as follows:

REMUNERATION REPORT (CONTINUED)

PRINCIPAL CIVIL SERVICE PENSION SCHEME (NI)

Pension benefits for PSNI Police Staff are provided through the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)).

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (Classic, Premium, and Classic Plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Consumer Prices Index (CPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the Nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the CPI and attract annual pension increase.

For 2010-11, employers' contributions of £10,632,020.12 were paid to the PCSPS (NI) (2009-10: £9,396,382) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the reporting date. There were no contributions prepaid at that date.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over

REMUNERATION REPORT (CONTINUED)

pension age. Pension age is 60 for members of Classic, Premium, and Classic Plus and 65 for members of Nuvos.

Pension benefits for PSNI officers, including full time reserves, are provided through the PSNI Police Pension Scheme and from 6 April 2006, the New Police Pension Scheme (NPPS).

Police Pension Schemes

a) Police Pension Scheme (PPS)

This is a statutory scheme that provides benefits on an “Average Pensionable Pay (APP)” basis at age 55 regardless of rank. It is a defined benefits final salary scheme. All officers are entitled to work to age 60 and can apply for 5 yearly extensions after age 60.

For the year to 31 March 2011, employer’s contributions of £ 52,699,821 have been paid at the rate of 24.2% of pensionable pay. For 2009-10, employers’ contributions of £ 46,402,807 were paid to the PSNI PPS. In addition employers’ contributions totalling £1,036,234 have been paid for the year to 31 March 2011 in respect of early retirements. To qualify for an ordinary retirement pension, an officer has to complete 25 years service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25% of the pension. Actuarial tables are used to calculate the lump sum. Members pay contributions of 11% of basic pay. Pensions increase in line with the Consumer Prices Index effective 1 April 2011 (previously Retail Prices Index). On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme.

On death in service that is not as a result of an injury on duty (IOD) the scheme pays a lump sum benefit of twice pensionable pay, and there are also pension benefits for the spouse and/or children of the deceased. On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of 5 times pensionable pay is payable, subject to scheme conditions. Medical retirement is possible in the event of serious ill health. Officers with less than 2 years service receive a lump sum benefit (gratuity), and those with more than 2 years service receive an ill-health pension, depending on the number of years of actual pensionable service.

This scheme is now closed to new recruits from the 6 April 2006. Existing officers had a one off opportunity to transfer to the New Police Pension Scheme.

b) New Police Pension Scheme (NPPS)

For the period to 31 March 2011, employer’s contributions of £ 10,621,781 have been paid at the rate of 24.2% of pensionable pay. For 2009-10, employers’ contributions of £ 6,845,585 were paid to the PSNI NPPS.

To qualify for an ordinary retirement pension, an officer must serve to age 55. Benefits accrue at the rate of 1/70th of APP for each year of service up to a maximum of 35/70th of APP.

In addition to the pension a defined lump sum of four times pension is payable. Members pay contributions of 9.5% of basic pay. Pensions increase in line with the Consumer Prices Index. On

REMUNERATION REPORT (CONTINUED)

death, pensions are payable to the surviving spouse, civil partner, unmarried partner or children, subject to provisions within the scheme. On death in service, that is not as a result of an injury on duty (IOD), the scheme pays a lump sum benefit of three times pensionable pay, and there are also pension benefits for the spouse, civil partner, unmarried partner and/or children of the deceased.

On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of 5 times pensionable pay is payable, subject to scheme conditions. There is a 2 tier medical retirement pension for officers with over 2 years service. If an officer is permanently disabled for the ordinary duties of a member of PSNI a standard ill health pension is awarded. If an officer is disabled from the ordinary duties of a member of PSNI and permanently disabled for any regular employment an enhanced top-up ill health pension could be awarded.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS(NI) or PSNI Police Pension Scheme arrangements and for which a transfer payment has been received, commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. The factors for calculating CETVs changed from 1 October 2008 under advice from the Government Actuaries Department. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that the CETV in this years report for 31 March 2010 will not be the same as the corresponding figure shown in last years report.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

REMUNERATION REPORT (CONTINUED)

It uses common market valuation factors for the start and end of the period.



**Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2011**

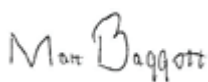
STATEMENT OF RESPONSIBILITIES OF THE CHIEF CONSTABLE

Under Part 2, Sections 12(1), 12(2) and 12(3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, the Chief Constable of the PSNI is required to prepare a statement of accounts on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Department of Justice. The annual financial statements are prepared on an accruals basis and must give a true and fair view of the net expenditure, changes in taxpayers' equity and cash flows for the financial year and the balances held at the year end.

In preparing the accounts, the Chief Constable of the PSNI is required to comply with the requirements of the Government Financial Reporting Manual, Managing Public Money (Northern Ireland) and in particular to:

- observe the Accounts Direction issued by Department of Justice, 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 disclosed and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

The Accounting Officer for the Department of Justice appointed the Chief Constable of the PSNI as Accounting Officer for the PSNI. 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 PSNI, are set out in Managing Public Money (Northern Ireland).



Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2011

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer for the PSNI, 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 (NI).

In respect of the reporting period, I am directly accountable to the Accounting Officer of the Department of Justice 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 (NI) published by the Department of Finance and Personnel Northern Ireland (DFP) and the Framework Document for Governance of PSNI issued by virtue of Section 27 of the Police (NI) Act 2000.

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 2011 and up to the date of approval of the annual report and accounts, and accords with DFP 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

Risk Policy is reviewed annually to ensure that the risk management process is continuously refined and improved. Accordingly a revised Risk Management Policy was issued to the Service on 14 February 2011 by way of a Service Procedure. This document, which published organisation wide explains the underlying approach to risk management and describes the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it includes details of the monitoring and reporting of risk management arrangements.

Risk Management is now fully embedded into the organisation with each Department and District actively managing their individual Risk Registers that are linked to the Policing Plan objectives.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Most Branches also have Risk Registers. Each register is monitored electronically on the PRiDE (Performance and Risk in Delivering Excellence) system. All control actions are time bound and the PRiDE system automatically generates reminders to risk action owners when an update is required. The Corporate Risk Manager, who provides assistance and guidance to Departmental and District Risk Managers, monitors the effectiveness of these processes and reports findings on a quarterly basis to the Chief Constables Forum and on a semi-annual basis to the Deputy Chief Constable to assist the Chief Officers' Annual Performance Appraisal process. Further assurance was derived from the District 'Control Risk Self Assessment' (CRSA) process that was conducted at the end of 2010. The results of the CRSA showed that all Districts were deemed to be fully compliant with Risk Management processes.

A Corporate Risk Register is actively managed by the Corporate Risk Manager that is designed to capture significant strategic risks facing the organisation during 2010-11. Chief Officers review the Corporate Risk Register on a monthly basis at the Resource Demand and Risk Committee (RDRC). The key risk priorities facing the organisation during 2010-11 were in relation to the threat of terrorist attack, recruitment and retention of key investigative staff, funding, legacy investigations and public confidence. The Corporate Risk Manager provides written reports to RDRC to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the RDRC on emerging risks and significant risks arising from Districts and/or Departments.

Stewardship reporting is a key assurance control ensuring accountability, ownership and management of risks throughout the Service. All Chief Officers and Senior Managers sign a Stewardship Statement on a half yearly basis thereby confirming that over the preceding six month period they have reviewed the risk register for their respective areas of responsibility and assessed the management of the risks identified. Stewardship reporting provides assurance that key risks are being managed across the organisation.

Processes to Manage Operational Risks introduced during 2009-10 incorporate the risks identified through the operation of the National Intelligence Model (NIM). These risks are at strategic and tactical levels and continue to provide assurance. NIM control strategies for each priority are aligned with the actions necessary to manage any identified risk.

The terms of reference for the Organisational Improvement Committee (OIC) included a strategic management oversight role in relation to the management of risk registers at District/Departmental level. Trained and qualified staff from within the Planning and Governance Unit have provided 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 regular reports on risk management and updates to the Corporate Risk Register. In addition, the Committee also receives regular 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 (HMIC) the Criminal Justice Inspectorate for Northern Ireland and other independent monitoring bodies, adding to the Assurance framework.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Overview

The Overview database is now firmly embedded into the organisation which further enhances the overall governance arrangements. The database is used to assign, track and manage the implementation of recommendations arising from third party reports. The Organisational Improvement Committee received reports on the quality and timeliness of the implementation of recommendations throughout the year. These reports were also tabled at the Audit and Risk Committee to provide assurance of the overall management of Overview.

As a result of ongoing internal Strategic Review during 2010-11, the Governance Committee structure was reviewed. This will result in a new governance committee structure that will be implemented from the 1 April 2011.

Information Assurance

PSNI continues to implement its current Information Assurance Strategy to protect all of PSNI's information assets, enable secure delivery of operational policing services and inspire public confidence that our information is protected in line with the appropriate standards. The Strategy complies with the Cabinet Office requirements defined in the Security Policy Framework and is aligned with ISO 27001 on Information Security Management. The Strategy is owned by the Senior Information Risk Owner (SIRO) - ACC Operational Support - and implementation progress is monitored by the Information Management Committee chaired by the SIRO. Thirty seven out of a total of fifty one objectives were complete by 31 March 2011 with a further eleven in progress towards completion. The Strategy is currently being reviewed and updated towards 2013 to reflect the changing business requirements of policing and the latest Governmental Policy on Information Assurance.

An information governance structure is well established with a hierarchy of Strategic and Operational Business Owners taking responsibility for effectively managing information risk for their respective systems. The Corporate Information Risk Register is maintained by a dedicated Information Assurance Unit and detailed Risk Treatment Plans are managed through the security accreditation process involving Operational Business Owners. During 2010-11 PSNI achieved all the mandatory targets set by the National Policing Improvement Agency for compliance with national information assurance policy.

PSNI suffered one breach of sensitive data during the period. This resulted when a member of staff was assaulted and had his briefcase stolen. The circumstances were reported to the Information Commissioner and are the subject of an on-going investigation.

An updated PSNI Information Assurance Policy, supported by twenty-seven detailed information security standards, was published during 2010. At 31 March 2011 forty major information systems were accredited, seventeen were in the accreditation process and a further thirteen are to be progressed during 2011-12. A security culture audit was undertaken with recommendations to be taken forward to enhance and improve information security education, awareness and training throughout the organisation.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

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 (and any other external stakeholders including Her Majesty's Inspectorate of Constabulary's (HMIC) and Criminal Justice Inspectorate for Northern Ireland (CJINI) etc). 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 organisation's system of internal control. Based upon the work Internal Audit have undertaken during the year, they have provided the Chief Constable with a satisfactory level of assurance in relation to risk management, internal control and governance with the exception of a number of specific areas. Firm action has been taken by PSNI to address issues where "Limited" assurance levels on individual reviews were identified.

Internal Audit had given a limited assurance in the area of contract management arrangements, which requires continuing attention. A monitoring system has therefore been established to identify those contracts falling due or have become due for renewal. Additional contract management training has been provided to contract managers, and controls have been enhanced to ensure compliance with regulations. PSNI is also aware of the need to manage procurement and the approval process of Direct Award Contracts effectively.

The key risks identified on the PSNI Corporate Risk Register at 31 March 2011 include:

1. Crime Investigations – recruitment and retention of staff
2. Terrorist Attack – unable to deliver a normal policing service
3. Funding for future years - There is a risk that if the targets laid out in the Four Year Efficiency Plan are not met the funding provided to the PSNI over that period may not be sufficient
4. Legacy Issues – adverse affect on public confidence and strain on finances to resource enquiries
5. Confidence in Policing – Maintaining confidence through current changes
6. Information Systems – interoperability between PSNI and PNC
7. Agency Workers – the removal of before June 2011

The key risks facing the organisation are as follows:

- Dissident Republican terrorists remain the most significant threat to national security in Northern Ireland. The threat level to PSNI remains severe and continues to escalate.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Although Government has provided additional funding for the next four year spend cycle, this increased threat continues to affect conventional policing methods. This inevitably

- impacts on the quality of service provided by PSNI and a reduction in the level of resources available to other core areas of policing. This may have a negative impact on public confidence.
- PSNI faces significant challenges in the future to remain within spending targets, primarily due to the spending constraints resulting from the Budget 2010 process and a savings programme across four years of £135m. The primary influencing factors are, the costs of legacy issues (historical enquires, equal pay claims and compensation claims) and the current level of Dissident Republican threat. The high volume of historical/legacy issues, impact upon expertise available within the PSNI, and its ability to deliver on the objectives of the Policing Plan.
- PSNI have concerns regarding the potential level of bureaucracy within the financial control framework which operates in the environment of devolved Justice. For example, the process for approval of business cases and procurement. This has the potential to impair the organisation's ability to manage new and emerging risks, move expeditiously in reacting to rapidly changing operational and security circumstances including Article 2 and 3 of the Human Rights legislation, develop long term capability and address the obligations placed upon the PSNI with regard to the safeguarding of the Public and Staff.
- The human resource challenges facing the PSNI during 2011-12 include filling the gap arising from 225 Full Time Reserve Police Officers leaving the service, and the ongoing delivery of the Resource to Risk Project. This requires the redeployment and redistribution of Police Officers and Police Staff from back and middle office services to support of frontline service delivery.
- The current lack of interoperability between PSNI and national information systems such as the PNC & Ident1 increases the possibility of a subject known to police in Northern Ireland not being dealt with fully by police in Great Britain as a result of a lack of information sharing. The risks associated with this have been previously identified in the Bichard Inquiry and Magee Report and consequently, criticism resulting from a failure to mitigate these risks and the associated risk to public safety is likely to precipitate high profile criticism and loss of public confidence. HMIC has also raised this area as a recommendation in the current PSNI report. This is a national risk which requires a national solution with national funding, a position which is supported by DoJ NIO, HMIC and other key national agencies.



Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2011

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Police Service of Northern Ireland for the year ended 31 March 2011 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Northern Ireland Policing Board, the Chief Constable and auditor

As explained more fully in the Statement of Responsibilities of the Chief Constable, the Northern Ireland Policing Board and the Chief Constable as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police Service of Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Police Service of Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)**

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Police Service of Northern Ireland's affairs as at 31 March 2011 and of its net expenditure, cash flows and changes in taxpayers' equity 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, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and directions issued thereunder by the Department of Justice; and
- the information given in the Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with the Department of Finance and Personnel guidance.

Report

I have no observations to make on these financial statements.



**KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
30 June 2011**

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Year Ended 31 March 2011 £000	Restated Year Ended 31 March 2010 £000
Expenditure:			
Staff Costs	3	526,971	517,049
Depreciation	4	30,916	32,590
Other Expenditures	5	<u>281,278</u>	<u>349,515</u>
		839,165	899,154
Income:			
Income from activities	6	(1,046)	(1,359)
Other Income	6	<u>(6,699)</u>	<u>(8,086)</u>
		(7,745)	(9,445)
Net Expenditure		<u>831,420</u>	<u>889,709</u>
Net Loss on the revaluation of Property Plant and equipment	7	<u>1,908</u>	<u>6,635</u>
Total Comprehensive Expenditure for year ended 31 March 2011		<u>833,328</u>	<u>896,344</u>

The notes on pages 36 to 59 form part of this account

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	Year ended 31 March 2011	Year ended 31 March 2010
		£000	£000
Non-current assets:			
Property, plant & equipment	8	544,524	559,438
Intangible assets	9	<u>3,224</u>	<u>3,327</u>
Total non-current assets		<u>547,748</u>	<u>562,765</u>
Current assets:			
Assets classified as held for sale	11	3,075	3,821
Inventories	12	5,353	4,635
Trade and other receivables	13	47,134	35,422
Cash and cash equivalents	14	<u>47,280</u>	<u>19,570</u>
Total current assets		<u>102,842</u>	<u>63,448</u>
Total assets		<u>650,590</u>	<u>626,213</u>
Current liabilities:			
Trade and other payables	15	<u>(119,030)</u>	<u>(94,016)</u>
Total current liabilities		<u>(119,030)</u>	<u>(94,016)</u>
Non current assets less net current liabilities		<u>531,560</u>	<u>532,197</u>
Non-current liabilities:			
Provisions	16	510,732	525,821
Total of non-current liabilities		<u>510,732</u>	<u>525,821</u>
Assets less liabilities		<u>20,828</u>	<u>6,376</u>
Taxpayers' equity			
Revaluation Reserve		121,718	147,174
General Reserve		<u>(100,890)</u>	<u>(140,798)</u>
Total		<u>20,828</u>	<u>6,376</u>

The financial statements on pages 32 to 59 were approved and authorised by the PSNI on 22 June 2011 and were signed on its behalf by:



Matt Baggott
Chief Constable.
22 June 2011

The notes on pages 36 to 59 form part of this account.

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000 Restated
Cash flows from operating activities:			
Net cost after interest		(833,328)	(896,344)
Adjustments for non cash transactions	4,5,6,7	118,320	205,990
Increase in trade and other receivables	13	(11,712)	(13,820)
Increase in trade payables	15	17,497	18,788
Increase in inventories	12	(718)	80
Use of Provisions	16	(111,251)	(87,223)
Reclassification of capital expenditure	8 & 9	-	118
		<u>(821,192)</u>	<u>(772,411)</u>
Cash flows from investing activities:			
Purchase of property, plant & equipment		(34,697)	(34,115)
Purchase of intangibles		(2,864)	(2,976)
Proceeds on Assets Held for resale		2,573	434
Proceeds on disposal of plant, property & equipment		63	190
Net cash flow from investing activities		<u>(34,925)</u>	<u>(36,467)</u>
Cash flows from financing activities:			
Grant from Parent Department		<u>883,827</u>	<u>813,000</u>
Net financing		<u>883,827</u>	<u>813,000</u>
Net increase in cash and cash equivalents in the period		<u>27,710</u>	<u>4,122</u>
Cash and cash equivalents at the beginning of the period		<u>19,570</u>	<u>15,448</u>
Cash and cash equivalents at the end of period		<u>47,280</u>	<u>19,570</u>

The notes on pages 36 to 59 form part of this account.

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Notes	General Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2009		(64,136)	223,016	158,880
Changes in Taxpayers' Equity 2009-2010 (Restated)				
Plant and equipment		-	(76,300)	(76,300)
Transfer between reserves		(458)	458	-
Actuarial Loss		7,140	-	7,140
Net operating cost (restated)		<u>(896,344)</u>	<u>-</u>	<u>(896,344)</u>
Total recognised income and expense for 2009-10		<u>(889,662)</u>	<u>(75,842)</u>	<u>(965,504)</u>
Grant from Parent Department		<u>813,000</u>	<u>-</u>	<u>813,000</u>
Balance at 31 March 2010		<u>(140,798)</u>	<u>147,174</u>	<u>6,376</u>
Changes in Taxpayers' Equity 2010-11				
Plant and equipment		-	(25,297)	(25,297)
Transfer between reserves		159	(159)	-
Actuarial Loss		(10,750)	-	(10,750)
Net operating cost		<u>(833,328)</u>	<u>-</u>	<u>(833,328)</u>
Total recognised income and expense for 2010-11		<u>(843,919)</u>	<u>(25,456)</u>	<u>(869,375)</u>
Grant from Parent Department		<u>883,827</u>	<u>-</u>	<u>883,827</u>
Balance at 31 March 2011		<u>(100,890)</u>	<u>121,718</u>	<u>20,828</u>

The notes on pages 36 to 59 form part of this account.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011

1.1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or Interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy considered most appropriate for the PSNI and giving a true and fair view has been selected. The particular policies adopted by the PSNI are summarised below. They have been applied consistently when dealing with items that are considered material to the accounts.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. The main accounting policies adopted by the PSNI are summarised below.

1.3 Property, Plant and Equipment

Expenditure is capitalised on property, plant and equipment that exceeds £5,000 for an individual asset, or £1,000 for an asset forming part of a significant asset group. The majority of firearms are not capitalised as they fall outside these threshold limits.

On initial recognition assets are measured at cost including any costs required to bring them into working condition. All property, plant and equipment are reviewed annually for impairment and are carried at fair value.

All Land and Buildings are valued based on a professional and independent valuation, carried out by Land & Property Services (LPS) annually at the end of each financial year. A complete valuation of the Police Estate is carried out by LPS every five years, and was completed in April 2010.

In accordance with IFRS, PSNI has secured an independent and professional valuation from Land & Property Services. They summarised each Land and Buildings asset into its constituent parts or components and they outlined their respective remaining lives. From this information, the PSNI calculated component depreciation in accordance with the requirements of IFRS. In compliance with new IFRS disclosure requirements, separate disclosure is attributed to Dwellings (under Land & Buildings).

1.4 Depreciation

Property, plant and equipment are depreciated at cost or re-valued amount at fixed rates on a straight line basis over the estimated useful lives of the assets. Depreciation rates are as follows:

Buildings	up to 50 years
Plant and Equipment	5 to 40 years
Vehicles and Aircraft	4 to 10 years
IT and Communications	3 to 10 years

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

Buildings are depreciated using the componentisation method. Componentisation is the breakdown of buildings into the constituent parts. The constituent parts are then depreciated based on their individual value and estimated useful life. Land is not depreciated.

1.5 Non-Current Assets Held for Sale

The PSNI has classified non-current assets, held for sale where their value is expected to be realised mainly through a sale transaction rather than through continuing use. In accordance with IFRS5, such assets must be immediately available for sale in its current condition and their sale is highly probable. Properties which are surplus to requirements are valued on the basis of open market value.

1.6 Financial Instruments

In accordance with IAS 39 Financial Instruments, the PSNI has no financial instruments to report during the financial year 2010-11. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public Body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. As such, it is exposed to little liquidity, currency or market risks. The PSNI does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

1.7 Pension Costs

Pension benefits are provided through the following defined benefit pension schemes. Police Staff are members of the Principal Civil Service Pension Scheme (NI), (PCSPS (NI)) which is an unfunded defined benefit scheme. The PCSPS (NI) produces its own resource accounts, but PSNI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2011 and details of this valuation are available in the PCSPS (NI) Resource Accounts.

Police officers are members of the existing PSNI Police Pension Scheme or the New Police Pension Scheme, introduced from 6 April 2006. PSNI contributes a percentage of pensionable earnings towards its employees superannuation, at the Accruing Superannuation Liability Charge (ASLC) rates, determined by the Government Actuary's Department and advised by HM Treasury.

1.8 Value Added Tax

Income and expenditure is shown exclusive of Value Added Tax, which in most cases is recoverable from HM Revenue and Customs, in accordance with Section 20 of the Value Added Tax Act 1983. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

1.9 Inventory

Inventory is stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

1.10 Provision for Severance Programmes

Provision is made for the costs of providing severance payments to Police Officers leaving the organisation under the Voluntary Severance or Full Time Reserve programmes based on anticipated numbers of leavers, their age and length of service.

1.11 Provision for Compensation Claims

A provision for compensation claims is charged against net expenditure when it is assessed that a liability is likely to arise, based on average amounts paid in respect of each category of claim.

1.12 Provision for Injury Awards

Provision is made for the costs of providing injury awards to Police Officers based on the current number of injury awards, and also on estimated life expectancy of these pensioners. The liability is measured on an actuarial basis by the Government Actuary's Department

1.13 Provision for Decommissioning Costs on Assets Held for Resale

Provision is made for decommissioning costs of those assets identified as Assets Held for Resale (AHFS). The provision will be utilised when actual costs are incurred on disposal.

1.14 Provision for Uniform Contract

As part of a managed service contract, PSNI has agreed to purchase any obsolete uniforms that are in possession of the contractor at the end of the contract. PSNI has estimated the amount of uniforms which may need to be purchased back, based on usage levels. The organisation has provided in full for this amount.

1.15 Leases

Rentals paid under operating leases are charged to the net expenditure account on a straight-line basis over the term of the lease. In compliance with IAS 17 Leases, operating leases have been split between Land and Buildings and Other with all future commitments reported.

1.16 Employee Benefits and Staff Costs

In compliance with International Accounting Standard (IAS) 19 Employee Benefits, estimated costs have been accrued for any untaken leave for both Civilian & Police staff. The PSNI has recognised, recorded and expensed all relevant staff costs as soon as it is obligated to honour them.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

1.17 Accounting Estimates

There were no other material changes to accounting estimates and methodology adopted by the PSNI in preparing these accounts.

1.18 Third Party Assets

PSNI holds as custodian certain assets belonging to third parties. These are not recognised in the financial statements as the PSNI does not have a direct beneficial interest in them.

1.19 Cost of Capital

The removal of the cost of capital charge had the following effect on Resource outturn in 2009-10 year as outlined below.

Adjustment for Removal of Cost of Capital on Prior Year

	2009-10
	£000
Statement of Comprehensive Expenditure	898,623
Removal of cost of capital charge	<u>(2,279)</u>
Restated Statement of Comprehensive Expenditure	<u>896,344</u>

IAS36 Adaptation of the Impairment of assets:

In line with FREM, all impairment charges for the 12 months to 31 March 2011 has been reported separately in the Statement of Comprehensive Net Expenditure Account.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

1.20 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2011

Chapter in FReM 2010-11	Area affected	Description of Revision	Comments
8	Impairments	An adaptation of IAS 36 Impairment of Assets to allow the scoring of all impairments that are caused by a clear consumption of economic benefit to the Comprehensive Net Expenditure Account.	Unlikely to have a significant impact.
11	Income and Expenditure	The removal of the Cost of Capital charge from the accounts.	Applies to all public sector bodies. Guidance issued by HM Treasury meant that this change was budgetary neutral. No impact on the PSNI other than disclosure. 2009-10 comparatives have been restated accordingly to exclude cost of capital charges. Prior year expenditure included within Net Operating Cost decreased by £2.279m as a result of this restatement. The decrease was off-set by a corresponding reduction in the level of notional charges against the General Fund.

PSNI has reviewed the remaining standards, interpretations and amendments to published standards that became effective during 2010-11 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the financial position or results of the PSNI.

1.21 Accounting standards, interpretations and amendments to published standards not yet effective.

The PSNI has reviewed the additional or revised accounting standards and new (or amendments to) interpretations contained within the *Government Financial Reporting Manual (FReM) 2011-12* and considers that these changes are not relevant to its operations.

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2011 or later periods, but which the PSNI has not adopted early. Other than as outlined in the table below, the PSNI considers that these standards are not relevant to its operations.

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NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

Standard	Description of revision	Application date	Comments
IAS 24	Related Party Disclosures - Revised definition of related parties	Annual periods beginning on or after 1 January 2011	Inclusion of a partial exemption for government-related entities. Given that the FReM interprets the related party requirements significantly to reduce the disclosure on transactions between public sector entities it is unlikely that this will have significant impact.

2. ANALYSIS OF NET EXPENDITURE BY SEGMENT FOR THE YEAR ENDED 31 MARCH 2011

Operating Segments

2010-11:	Territorial Policing £000	Other Frontline Policing £000	Infrastructure Support Costs £000	Other Costs £000	Total £000
Gross expenditure	309,049	199,447	202,882	127,453	838,831
Income	(863)	(882)	(5,666)	-	(7,411)
Net Expenditure	<u>308,186</u>	<u>198,565</u>	<u>197,216</u>	<u>127,453</u>	<u>831,420</u>

Operating Segments

2009-10: (Restated)	Territorial £000	Other Frontline Policing £000	Infrastructure Support Costs £000	Other Costs £000	Total £000
Gross expenditure	292,498	192,566	215,064	199,026	899,154
Income	(1,436)	(1,293)	(6,716)	-	(9,445)
Net Expenditure	<u>291,062</u>	<u>191,273</u>	<u>208,348</u>	<u>199,026</u>	<u>889,709</u>

In compliance with IFRS8, a segmental report has been included, outlining the following segments:

Territorial Policing:

This segment combines the directly attributable costs of both Urban and Rural Regions. It delivers a significant portion of operational policing services within Northern Ireland and is comprised of the geographically diverse eight District Command Units.

Other Front-line Policing:

It represents the directly attributable costs for both Crime Operations and Operational Support departments. Crime Operations includes Organised Crime, Intelligence Branch, Special Operations, Serious Crime Review Team, Scientific Support, E-Crime and support to operational policing. Operational support department provides a wide range of support to the PSNI in the delivery front-line policing services and includes Central Statistics, Change Management, Information and Communications and Corporate/Operations branch.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

Infrastructure Support Costs:

This segment combines the costs of the main departments and branches which support Front-line and Operational/Territorial Policing services. They include Finance & Support/Corporate

Services, Human Resources, Legal and Criminal Justice, Crime Support, Command Secretariat, Police Senior Management, Professional Standards, Out-sourced Contacts and Patten Non Severance.

Other Costs:

It also includes Non-Cash costs, including Depreciation and Permanent Diminution and Movement in Provisions. (Net pension costs are excluded as they are reported under separate cover).

3. STAFF COSTS

	2010-11	2010-11	2010-11	2009-10
	Staff Costs	Permanent	Others	
	Total	Staff		
	£000	£000	£000	£000
Wages & salaries	420,725	404,342	16,383	423,553
Social security costs	33,577	33,577	-	32,964
Pension Costs	<u>73,941</u>	<u>73,941</u>	-	<u>62,211</u>
Total staff costs	<u>528,243</u>	<u>511,860</u>	<u>16,383</u>	<u>518,728</u>
Less recoveries in respect of outward secondments	<u>(1,272)</u>	<u>(1,272)</u>	-	<u>(1,679)</u>
Total net costs	<u>526,971</u>	<u>510,588</u>	<u>16,383</u>	<u>517,049</u>

Average numbers of persons employed:

The average number of whole-time equivalent persons employed during the year was as follows:

	2010-11	2010-11	2009-10
	Total	Permanent	Total
		Staff	Staff
Directly Employed	<u>11,332</u>	<u>10,624</u>	<u>11,588</u>
Total	<u>11,332</u>	<u>10,624</u>	<u>11,588</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

PRINCIPAL CIVIL SERVICE PENSION SCHEME (NI)

Pension benefits for PSNI Police Staff are provided through the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)).

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (Classic, Premium, and Classic Plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Consumer Prices Index (CPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the Nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the CPI and attract annual pension increase.

For 2010-11, employers' contributions of £12,414,871 were paid to the PCSPS (NI) (2009-10: £9,396,382) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the reporting date. There were no contributions prepaid at that date.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of Classic, Premium, and Classic Plus and 65 for members of Nuvos.

Pension benefits for PSNI officers, including full time reserves, are provided through the PSNI Police Pension Scheme and from 6 April 2006, the New Police Pension Scheme (NPPS).

Police Pension Scheme (PPS)

This is a statutory scheme that provides benefits on an “Average Pensionable Pay (APP)” basis at age 55 regardless of rank. It is a defined benefits final salary scheme. All officers are entitled to work to age 60 and can apply for 5 yearly extensions after age 60.

For the year to 31 March 2011, employer’s contributions of £52,699,821 have been paid at the rate of 24.2% of pensionable pay. For 2009-10, employers’ contributions of £46,402,807 were paid to the PSNI PPS. In addition employers’ contributions totalling £1,036,234 have been paid for the year to 31 March 2011 in respect of early retirements. To qualify for an ordinary retirement pension, an officer has to complete 25 years service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25% of the pension. Actuarial tables are used to calculate the lump sum. Members pay contributions of 11% of basic pay. Pensions increase in line with the Consumer Prices Index effective 1 April 2011 (previously Retail Prices Index). On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme.

On death in service that is not as a result of an injury on duty (IOD) the scheme pays a lump sum benefit of twice pensionable pay, and there are also pension benefits for the spouse and/or children of the deceased. On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of five times pensionable pay is payable, subject to scheme conditions. Medical retirement is possible in the event of serious ill health. Officers with less than two years service receive a lump sum benefit (gratuity), and those with more than two years service receive an ill-health pension, depending on the number of years of actual pensionable service.

This scheme is now closed to new recruits from the 6 April 2006. Existing officers had a one off opportunity to transfer to the New Police Pension Scheme.

New Police Pension Scheme (NPPS)

For the period to 31 March 2011, employer’s contributions of £10,621,781 have been paid at the rate of 24.2% of pensionable pay. For 2009-10, employers’ contributions of £ 6,845,585 were paid to the PSNI NPPS.

To qualify for an ordinary retirement pension, an officer must serve to age 55. Benefits accrue at the rate of 1/70th of APP for each year of service up to a maximum of 35/70th of APP.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

In addition to the pension a defined lump sum of four times pension is payable. Members pay contributions of 9.5% of basic pay. Pensions increase in line with the Consumer Prices Index. On death, pensions are payable to the surviving spouse, civil partner, unmarried partner or children, subject to provisions within the scheme. On death in service, that is not as a result of an injury on duty (IOD), the scheme pays a lump sum benefit of three times pensionable pay, and there are also pension benefits for the spouse, civil partner, unmarried partner and/or children of the deceased

On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of 5 times pensionable pay is payable, subject to scheme conditions. There is a two tier medical retirement pension for officers with over two years service. If an officer is permanently disabled for the ordinary duties of a member of PSNI a standard ill health pension is awarded. If an officer is disabled from the ordinary duties of a member of PSNI and permanently disabled for any regular employment an enhanced top-up ill health pension could be awarded.

EMPLOYER PENSION COSTS

Employer pension costs disclosed on page 42 (note 3) of £73,941k are reported on an accrual basis.

SEVERANCE PAYMENTS

Severance Payments have been made from 1 January 2001 to officers leaving the PSNI under the Voluntary Severance or Full Time Reserve programmes for the PSNI. The Schemes were developed in line with the recommendations of the Independent Commission on Policing (Patten) and it was necessary to fulfil Government commitments, to permit officers to leave from the planned date of 1 January 2001.

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NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

4. DEPRECIATION AND AMORTISATION	Year Ended 31 March 2011	Year Ended 31 March 2010
	£000	£000
Depreciation and Amortisation	<u>30,916</u>	<u>32,590</u>

5. OTHER EXPENDITURES	Year Ended 31 March 2011	Year Ended 31 March 2010
	£000	£000
General expenses	69,989	71,605
Accommodation services	47,255	45,462
IT & communications	52,230	41,256
Transport	15,877	13,066
Travel, subsistence & relocation	9,549	10,116
Charges for operating leases: property	634	734
Charges for operating leases: photocopiers	21	130
Hospitality	166	172
Audit fees	70	91
Reclassification of capital expenditure	-	118
Non cash items:		
Unwind of discount on provisions	18,557	17,310
Net Increase in Provisions	66,855	148,389
Residual costs of Assets Held for resale	<u>75</u>	<u>1,066</u>
Total	<u>281,278</u>	<u>349,515</u>

6. INCOME FROM ACTIVITIES	Year Ended 31 March 2011	Year Ended 31 March 2010
	£000	£000
Fees for firearms certificates, permits & accident reports	1,024	1,009
(Loss)/Profit on Disposal of non-current assets	(11)	216
Police Transport	33	134
Other	<u>6,699</u>	<u>8,086</u>
Total	<u>7,745</u>	<u>9,445</u>

7. OTHER COMPREHENSIVE EXPENDITURE	Year Ended 31 March 2011	Year Ended 31 March 2010
	£000	£000
Downward revaluation in non-current assets	<u>1,908</u>	<u>6,635</u>

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NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT:

2010-11	Land	Buildings	IT and Comms.	Plant and Equip	Vehicles and Aircraft	Assets in Course of Construction	Total
Cost or Valuation:	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	144,068	406,201	102,892	11,022	67,161	41,451	772,795
Additions	-	3,475	1,792	988	5,770	30,232	42,257
Disposals	-	-	(5,365)	(61)	(941)	-	(6,367)
Revaluation on Disposal	-	-	-	-	-	-	-
Assets Held for Resale	(1,140)	(744)	-	-	-	-	(1,884)
Transfers	-	8,171	13,557	-	7,972	(29,700)	-
Transfer from IT to Software	-	-	(888)	-	-	-	(888)
Impairment	-	-	-	-	-	-	-
Revaluation below Historical Cost	(4,828)	(12,603)	(1,561)	(4)	(491)	-	(19,487)
Indexation	-	-	310	589	1,116	-	2,015
Permanent Diminution	-	-	(1,060)	(6)	345	-	(721)
At 31 March 2011	<u>138,100</u>	<u>404,500</u>	<u>109,677</u>	<u>12,528</u>	<u>80,932</u>	<u>41,983</u>	<u>787,720</u>
Depreciation:							
At 1 April 2010	-	84,384	66,267	7,348	55,358	-	213,357
Charged in Year	-	11,395	9,951	528	4,339	-	26,213
Disposals	-	-	(4,825)	(51)	(920)	-	(5,796)
Assets Held for Resale	-	(678)	-	-	-	-	(678)
Revaluation below Historical Cost	-	-	(1,273)	(4)	(204)	-	(1,481)
Revaluation/ Indexation	-	8,931	226	396	1,031	-	10,584
Depreciation w/o	-	-	839	-	158	-	997
At 31 March 2011	<u>-</u>	<u>104,032</u>	<u>71,185</u>	<u>8,217</u>	<u>59,762</u>	<u>-</u>	<u>243,196</u>
Net Book Value							
At 31 March 2011	<u>138,100</u>	<u>300,468</u>	<u>38,492</u>	<u>4,311</u>	<u>21,170</u>	<u>41,983</u>	<u>544,524</u>
At 31 March 2010	<u>144,068</u>	<u>321,817</u>	<u>36,625</u>	<u>3,674</u>	<u>11,803</u>	<u>41,451</u>	<u>559,438</u>
Asset Financing:							
Owned	<u>138,100</u>	<u>300,468</u>	<u>38,492</u>	<u>4,311</u>	<u>21,170</u>	<u>41,983</u>	<u>544,524</u>
Net Book Value At 31 March 2011	<u>138,100</u>	<u>300,468</u>	<u>38,492</u>	<u>4,311</u>	<u>21,170</u>	<u>41,983</u>	<u>544,524</u>

Dwellings 10-11

Cost or Valuation	£000
At 1 April 2010	650
Depreciation	
Disposals	(10)
Revaluation	(90)
At 31 March 2011	<u>550</u>

PSNI secured an independent and professional valuation from Land & Property Services for the Land and Property assets. Separate valuations were secured for the two helicopters from Euro-copter and Plant and Equipment were valued monthly using independent indices. Separate disclosure is included for Dwellings (under Land & Buildings).

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8. PROPERTY, PLANT AND EQUIPMENT:

2009-10	Land	Buildings	IT and Comms.	Plant and Equip	Vehicles and Aircraft	Assets in Course of Construction	Total
Cost or Valuation:	£000	£000	£000	£000	£000	£000	£000
At 1 April 2009	175,806	457,512	98,533	12,057	66,737	33,959	844,604
Additions	-	5,678	(219)	16	1,258	27,872	34,605
Disposals	-	(410)	(9,239)	(1,385)	(2,242)	-	(13,276)
Revaluation on Disposal	-	-	-	-	-	-	-
Surplus assets held for sale	(3,968)	-	-	-	-	-	(3,968)
Transfers	-	15,689	4,691	-	-	(20,380)	-
Transfer from IT to Software	-	-	(221)	-	-	-	(221)
Impairment	-	-	-	-	-	-	-
Revaluation below Historical Cost	-	-	(25)	(1)	-	-	(26)
Revaluation	<u>(27,770)</u>	<u>(72,268)</u>	<u>9,372</u>	<u>335</u>	<u>1,408</u>	<u>-</u>	<u>(88,923)</u>
At 31 March 2010	<u>144,068</u>	<u>406,201</u>	<u>102,892</u>	<u>11,022</u>	<u>67,161</u>	<u>41,451</u>	<u>772,795</u>
Depreciation:							
At 1 April 2009	-	86,524	58,727	7,796	49,914	-	202,961
Charged in Year	-	11,246	10,794	619	6,213	-	28,872
Disposals	-	(238)	(9,239)	(1,277)	(2,114)	-	(12,868)
Revaluation below Historical Cost	-	-	(19)	-	-	-	(19)
Revaluation	-	(13,148)	6,004	210	1,345	-	(5,589)
Depreciation w/o	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>-</u>	<u>84,384</u>	<u>66,267</u>	<u>7,348</u>	<u>55,358</u>	<u>-</u>	<u>213,357</u>
Net Book Value							
At 31 March 2010	<u>144,068</u>	<u>321,817</u>	<u>36,625</u>	<u>3,674</u>	<u>11,803</u>	<u>41,451</u>	<u>559,438</u>
At 31 March 2009	<u>175,806</u>	<u>370,988</u>	<u>39,806</u>	<u>4,261</u>	<u>16,823</u>	<u>33,959</u>	<u>641,643</u>
Asset Financing:							
Owned	<u>144,068</u>	<u>321,817</u>	<u>36,625</u>	<u>3,674</u>	<u>11,803</u>	<u>41,451</u>	<u>559,438</u>
Net Book Value At 31 March 2010	<u>144,068</u>	<u>321,817</u>	<u>36,625</u>	<u>3,674</u>	<u>11,803</u>	<u>41,451</u>	<u>559,438</u>

Note: AICC refers to assets in course of construction. The above Property, plant and equipment note includes the following figures for dwellings

Dwellings 09-10

Cost or Valuation	£000
At 1 April 2009	1,295
Disposal	(575)
Depreciation	(12)
Revaluation	<u>(58)</u>
At 31 March 2010	<u>650</u>

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

9. INTANGIBLE ASSETS:

	31 March 2011
	£000
Cost:	
At 1 April 2010	13,239
Additions	2,822
Disposals	(89)
Revaluation	(607)
Revaluation below Historical Cost	-
Devaluation	(3)
Transfers	888
Reclassification	-
	<u>16,250</u>
Amortisation:	
At 1 April 2010	9,912
Charged in year	3,670
Disposals	(89)
Write Backs	38
Revaluation below Historical Cost	(505)
	<u>13,026</u>
Net Book Value	<u>3,224</u>
	31 March 2010
	£000
Cost:	
At 1 April 2009	10,194
Additions	3,161
Disposals	(2,124)
Revaluation	1,787
Revaluation below Historical Cost	-
Transfers	221
Reclassification	-
	<u>13,239</u>
Amortisation:	
At 1 April 2009	6,935
Charged in year	3,718
Disposals	(2,124)
Revaluation below Historical Cost	1,383
	<u>9,912</u>
Net Book Value	<u>3,327</u>

Software licences are included at cost and principally amortised over a 3-year period which is estimated to be their useful economic life.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

10. FINANCIAL IMPAIRMENTS

The PSNI annually assesses whether a financial asset or group of assets are impaired. Where there is independent evidence that an impairment loss below historical cost has occurred, the carrying amount is reduced with the loss being recognised in the Statement of Comprehensive Expenditure.

11. ASSETS HELD FOR SALE

IFRS 5 requires that non-current assets classified as held for sale must be disclosed separately from other assets in the Statement of Financial Position.

Assets Classified as Held for sale:	Land and Buildings £000
Opening Balance 1 April 2010	3,821
Disposals	(2,076)
Proceeds in excess of valuation	528
Transfer form Land and Buildings	550
Decommissioning Costs	780
Revaluation Adjustments	<u>(528)</u>
Closing Balance 31 March 2011	<u>3,075</u>

The breakdown of assets currently classified as held for sale are:

	£000		£000
Keady	70	Markethill	90
Gilford	100	Newtownbutler	200
Belcoo	110	Newtownstewart	400
Bellaghy	385	Pomeroy	180
Belleek	130	Portstewart	110
Claudy	180	Templepatrick	140
Coagh	120	Kells	100
Donemana	110	Mountpottinger	100
Fivemiletown	110	Carryduff	150
Greyabbey	90	Crumlin	100
		Oldpark	100
		Total	3,075

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
12. INVENTORIES		
General stores	2,645	2,122
Transport Services stores	1,379	1,306
Information and Communication Services stores	-	-
Heating oil	638	574
Petrol and diesel	<u>691</u>	<u>633</u>
Total	<u>5,353</u>	<u>4,635</u>

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
13. TRADE AND OTHER RECEIVABLES:		
Prepayments and accrued income	3,455	2,261
Trade receivables	1,305	2,331
Advance Severance Payments for Leavers	11,427	5,571
Pension & Commutation Pending Payment for Leavers	18,935	14,647
Receivables due from HMRC	8,798	9,032
Other receivables	<u>3,214</u>	<u>1,580</u>
Total	<u>47,134</u>	<u>35,422</u>

	Year ended 31 March 2011	Year ended 31 March 2010
	£000	£000
13. (B) INTRA GOVERNMENT RECEIVABLE BALANCES:		
Amounts falling due within 1 year		
Balances with DOJ Core, its agencies & NDPBs	33,772	21,461
Balances with other central government bodies	9,027	10,521
Balances with local authorities	24	213
Balances with NHS Trusts	3	-
Balances with bodies external to government	<u>4,308</u>	<u>3,227</u>
Total	<u>47,134</u>	<u>35,422</u>

**POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011**

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

	Year ended 31 March 2011	Year ended 31 March 2010
14. CASH AND CASH EQUIVALENTS:	£000	£000
Balance at 1 April 2010	19,570	15,448
Changes in cash and cash equivalent balances	<u>27,710</u>	<u>4,122</u>
Balance at 31 March 2011	<u>47,280</u>	<u>19,570</u>

All cash held in commercial bank accounts.

	Year ended 31 March 2011	Year ended 31 March 2010
15. TRADE PAYABLES AND OTHER CURRENT LIABILITIES:	£000	£000
Trade payables	29,498	14,258
Trade accruals	49,378	35,072
Taxation & social security	14,327	13,434
Payroll accrual	12,160	13,162
Other payables	<u>13,667</u>	<u>18,090</u>
Total	<u>119,030</u>	<u>94,016</u>

	Year ended 31 March 2011	Year ended 31 March 2010
15. (B) INTRA GOVERNMENT CREDITOR BALANCES:	£000	£000
Amounts falling due within 1 year:		
Balances with DOJ Core, its Agencies & NDPBs	2,530	2,922
Balances with other central government bodies	16,665	18,558
Balances with local authorities	1,440	854
Balances with public corporations & trading funds	-	-
Balances with bodies external to government	<u>98,395</u>	<u>71,682</u>
Total	<u>119,030</u>	<u>94,016</u>

POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE 12 MONTHS ENDED 31 MARCH 2011

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

16a. PROVISIONS FOR LIABILITIES AND CHARGES:

	Voluntary and FTR Severance	Compensation/ Hearing Loss	Injury Awards	Uniform Stock	Equal Pay	Buildings Decommissioning Costs	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	84,130	104,971	300,247	290	36,183	-	525,821
Utilised in Year	(62,243)	(25,102)	(18,630)	(107)	(5,169)	-	(111,251)
Provision not utilised	-	(2,009)	-	-	(5,706)	-	(7,715)
Discount unwind	-	3,674	14,880	3	-	-	18,557
Actuarial Loss	-	-	10,750	-	-	-	10,750
Increase in Provision	<u>11,100</u>	<u>76,332</u>	<u>(15,450)</u>	<u>7</u>	<u>1,269</u>	<u>1,312</u>	<u>74,570</u>
At 31 March 2011	<u>32,987</u>	<u>157,866</u>	<u>291,797</u>	<u>193</u>	<u>26,577</u>	<u>1,312</u>	<u>510,732</u>

The above provisions are profiled to show the estimated spend for future periods.

16b. ANALYSIS OF EXPECTED TIMING OF DISCOUNTED FLOWS

	Voluntary and FTR Severance	Compensation/ Hearing Loss	Injury Awards	Uniform Stock	Equal Pay	Buildings Decommissioning Costs	Total
	£000	£000	£000	£000	£000	£000	£000
(Within 1 year to 2012)	32,987	54,981	30,000	193	26,577	-	144,738
Between 2013 and 2017	-	102,885	68,000	-	-	-	170,885
Between 2017 and 2021	-	-	46,000	-	-	-	46,000
Beyond 2021	-	-	<u>147,797</u>	-	-	<u>1,312</u>	<u>149,109</u>
	<u>32,987</u>	<u>157,866</u>	<u>291,797</u>	<u>193</u>	<u>26,577</u>	<u>1,312</u>	<u>510,732</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

The Severance provision relates to both the Voluntary and Full Time Reserve (FTR) Severance programmes.

Voluntary Severance Programme

The Secretary of State for Northern Ireland established a Voluntary Severance Scheme for PSNI Regular and FTR Officers in July 2000. During the current year, 327 officers left the Service. The provision relates to 94 officers expected to leave during 2011-12. This provision is subject to uncertainty and is based on estimates of numbers, ranks and profiles of officers.

Full Time Reserve (FTR) Severance Programme

The position on the FTR was highlighted by Patten Recommendation 103, which stated that the future PSNI should not include a Full Time Reserve. The Chief Constable has recently carried out security reviews and has announced his decision that the FTR officers are to be phased out.

The above provision relates to 223 FTR officers, retained to fulfil operational requirements. 146 FTR officers left the Service during the year.

Equal Pay

The former Minister for Finance and Personnel announced measures in May 2008 to address equal pay issues in the Northern Ireland Civil Service. The PSNI are inextricably linked to this announcement, having significant numbers of seconded civil servants at these grades up to and including the 30 September 2008 and all staff administered in line with the NICS pay agreement. This continues to be the case.

The Department of Finance and Personnel (DFP) and PSNI have assessed the potential impact of these equal pay claims and the wider equal pay issue against relevant accounting standards, in particular IAS 37. The ministerial statements have created an obligation on the part of the NICS and PSNI to comply with equal pay legislation and to address any anomalies that may exist in its present pay and grading structures. Legal opinion has advised that PSNI have an obligation to pay their staff on the same basis as NICS, consequently the PSNI have included a provision in respect of this liability.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

Compensation Claims

The compensation claim provision is analysed under five categories: injury claims, damage claims, legal fees and hearing loss. The following table shows the breakdown of the provision between these categories.

	Injury Claims	Damage Claims	Legal	Hearing Loss - Injury	Hearing Loss - Legal	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2010	11,670	284	9,336	46,489	37,192	104,971
Utilised in Year	(1,853)	(117)	(1,043)	(13,591)	(8,498)	(25,102)
Provision not utilised	-	-	-	(1,121)	(888)	(2,009)
Discount unwind	409	10	327	1,627	1,301	3,674
Increase in Provision	<u>12,422</u>	<u>157</u>	<u>8,109</u>	<u>23,601</u>	<u>32,043</u>	<u>76,332</u>
At 31 Mar 2011	<u>22,648</u>	<u>334</u>	<u>16,729</u>	<u>57,005</u>	<u>61,150</u>	<u>157,866</u>

At 31 March 2011, there were 3,645 'live' injury or wrongful acts claims and 519 'live' damage to property claims. Associated legal fees are also provided for.

Claims have varying life spans with claims involving personal injury mostly concluded within six years of receipt and claims for damage to property usually being concluded within one or two years of receipt. In deriving the above figures, assumptions have been made relating to the number of outstanding claims likely to attract compensation, the average claim value for the different claim types and likely timing of settlement. The data assumes that past trends will persist with only marginal fluctuations and any deviations from this pattern may have a material impact on actual claims settled. The provision for years 1-6 have been discounted at the HM Treasury rate of 3.5%.

Injury Awards

Following a change to the tax regime, from April 2006 injury awards are no longer permitted to be part of pension schemes and the relevant costs are now recognised in the organisation's main financial statements. The pension liability relating to injury awards has been valued by the GAD. The valuation was provided to PSNI by GAD for the 12 months to 31 March 2011, and the current Injury on Duty (IOD) provision reflects this position.

Uniform Contract

PSNI entered into a managed service contract for the ordering, supply, handling and accounting of uniform related items. The contractor purchased the total amount of uniforms held by PSNI during the financial year. However as part of the contract, PSNI has agreed to purchase any uniforms in possession of the contractor at the end of the contract. It has been estimated, based on usage levels of the uniforms transferred, that £193k of uniforms initially transferred may not be issued by the end of the contract, and therefore this amount has been provided for in full.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

Decommissioning Costs – Assets Held for Resale

PSNI has set up a new provision for the estimated decommissioning costs associated with Assets Held for Resale. This provision will be utilised on disposal of these assets.

17. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2011 not otherwise included in these financial statements.

	Year ended 31 Mar 11	Year ended 31 Mar 10
	£000	£000
Property Plant & Equipment	24,937	21,281
Intangible Assets	<u>2,747</u>	<u>2,205</u>
Total	<u>27,684</u>	<u>23,486</u>

18. COMMITMENTS UNDER LEASES

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Obligations under operating leases:

	Year ended 31 Mar 11	Year ended 31 Mar 10
	£000	£000
Land:		
Not later than one year	823	725
Later than one year and not later than five	1,046	1,682
Later than five years	<u>1,721</u>	<u>1,214</u>
Total	<u>3,590</u>	<u>3,621</u>

Buildings:

Not later than one year	232	222
Later than one year and not later than five	307	643
Later than five years	<u>481</u>	<u>634</u>
Total	<u>1,020</u>	<u>1,499</u>

Other:

Not later than one year	147	252
Later than one year and not later than five	39	924
Later than five years	<u>2</u>	<u>738</u>
Total	<u>188</u>	<u>1,914</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

19. COMMITMENTS UNDER PRIVATE FINANCING INITIATIVES (PFI) CONTRACTS

The PSNI has no commitments to report under PFI contracts for the financial year 2010-11

20. OTHER FINANCIAL COMMITMENTS

The PSNI has no other material financial commitments to report for financial year 2010-11. The main financial commitments currently facing the organisation are summarised above.

21. FINANCIAL INSTRUMENTS

In accordance with IAS 39 Financial Instruments, the PSNI has no financial instruments to report during the twelve months to 31 March 2011. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. As such, it is exposed to little liquidity, currency or market risks.

The PSNI does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

22. CONTINGENT LIABILITIES (disclosed under IAS 37)

Post Traumatic Stress Disorder Class Action

The PSNI and the Northern Ireland Policing Board are named defendants in a class action by 5,585 former and serving police officers. The hearing for this case began in November 2005 and concluded in June 2006. A judgement was delivered in June 2007 which found in favour of the PSNI under four of the five headings. The judge specifically referred to the formidable tasks individual plaintiffs may have in pursuing claims. This was confirmed by the successful defence by the PSNI in respect of the 10 lead cases. An appeal by five lead plaintiffs and a cross appeal by the defendants on the issue that went against them, were lodged in October 2007. The Chief Constable was largely successful in his defence of the generic issues in the five lead cases which were subject to appeal. A number of claimants indicated their intention to pursue their claims further as personal litigants within the relatively narrow restrictions imposed by the Court. The number of potential claimants is still unclear at this time. Some claimants have however taken steps to pursue their claims and the judge has set a timetable for management of these cases – some of these claimants are legally represented and some are actions as personal litigants. The hearings of these cases are due to commence in September 2011. The costs of the original action and the appeal are still being assessed.

Hearing Loss Cases

The PSNI is named Defendant in a number of claims from current and ex-police officers for occupational hearing loss. These claims are reflected in the compensation provision. However, the number of claims likely to be received in the future is uncertain and cannot be reliably estimated.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

Each case will be considered on its merits and any settlement based on the severity of hearing loss.

Full-Time/Part Time Reserve Equal Treatment

A number of cases were taken last year where both Full-Time and Part-time Reserves cited equal treatment by way of comparison to the Regular officers on a number of issues. All those claims were disposed of on a settlement basis and now the organisation faces a multitude of claims from Full-time Reserve and Part-time Reserves. To date 176 claims have been received from Full-time Reserves and 51 on behalf of the Part-time Reserves. In order for any of these cases to be successful the claimant must identify a comparator to whom they can compare themselves in terms of work. Five lead cases have been identified and comparators set. These actions are ongoing and it is not possible at this time to provide any further indications as to the number of claims likely to be lodged.

Due to the unusual nature of the three sets of claims outlined above, it is still not possible to identify from previous statistics, a scientific assessment of the likely settlement rates or an average figure for settlement of each case.

23. LOSSES AND SPECIAL PAYMENTS

Losses & Special Payments

Type	Description	No of Cases	£000
Losses	Cash	2	-
Overpayments		14	72
Stores		279	87
Claims waived or Abandoned		471	372
Special Payments	Compensation	2,093	15,248
Ex Gratia Payments		1	3
Fruitless Payments & Constructive Losses		<u>167</u>	<u>19</u>
Total		<u>3,027</u>	<u>15,801</u>

During 2010/11, compensation payments were made in relation to 2,093 cases, the total amount paid in these cases was £15,248k. One payment exceeded £250k. A compensation payment was made for £423k in November 2010. The plaintiff was involved in a car crash where they were a rear seat passenger in a PSNI vehicle. Appropriate authorisation for payment was granted by the Northern Ireland Policing Board, Department of Justice and Department of Finance and Personnel prior to awarding this plaintiff the damages.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2011 (CONTINUED)

24. RELATED-PARTY TRANSACTIONS

PSNI is a body of constables, funded through the Policing Board which during the reporting period was a Non-Departmental Public Body of the DOJ.

The DOJ is regarded as a related party. During the year PSNI had a number of material transactions with the DOJ and with other government departments and central government bodies. Most of these transactions have been with: the Forensic Science NI; the NI Prison Service (both executive agencies of the DOJ); the Rate Collection Agency (executive agency of the Department of Finance and Personnel) and the Central Procurement Directorate (Department of Finance and Personnel).

None of the senior staff of PSNI undertook any transactions during the year with PSNI.

25. THIRD-PARTY TRANSACTIONS

PSNI hold a number of bank accounts and sealed packages which contain evidence or proceeds of criminal activities. As these monies are not assets of the PSNI they are not included in these financial statements.

Following the outcome of investigations or court proceedings, the money is returned or paid to appropriate authorities.

	Year ended 31 March 2010	Gross Inflows	Gross Outflows	Year ended 31 March 2011
	£000	£000	£000	£000
Bank Balances and Monetary Sealed Packages Held:	<u>3,389</u>	<u>357</u>	<u>—</u>	<u>3,746</u>

26. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is one event to report after the reporting period. This is the legal settlement secured after the break-in Castlereagh. An additional provision has been estimated at £1.5m and has been included in note 16 and the Statement of Financial Position.

The Annual Report and Accounts were authorised by the Chief Constable to be issued on the same day as they were certified by the Comptroller and Auditor General.

