



Police Service of Northern Ireland

Annual Report and Accounts

for the year ended 31 March 2014



**POLICE SERVICE OF
NORTHERN IRELAND**

**Annual Report and Accounts
For the year ended 31 March 2014**

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 the Northern Ireland Act 1998
(Devolution of Policing and Justice Functions) Order 2010

On

03 July 2014

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INTRODUCTION BY CHIEF CONSTABLE

As required by Section 58 of the Police (Northern Ireland) Act 2000, I have pleasure in submitting my first annual report as Chief Constable of the Police Service of Northern Ireland (PSNI) for the financial year 2013/2014, having been formally appointed on 30 June 2014.

I am very pleased to report that overall Confidence in PSNI now sits at 67.3%, a statistically significant increase on the level recorded for the same period the year before (64.8%) and the highest level recorded in the series since records began in 2010. Despite unprecedented demand in the previous year, this is commendable performance and an encouragement that our personal, protective and professional plans are working. I am proud to say that PSNI is making a tangible contribution towards the quality of people's lives; indeed a recent survey in the Belfast Telegraph stated that "Northern Ireland is emerging as one of the safest places to live in the developed world".

Our overall performance in relation to serious crime and anti social behaviour is consistent, evidenced by the fact that burglary has dropped by 5.4%, robbery has dropped by 5.5% and drug seizures have risen by 8.1%. Last year also saw incidents of anti social behaviour decrease by 4,651 (-7.1%), the lowest level recorded by PSNI in a financial year period since this measure was introduced in April 2006. Increased reporting in violent crime can be attributed to partnership working with colleagues in mental health hospitals and increased domestic violence reporting suggests that confidence amongst vulnerable victims is rising.

The 2013/2014 financial year has, without doubt, been the most demanding year of PSNI's existence. We were responsible for delivering the G8 summit, an operation which involved many months of careful planning and resulted in the deployment of 5,000 local police officers supplemented by 3,600 colleagues from England, Wales and Scotland. This was the first time that police officers from the UK had been deployed to Northern Ireland for public order duties under 'mutual aid'. The PSNI operation cost approximately £42m, of which £26m was funded by HM Treasury from the Reserve and the rest met by the Northern Ireland Executive. The deployment of 3,600 mutual aid police officers cost just under £33m; central government departments are meeting these costs. HM Treasury has supported the process of apportioning G8 policing costs throughout.

G8 was quickly followed by the World Police and Fire Games which, like G8, showed the very positive side of Northern Ireland. They were described as the friendliest and best games ever and were a great showcase for investment and tourism. PSNI also played a major part in delivering the year-long UK City of Culture Celebrations and the Fleadh in Derry/Londonderry. I want to commend all who contributed to the excellence of the planning and arrangements for all these major events.

Ongoing public order issues continue to drain resources and impact negatively on our resilience. Despite the most challenging circumstances, I want to again commend colleagues for their professionalism and restraint, and highlight that, despite all the disorder, not a single member of the public was seriously injured and seven hundred people have been brought to justice.


INTRODUCTION BY CHIEF CONSTABLE (CONTINUED)

As an organisation, we have also taken significant steps to improve the safety of officers involved in these types of duties with investments in equipment and training in particular.

In the longer term, and in order to effectively deal with these surges in demand, I believe the PSNI and Policing Board need to be given the same financial flexibilities as those enjoyed elsewhere in the UK. Without some reserves to deal with the unexpected, carry forwards or capital borrowing, it is still very difficult to plan beyond the current year. The events of the past year have shown the debate about policing resilience and finance is very timely.

As part of our drive to make PSNI more accessible, we have recently launched the non-emergency 101 number. An awareness campaign will run to promote the number and to educate the public around when it should be used. This step will build on the positive changes we have made to our Call Management Centres and I am confident as a result that we will continue to provide a professional service to the thousands of people who make contact with us by telephone each and every year.

I want to thank the public for their continued support for policing and to acknowledge the huge contribution which colleagues, and PSNI as a whole, continue to make to society on a day to day basis.



George Hamilton
Chief Constable
02 July 2014

CHIEF CONSTABLE'S REPORT

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.

The Annual Report and Accounts also provides details of the activities of the Police Fund and Police Property Fund, which are separate Funds administered by the PSNI. The PSNI administer the Police Fund in association with the RUC Benevolent Fund and ex members who volunteer their services. It was established by regulations under section 28 of the Police Act (NI) 1970 which consist of PSNI Grant and fines imposed on police officers as a result of disciplinary action. This together with investment income is applied by PSNI for the welfare of police officers and their dependants.

The Police Property Fund was established by regulations under section 2 of the Police (Property) Act 1987, and comprises unclaimed receipts arising from criminal investigations by the PSNI, which the Policing Board donate to charities.

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 2013, will be laid in the Northern Ireland Assembly.

CHIEF CONSTABLE'S REPORT (CONTINUED)

Chief Officers

The Chief Officers who served throughout the 2013-14 year were as follows:

Chief Constable

Matt Baggott¹

Deputy Chief Constable

Judith Gillespie²

Assistant Chief Constable Crime Operations

Drew Harris

Assistant Chief Constable Human Resources

Alistair Finlay³

Assistant Chief Constable Rural Region

George Hamilton⁴

Assistant Chief Constable Rural Region

David Jones⁵

Assistant Chief Constable Urban Region

William Kerr

Assistant Chief Constable Service Improvement Department

Mark Hamilton⁴

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart

The following members have acted as Chief Officers during the 2013/14 year.

T/Assistant Chief Constable Operational Support

Stephen Martin (appointed 21 October 2013). Substantively appointed 30 June 2014.

T/Assistant Chief Constable Organisational Development

Alan Todd (appointed 15 March 2014)

Further details are provided in the Remuneration Report section on page 27.

1. Chief Constable Matt Baggott retired on 29 June 2014. George Hamilton was appointed as Chief Constable on 30 June 2014.
2. Deputy Chief Constable Judith Gillespie retired on 31 March 2014.
3. Assistant Chief Constable Alistair Finlay moved from Operational Support Department to Human Resources in October 2013. Assistant Chief Constable Alistair Finlay has been appointed T/Deputy Chief Constable from 15 March 2014.
4. Assistant Chief Constable Mark Hamilton Service Improvement Department was appointed on 5 August 2014, taking over responsibility from Assistant Chief Constable George Hamilton who moved to Rural Region.
5. Assistant Chief Constable David Jones left his post in June 2013 to take up the position of Chief Constable of North Yorkshire.

CHIEF CONSTABLE'S REPORT (CONTINUED)

Corporate Governance

Corporate Governance within PSNI operates through a formal structure of Corporate Governance Committees and Programme Boards. The PSNI has three Governance Committees:

- Service Executive Board
- Risk Demand & Resourcing Committee
- Audit and Risk Committee

The Service Executive Board (SEB) sets the tone and direction of the organisation. SEB, which is chaired by the Chief Constable and is attended by all Chief Officers is the final decision making forum for the organisation.

The Risk, Demand and Resourcing Committee (RDR) supports SEB by making strategic decision on resourcing the organisational priorities, in line with the tone and direction set by SEB. RDR is chaired by the Deputy Chief Constable and is attended by all Chief Officers.

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 consists of three Non-Executive Members, one as Chair, with Chief Officers, Internal and External Audit, the Policing Board and the Department of Justice are in regular attendance.

Beneath this structure are five programme boards:

- Communications;
- Leadership and Training;
- Policing with the Community;
- Serious Harm; and
- Service First

The focus of the Programme Boards is to deliver long term transformational change, in line with the tone and direction set by SEB, through cross cutting programmes and projects, which are appropriately resourced, managed and then evaluated on completion.

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. Details of the PSNI Estate Strategy can be found at www.psni.police.uk/estates_strategy.pdf

CHIEF CONSTABLE'S REPORT (CONTINUED)

Research and development

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

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 the 2014-2017 Policing Plan on 26 March 2014. The 2014-2017 plan defines our vision, and how we want to achieve the outcomes stated within the Plan. Supporting this plan are our Policing with the Community Strategy, our Policing Commitments, and our Strategic Principles.

As well as consultation with the Chief Constable, Policing and Community Safety Partnerships (PCSPs) and the public, the Board also analyse crime patterns, emerging strategic issues, resources and police performance information before setting policing objectives. Priorities set by the Board must also reflect the Long term policing Objectives as set out by the Minister of Justice.

By consistent delivery of Personal, Professional and Protective policing, we hope to see continued increases in public confidence in our service.

A copy of the Policing Plan 2014 -17 can be viewed on the Policing Board's website:
<http://www.nipolicingboard.org.uk/index/publications/policing-plans.htm>

or the PSNI website:
www.psnipolice.uk

The main theme of the plan is to improve community confidence in policing by:

- reducing the level of harm from crime and antisocial behaviour and domestic burglaries; increased rate of crime outcomes;
- continuous improvement, effectiveness and efficiency in our service;
- enhancing our engagement, consultation and involvement with the community; and
- working in partnership to deliver effective community engagement and joint problem solving.

The Police Service look forward to continuing the progress already made in delivering these outcomes with the Northern Ireland Policing Board, in other government agencies and with the community of Northern Ireland.

CHIEF CONSTABLE'S REPORT (CONTINUED)

Local policing plans which set out the arrangements for the policing of each police area are issued by District Commanders. These plans will provide the opportunity for Police Commanders to consult with their Police and Community Safety Partnership (PCSP) colleagues to ensure that police are responsive to the needs and concerns of local communities.

We remain resolute in our commitment to reduce crime, and the 2014-17 Policing Plan will help us ensure that the most vulnerable in society have the confidence to report crime, and are reassured by our response to crimes committed against them.

Charitable donations

PSNI made one charitable and no political donations during the year. A €100 donation was paid to the St Patrick Centre in March 2014.

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.

A breakdown of PSNI employees as at 31 March 2014 by Gender is shown below;

	Gender Breakdown as at 31 March 2014	
	Female	Male
Senior Executive Team	1	11
Senior Managers	4	21
PSNI Officers/Staff	3,624	6,095
Total	3,629	6,127

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.

CHIEF CONSTABLE'S REPORT (CONTINUED)

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.

Sickness absence data

The reported average number of working days lost due to sickness for 2013-14 are shown below. While the figures show an increase in the average working days lost, PSNI continues to robustly manage sick absence and has targets for reduction in line with Government policy.

	Average Working Days Lost 2013-14	Average Working Days Lost 2012-13
Police Officers	10.91	10.56
Police Staff	9.12	8.78

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.

Personal data related incidents

In 2013 four incidents of losses of notebooks have been reported to my Data Protection Unit. For the majority of these incidents, the notebooks have since been retrieved. However, in line with Information Commissioner's Office guidance, three of incidents have been reported to them and investigations have commenced. In response to these incidents local investigations have commenced at District level and internal notebook handling processes are being reviewed and evaluated by the Review of Identifiable Items Working Group, which reports to the Audit and Risk Committee. Whilst all of this work is not complete, PSNI will comply with all outcomes and directions from the Information Commissioner's Office.

Off Payroll Engagements

PSNI had one 'off-payroll' engagement at a cost of over £58,200 per annum that was in place as at 1 April 2013. This engagement has continued through to March 2014 on the existing arrangements and is still 'off-payroll'.

CHIEF CONSTABLE'S REPORT (CONTINUED)

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 2013-14 financial year, average overall performance showed 94.0% (93.2% 2012-13) of all invoices were paid within 10 days. In the 2013-14 financial year 98.4% of invoices were paid within the government prompt payment target of 30 days (99.1% 2012-13). At the year end the proportion of amounts owed to trade creditors in relation to the amounts invoiced by suppliers during the year equates to 1.95 creditor days (13.6 creditor days 2012-13).

Details of the prompt payment statistics can be found on the PSNI website via <http://www.psni.police.uk/index/about-us/departments/finance.htm>

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 27 and note 3 to the Accounts.)

Audit services

The Financial Statements for 2013-14 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 49 to 51.

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 the Financial Statements was £73,500 (2012-13 £73,500). This includes the audit fees in respect of the Main Police Account including the Police Fund and Police Property Fund £58,500 (£58,500 2012/13), and the Police Pension Scheme Accounts £15,000 (£15,000 2012/13).

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. During the year no reports were undertaken.

The Accounts of the PSNI for 2013-14 are required to be audited by the C&AG. The Department of Justice will lay the accounts on behalf of the C&AG.

CHIEF CONSTABLE'S REPORT (CONTINUED)

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 2013-14 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 2013-14 objectives in relation to reductions in energy consumption, carbon emission reductions and water usage established in the 2013-14 Estates Annual Business Plan.

PSNI Estate Services Business Unit target five Sustainability measures on an annual basis – Total Energy Use, Energy Efficiency per square metre, Carbon Dioxide Emissions, Renewable Energy procured and Water Consumption. Total Energy used (GWh) by the PSNI has reduced year on year since 1999 and the PSNI target is a 1% rolling reduction per annum from 1999 to 2020. The actual amount of energy consumed in 2013/14 has not finally been determined but it is anticipated that a 1% reduction will be achieved compared to 2012-13. The trend since 1999 shows a reduction year on year as the Estate is reduced in size, energy efficiency new builds and refurbishments have been completed. In addition, local initiatives are delivering benefits in relation to energy consumption.

A second energy efficiency target is based on attaining a 15% reduction by 2020 in the energy used per square metre. In 2013-14, a slight increase in energy used per square metre arose due to the reduction in the total area of the Estate based on closure programme. However, it is anticipated that the 15% target will be attained by 2020.

A third target of a reduction in carbon emissions by 30% in 2020, relative to 1999, has been established. At this point in time, it is not possible to state if this target will be achieved by 2020. However, this matter continues to be monitored by the PSNI.

Sustainability Delivery Group and will be reported year on year with a view to developing initiatives to attaining this target.

A fourth target is based on procuring a minimum of 20% of electricity requirements from renewable sources by 2015 and 40% by 2020. The PSNI currently procure all electricity from renewable sources and therefore has attained the 2020 target already.

The final target is based on a reduction of water consumption by 25% by 2020, relative to 2004 levels. This target has already been achieved in 2013-14 as a reduction of 71% has been attained, compared to 2004 levels.

CHIEF CONSTABLE'S REPORT (CONTINUED)

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

Financial Statements for the Police Pension Scheme Accounts are prepared separately.



George Hamilton
Chief Constable
Police Service of Northern Ireland
02 July 2014

STRATEGIC REPORT

This Strategic Report 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.

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 2013-14 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.

The Strategic Report 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 and the fear of crime.

The purpose of PSNI is to work with communities and partners to make Northern Ireland safe, and that communities have confidence in policing.

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 following underlying principles:

- 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.

STRATEGIC REPORT (CONTINUED)

- 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.

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, and it supports PSNI in its aim to deliver efficient and effective policing. Through the Chief Constable, the Board also hold PSNI accountable 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.

District Commanders are responsible for producing a Local Policing Plan. These plans are drafted in consultation with the local community and the local Policing and Community Safety Partnership. Local plans highlight local issues, and include performance against which the 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.

Accounts Direction

The Annual Report and Accounts for 2013-14 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.

PSNI complies 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.

STRATEGIC REPORT (CONTINUED)

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 2013, will be laid in the Northern Ireland Assembly.

Review of performance and future developments:

As part of its statutory duty, throughout the year the Policing board monitors and reviews PSNI's performance against the measures and indicators which the Board has set out in the Northern Ireland Policing Plan. This function is carried out through public meetings every three months at which the Chief Constable updates Board members on PSNI's progress against agreed areas outlined in the Northern Ireland Policing Plan.

The performance report which the Board receives has been expanded to include more data on trends, and PSNI's comparative performance against our most similar force group, which comprises five Police Services across the United Kingdom.

Reporting in this way provides an opportunity for the Chief Constable and members of his Senior Executive Team to highlight good practice, commend pieces of work which have been particularly noteworthy, and indicate areas of concern or underperformance.

The Chief Constable submits this Annual Report to the Policing Board following the end of the financial year 2013-14, and the annual report is then sent to the Minister of Justice who lays it before the Northern Ireland Assembly. A copy of the report can be obtained from the following website: www.psni.police.uk

The Policing Board have the responsibility for producing a report outlining the level of success which PSNI have achieved in meeting those measures and indicators outlined in the annual Policing Plan. This information is contained in the Board's Annual Report and Statement of accounts 2013-14 and can be viewed at www.nipolicingboard.org.uk

During the year 2013-14, the overall level of recorded crime rose by 2.3% compared to the previous year's figure, with 102,746 crimes recorded in the 2013-14 financial year.

STRATEGIC REPORT (CONTINUED)

Table 1 provides an overview of police performance in dealing with issues which affect people's daily lives. It also highlights performance in the area of service delivery to improve levels of public satisfaction with policing and ensure vulnerable people are protected.

Table 1: Overall performance against the Northern Ireland Policing Plan

Police Performance at a Glance	
<i>Indicator/measure</i>	<i>Progress against 2012/13 performance</i>
Increase Confidence	Increased by 2.5% (1)
Reduce Crime	Increased by 2.3%
Reduce Antisocial Behaviour	Reduced by 7.1%
Reduce Burglary	Reduced by 5.4%
Increase Crime Outcomes	Reduced by 2.3% points
Reduce Road Deaths	7 more road deaths in 13/14 when compared to 2012/13
Reduce Road Injuries*	Reduced by 7.6%
Reduce allegations of incivility	Increased by 6.4% (2)
Increase the use of officer discretion	Reduced by 20.1%
Increase the amount of time spent on patrol	Increased by 0.2% (3)
Reduce Violent Crime (measured as a reduction in offences of non domestic violence with injury)	Reduced by 7.2%
Impact on Organised Crime**	Cash seizures have reduced by £356,204 The value of confiscation orders has increased by £447,840 The Service has Frustrated, Disrupted or Dismantled 115 Organised Crime Groups since 1 st April 2013.

- (1) This measure is collected quarterly and the current figure compares calendar year 2013 to calendar year 2012
 (2) Most recent figures as supplied by the Office of Police Ombudsman
 (3) Each increase of 5% in this measure is estimated to represent an increase of 30 minutes per officer per duty shift based on a 10 hour shift pattern

STRATEGIC REPORT (CONTINUED)

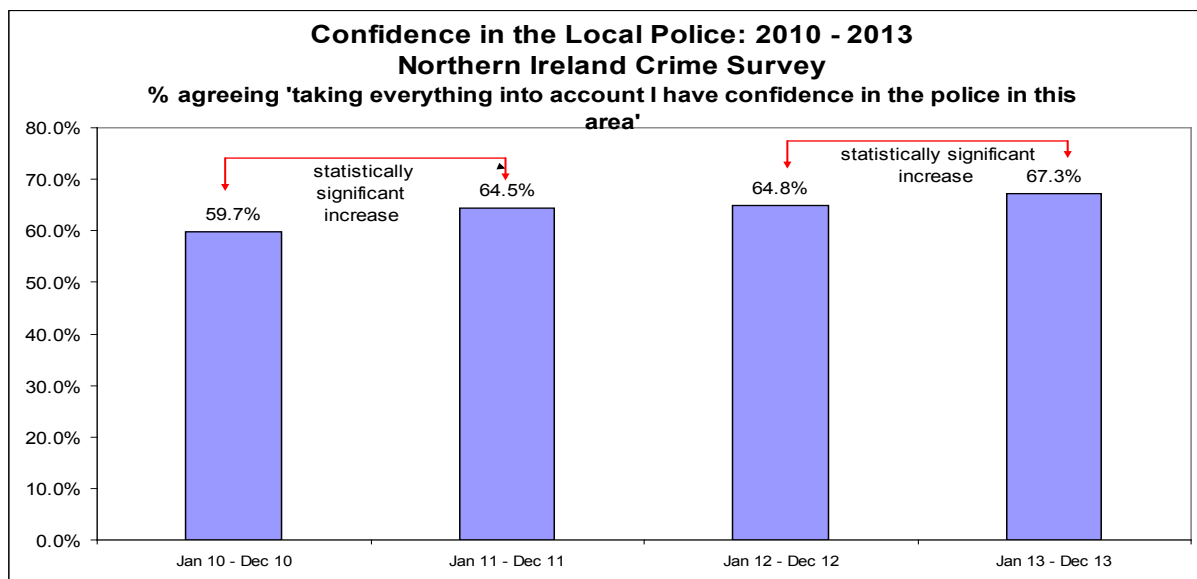
Confidence in Policing

Confidence in policing is one of the Minister of Justice’s long term objectives for policing and is measured using data from the Northern Ireland Crime Survey (NICS). This survey is reported on a quarterly basis by NISRA statisticians within Department of Justice and is based on a relatively large random sample of households selected from the Land and Property Services domestic property database. Over a 12 month period, approximately 4,000 interviews are undertaken across Northern Ireland, making it one of the largest and most robust surveys conducted in Northern Ireland. It is an alternative, but complementary, measure of crime to offences recorded by police.

Table 2: The level of confidence in local police

<i>The percentage of people saying that they strongly agree / tend to agree that the local police...</i>	<i>Jan 12 to Dec 12</i>	<i>Jan 13 to Dec 13</i>
a) Can be relied on to be there when you need them	51.4	54.6
b) Would treat you with respect if you had contact with them	84.6	84.3
c) Treat everyone fairly regardless of who they are	66.0	66.1
d) Can be relied on to deal with minor crimes	51.2	51.7
e) Understand the issues that affect this community	62.8	62.0
f) Are dealing with the things that matter to this community	51.2	51.2
Overall Confidence in the local police	64.8	67.3

Quarterly recording of “Overall confidence in local police” was started in October 2009, and the current figure (67.3%) is the highest level recorded in the series.



STRATEGIC REPORT (CONTINUED)

Personal: Personal policing means dealing with local concerns and issues which have an impact on the quality of daily life in communities.

Key measures in this area include reducing crime and antisocial behaviour and increasing the rate of outcomes for crime. In the financial year 2013-14, the level of crime rose by 2.3% compared to the previous financial year however this is the second lowest crime figure recorded since 1998-99. Crime has shown a downwards trend over the last 11 years, and in comparison to comparative police forces, 4 out of 5 of the forces most similar to us across England and Wales have higher levels of crime per 1,000 of the population.

Table 3: Trends in recorded crime figures since April 2011

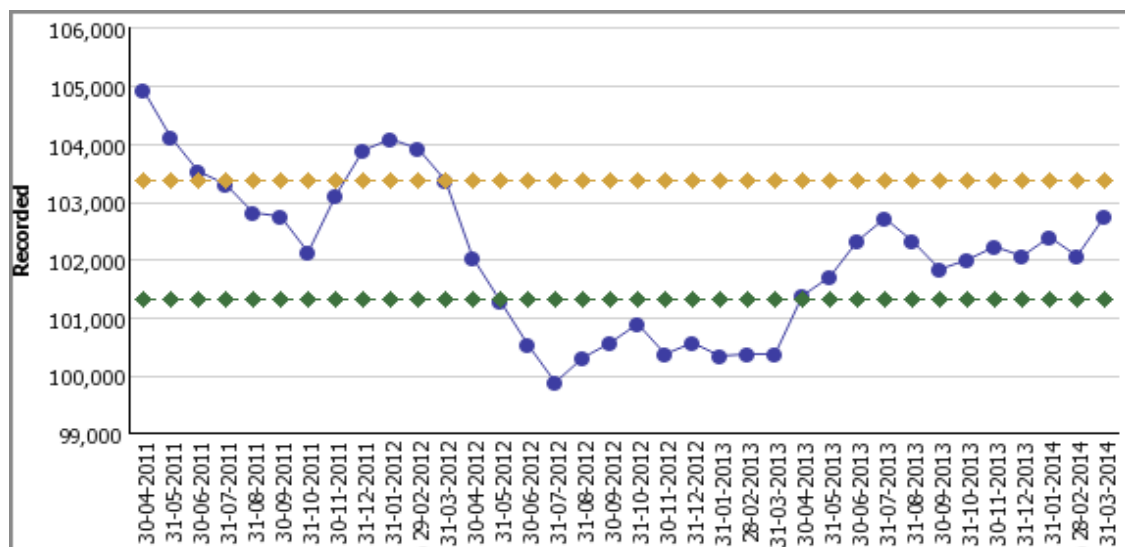
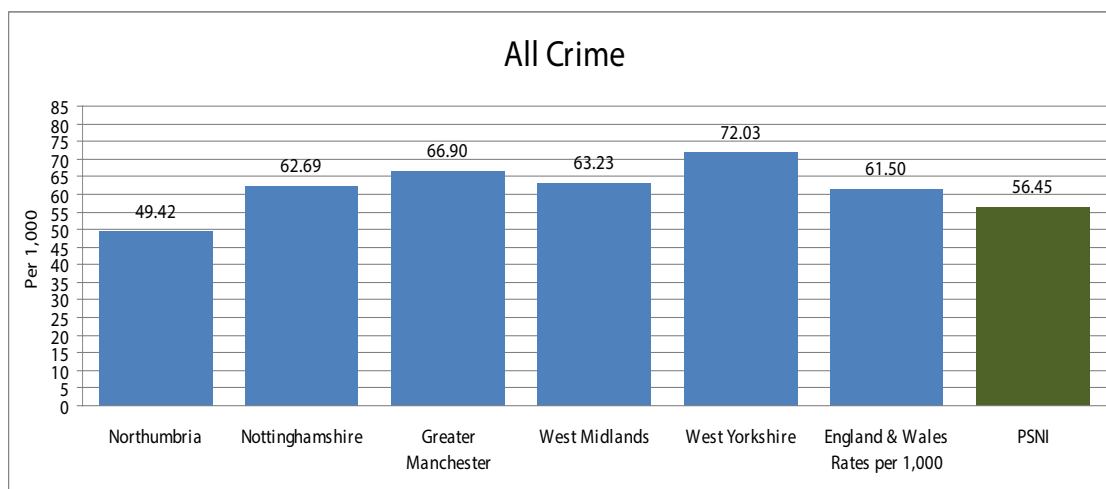


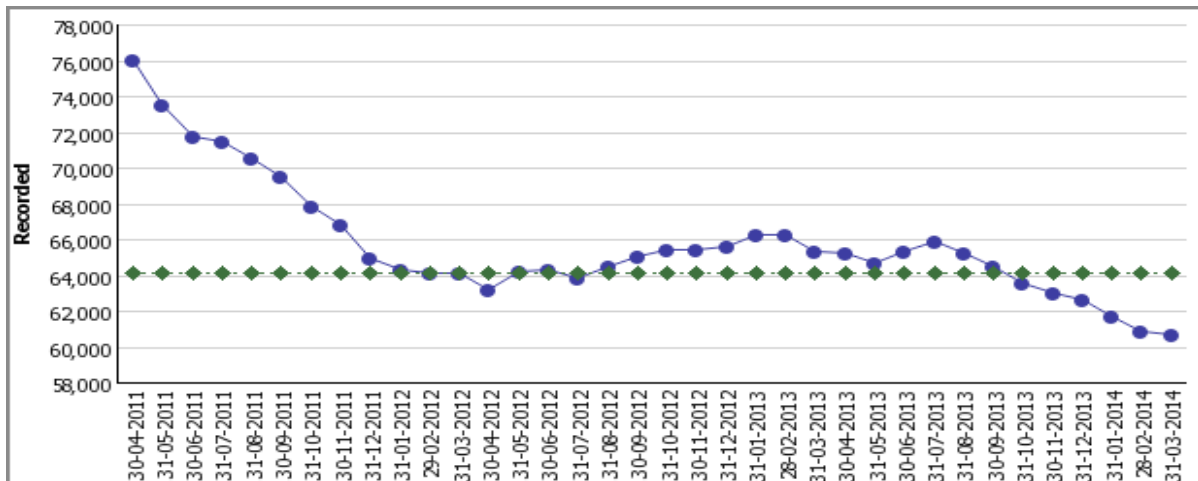
Table 4: Crime rates per 1,000 of the population using Most Similar Force group and an average of all England and Wales Police Forces



STRATEGIC REPORT (CONTINUED)

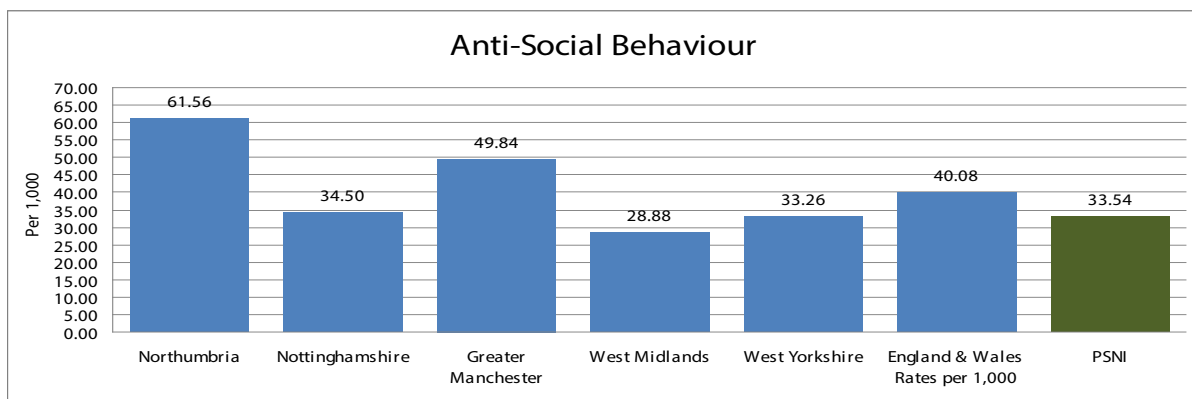
Antisocial Behaviour: The number of incidents of Antisocial Behaviour recorded in 2013-14 was the lowest since 2006-07, which is when the complete data series began.

Table 5: Trends in recorded levels of ASB since April 2011



Northern Ireland also continues to experience significantly lower levels of antisocial behaviour when compared with levels recorded by the PSNI’s Most Similar Force Group.

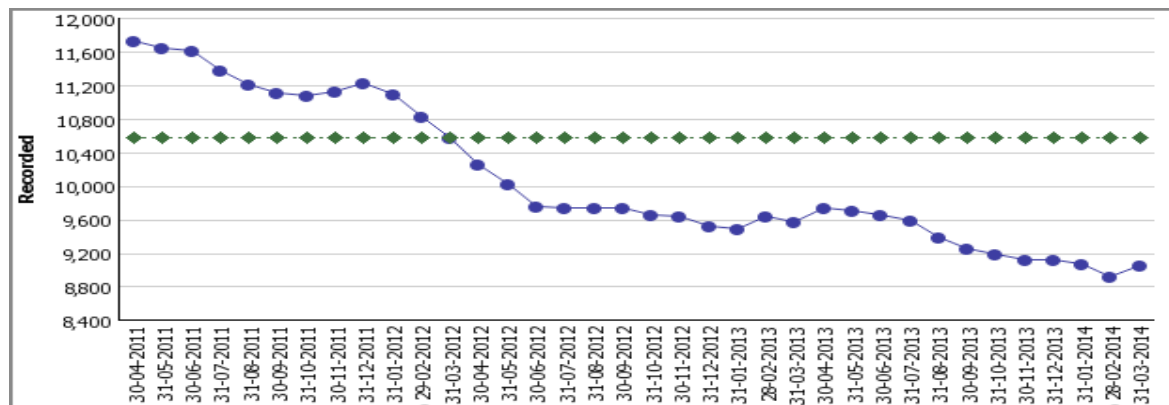
Table 6: Antisocial behaviour rates per 1,000 of the population using Most Similar Force group and an average of all England and Wales Police Forces



Burglary: Recorded figures for Burglary in the 2013-14 financial year were at their lowest recorded level since 1998-99, and PSNI have the lowest level of crimes of this type in comparison to all forces within our Most Similar Force Group

STRATEGIC REPORT (CONTINUED)

Table 7: Trends in Burglary since April 2011



Professional: Professional policing means establishing trust and confidence with communities and partners through delivery of an excellent service.

The Policing with the Community 2020 Strategy provides a number of key measures in this area. In addition, to address community concerns and respond to issues raised by the public, the PSNI have designed a set of Commitments which are based on the simple principles of good policing. The Commitments allow PSNI to measure progress against those issues which the public have indicated matters to them.

A measure in this category is an increase in the amount of time spent on patrol. In the financial year 2013-14 this has increased by when compared to the 2012-13 figure:

Table 8: The amount of time spent by each officer on patrol

The amount of time spent by each officer on patrol		
<i>March 2013</i>	<i>March 2014</i>	<i>Change</i>
62%	62.2%	0.2%

Protective: Protective policing means keeping people safe by tackling the serious harm and threat caused by organised crime, violent crime and terrorism.

Performance in this area includes improving services to vulnerable groups, reducing the proportion of violent crime in which alcohol is a contributory factor and taking action against organised crime groups. In 2013-14 there were 4,825 drugs seizures, which is an increase of 7.8% compared to the previous financial year. These seizures yielded drugs with an estimated street value of £9.8 million. Offences of this nature can be influenced by police activities, for example in September/October 2013 and February 2014, police ran a high profile operation specifically targeted at “street level drug dealing” (Operation Torus).

During the 2012-13 financial year, a base line was established to identify the extent to which alcohol is a contributory factor for particular crime types. This was monitored throughout the 2013-14 financial year.

STRATEGIC REPORT (CONTINUED)

Table 9: The number of crimes where alcohol is a contributory factor (by crime type)

	2013 / 2014 Financial Year Recorded		
	<i>All</i>	<i>Alcohol related</i>	<i>Alcohol as % of all</i>
Domestic violence with injury	3,691	2,152	58.3%
Non domestic violence with injury	10,445	5,982	57.3%
Most Serious Sexual crime	1,939	304	15.7%
Violence without Injury	18,246	6,442	35.3%
Criminal Damage	19,889	2,725	13.7%
Total all crime (excl undercount)	102,746	20,418	19.9%

The crime outcome rate for recorded crimes in 2013-14 was 27.2%, which was a decrease of 2.3 percentage points compared to 2012-13. Under revised Home Office arrangements, from April 2013 discretionary disposals were included as a crime outcome along with existing methods. In 2013-14, discretionary disposals contributed 2.6% to the outcome rate.

Offences of violence against the person increased by 6.9% during 2013/14, within this there was an 18.2% increase in offences of violence against the person without injury whilst offences of violence against the person with injury dropped by -4.8%.

There were 60 fatalities on Northern Ireland's roads during 2013-14, which is a total increase of 7 fatalities when compared to 2012-13. This figure includes 3 child fatalities, which is a reduction on the 2012-13 financial year in which there were 6 child fatalities.

There were 69 bombing incidents in 2013-14, which is 25 more than in 2012-13. There was one security related death in 2013-14, which is a decrease compared to the 2012-13 figure which saw two such deaths. There was also a decrease in the number of shooting incidents from 64 in 2012-13 to 54 in 2013-14.

In 2013-14, a total of 168 people were arrested under Section 41 of the Terrorism Act, which represents an increase on the 157 recorded last year. Thirty two people were subsequently charged.

STRATEGIC REPORT (CONTINUED)

Police and Criminal Evidence order (PACE) statistics

Table 10: Police and Criminal Evidence (PACE) Order – Article 5 Persons and Vehicles Searched 2013/14

		Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
Stolen Property / Articles	Searches	522	532	397	314	413	285	433	467	530	376	415	391	5,075
	Arrests ¹	57	56	36	31	57	40	64	43	50	42	44	35	555
Offensive Weapon / Blade or Point	Searches	72	88	75	73	70	66	81	84	68	72	68	77	894
	Arrests ¹	18	17	19	25	24	20	23	23	17	15	19	26	246
Going Equipped / Prohibited Articles	Searches	215	219	173	152	182	137	245	186	196	148	182	217	2,252
	Arrests ¹	14	21	17	16	22	16	39	14	18	19	23	21	240
Fireworks	Searches	0	1	5	0	1	8	199	29	2	0	1	0	246
	Arrests ¹	0	0	0	0	0	0	4	0	0	0	0	0	4
Total	Searches	809	840	650	539	666	496	958	766	796	596	666	685	8,467
	Arrests ¹	89	94	72	72	103	76	130	80	85	76	86	82	1,045

¹Arrests as a result of search

Police and Criminal Evidence (PACE) Order – Article 6 Road Checks

There were 59 road checks authorised in 2013/14, 53 of which were for the purpose of ascertaining whether a vehicle was carrying a witness to an indictable offence and the other six were for the purpose of ascertaining whether a vehicle was carrying a witness to an indictable offence together with whether a vehicle was carrying someone reasonably suspected or intending to commit an indictable offence.

Table 11: Arrests under PACE by Gender and whether requests for friends / relatives or a solicitor were made, for each Quarter during 2013/14.

	Arrests Under PACE			Requests	
	Totals*	Gender		Friend/Relative etc.	Solicitor
		Male	Female		
Quarter 1 April-June	6,277	5,335	942	1,444	3,526
Quarter 2 July-September	6,375	5,433	941	1,519	3,631
Quarter 3 October-December	6,190	5,232	956	1,448	3,491
Quarter 4 January-March	5,806	4,957	849	1,342	3,282
TOTAL	24,648	20,957	3,688	5,753	13,930

* 3 transgender persons are included in "Totals"

Extended Detention: During 2013/14 there were 32 persons who were detained in police custody for more than 24 hours and released without charge.

STRATEGIC REPORT (CONTINUED)

Magistrate's Warrants: There were 34 applications to Magistrates Courts for warrants of further detention, all of which were granted. Eight of these applications were for 24 hours or less, 1 was for 30 hours and the other 25 were for a period of 36 hours. There were five occasions where a second warrant of further detention was successfully applied for. Of the 29 persons subject to a warrant of further detention, 7 spent less than 24 hours under its authority, while 20 spent between 24 hours and 36 hours and the remaining 2 persons were detained over 36 hours under the authority of these warrants. 24 persons were subsequently charged.

Intimate Searches: There was one intimate search carried out by a suitably qualified person during 2013/14. The result of this search recovered a quantity of Class A drugs.

X-rays & ultrasound scans: During 2013/14 there was one x-ray and ultrasound authorised (result unknown).

Table 13: PACE Detention statistics by PSNI Custody Suite 2013/14

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Antrim Custody	377	452	397	426	1,652
Ardmore Custody	26	11	20	16	73
Armagh Custody	11	1	2	0	14
Ballymena Custody	284	323	336	314	1,257
Banbridge Custody	491	477	493	485	1,946
Bangor Custody	583	582	557	507	2,229
Coleraine Custody	425	368	334	361	1,488
Dungannon Custody	289	343	289	274	1,195
Enniskillen Custody	267	266	232	225	990
Grosvenor Road Custody	270	249	265	237	1,021
Limavady Custody	264	192	241	224	921
Lisburn Custody	325	270	319	256	1,170
Lurgan Custody	421	422	443	432	1,718
Magherafelt Custody	0	0	0	0	0
Musgrave Street Custody	1,191	1,363	1,295	1,167	5,016
Omagh Custody	302	261	271	236	1,070
Strabane Custody	55	17	50	3	125
Strand Road Custody	696	684	641	642	2,663
Waterside Custody	0	94	5	1	100
Total	6,277	6,375	6,190	5,806	24,648

This bulletin shows the number of persons detained under PACE. Excluded are those arrested under legislation other than PACE, for example the Terrorism Act.

STRATEGIC REPORT (CONTINUED)

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 are currently facing the organisation, include the following areas; Terrorist Attack, Resourcing, Legacy issues, National Crime Agency, Child Sex Exploitation, Resilience, Government Protective Marking and the Northern Ireland Community Safety College. Further information on risk management is contained within the Governance Statement.

Review of financial position and resources

Results for the year

The Statement of Comprehensive Expenditure is set out on page 52 and shows a deficit for the year of £861.4m (£825.8m in 2012-13).

The total cost of policing

The total Resource DEL budget allocation (excluding costs of the Police Pension Scheme and AME impairments) available for 2013-14 was £848.7m. The DEL expenditure against this budget during the year was £838.5m, resulting in a reported underspend of £10.2m. The expenditure of £838.5m included spend of £42.8m relating to the costs of policing the G8 conference in June 2013.

The total AME (Annually Managed Expenditure) 2013-14 budget allocation (including Pension Scheme, AME impairments, Release and Movements to Provisions) was £297.9m. The AME expenditure against this budget during the year was £274.7m, resulting in an overall underspend of £23.2m.

This gives a total resource spend of £1,113.2m. The costs of pensions are reported separately through the PSNI Pension Scheme Accounts and do not form part of the Statement of Comprehensive Expenditure in these Financial Statements.

The Capital budget was £54.1m and an underspend of £9.3m was reported, largely related to ring fenced funding for the Northern Ireland Community Safety College.

The overall financial performance in 2013-14 represents an improvement on last year, despite the very real operational pressures.

STRATEGIC REPORT (CONTINUED)

Efficiency Plan

Over the current CSR period to meet decreasing budget allocations, PSNI must implement a wide range of cost saving initiatives while ensuring that the Service continues to provide the finest personal, professional and protective policing service to the people of Northern Ireland.

Under the Budget 2010 settlement PSNI must deliver net baseline savings of £135m. In order to meet this funding gap PSNI has established an Efficiency Plan. For the 2013-14 financial year, efficiency savings of £46.4m were delivered against a target of £45.9m.

Social and community issues

The tradition of generous charitable giving by officers and staff of the Police Service has continued. In recognition of the continued support through payroll giving, this year the Police Service was a platinum employer award for Public Sector Payroll Giving.

Going concern

PSNI forms part of the Department of Justice (DOJ) and is funded via DOJ through supply grants from the Northern Ireland Consolidated Fund other than that required to provide the specified services of the specified year, or retained in excess of that need.

The Statement of Financial Position at 31 March 2014 shows net current liabilities of £108.8m. This reflects the inclusion of liabilities already incurred which are due for payment in future years. These liabilities will be financed from the Northern Ireland Consolidated Fund. Such drawings will be from Grants approved annually by the Northern Ireland Assembly.

The future financing of the PSNI's liabilities will be met by future Grants to the Department of Justice and the application of future income. 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 2013-14.



George Hamilton
Chief Constable
Police Service of Northern Ireland
02 July 2014

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.

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 Chief Constable has communicated his intention to retire on 29 June 2014.

George Hamilton was formerly appointed by the Policing Board as Chief Constable on 30 June 2014.

The Deputy Chief Constable was appointed by the Policing Board on the 1 June 2009. The Deputy Chief Constable retired on 31 March 2014.

RENUMERATION 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 Department 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:

Drew Harris	13 March 2006
Alistair Finlay	28 August 2006 (T/DCC 14 March 2014)
William Kerr	16 August 2009
George Hamilton	5 December 2011 (CC 30 June 2014)
Mark Hamilton	5 August 2013
Stephen Martin	30 June 2014

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.

RENUMERATION REPORT (CONTINUED)

Salary and pension entitlement: (Audited Information)

Remuneration and pension information for the year ended 31 March 2014 is provided for Chief Officers of the PSNI as follows:

	Salary 2013-14 £000's	Bonus/ Benefit in Kind 2013-14 £000's	* Pension Benefits 2013-14 £000's	Salary 2012-13 £000's	Bonus/ Benefit in Kind 2012-13 £000's	* Pension Benefits 2012-13 £000's
Chief Constable Matt Baggott	190-195	NIL	-	190-195	NIL	(14)
Deputy Chief Constable Judith Gillespie	195-200	NIL	-	170-175	NIL	-
Assistant Chief Constable Rural Region George Hamilton	125-130	NIL	69	120-125	NIL	32
Assistant Chief Constable Urban Region William Kerr	125-130	NIL	77	115-120	NIL	30
Assistant Chief Constable Crime Operations Drew Harris	125-130	NIL	9	125-130	NIL	30
Assistant Chief Constable Human Resources Alistair Finlay	125-130	NIL	(10)	125-130	NIL	2
Assistant Chief Constable Rural Region David Jones (Full Year Equivalent)	35-40 (125-130)	NIL	38	125-130	NIL	66
Assistant Chief Constable Service Improvement Mark Hamilton (Full Year Equivalent)	70-75 (110-115)	NIL	98	-	-	-
T/Assistant Chief Constable Operational Support Stephen Martin (Full Year Equivalent)	45-50 (110-115)	NIL	106	-	-	-
T/Assistant Chief Constable Organisational Development Alan Todd (Full Year Equivalent)	5-10 (110-115)	NIL	6	-	-	-
Director of Finance & Support Services David Best	115-120	NIL	3	115-120	NIL	5
Director of Human Resources Joe Stewart	115-120	NIL	17	115-120	NIL	(197)

**The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights*

'Salary' includes gross salary; performance pay; 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.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Bonuses are based on performance levels attained and are made as part of the appraisal process. No bonuses were paid in 2013-14 (None 2012-13).

RENUMERATION REPORT (CONTINUED)

Salary and pension entitlement: Pay Multiples (Audited information)

2013/14	£000's	2012/13	£000's
Organisation Total		Organisation Total	
Remuneration of Highest Paid all Employees Total Remuneration	195-200	Remuneration of Highest Paid all Employees Total Remuneration	190-195
Median Total Remuneration	37.18	Median Total Remuneration	34.78
Ratio	5.23	Ratio	5.59

Police		Police	
Remuneration of Highest Paid Police Officer's Total Remuneration	195-200	Remuneration of Highest Paid Police Officer's Total Remuneration	190-195
Median Total Remuneration	40.91	Median Total Remuneration	38.75
Ratio	4.75	Ratio	5.02

Police Staff		Police Staff	
Remuneration of Highest Paid Director's Total Remuneration	115-120	Remuneration of Highest Paid Director's Total Remuneration	115-120
Median Total Remuneration	24.00	Median Total Remuneration	22.65
Ratio	4.87	Ratio	5.13

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Chief Officer in their organisation and the median remuneration of the organisations workforce.

The banded remuneration of the highest paid Chief Officer in the PSNI in the financial year 2013-14 was £195,000-200,000 (2012-13 £190,000-195,000). This was 5.23 times (2012-13 5.59) the median remuneration of the workforce, which was £37,180 (2012-13 £34,780).

No employees in 2013-14 or 2012-13 received remuneration in excess of the highest paid Chief Officer.

Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The ratio of the highest paid Chief Officer has decreased from 5.59 in 2012-13 to 5.23 in 2013-14. This is mainly as a result of the reduction in overall staff numbers during the 2013-14 year. As PSNI has two distinct pay structures, one for police and one for police staff, the median and pay multiples for each of these two pay structures has also been provided above.

RENUMERATION REPORT (CONTINUED)

Chief Officer Pension Benefits

Audited Information	Accrued pension as at 31 March 2014 £000's	Real increase in pension and related lump sum at 31 March 2014 £000's	CETV at 31 March 2014 £000's	CETV at 31 March 2013 £000's	Real increase in CETV £000's
Matt Baggott ¹	130-135	-	3,010	2,976	-
Judith Gillespie ¹	110-115	-	2,584	2,543	-
George Hamilton ¹	65-70	2.5-5	1,415	1,253	75
William Kerr ¹	55-60	2.5-5	799	698	49
Drew Harris ¹	70-75	0-2.5	1,617	1,503	12
Alistair Finlay ¹	70-75	0-2.5	1,688	1,660	(10)
Mark Hamilton ¹	35-40	5-7.5	483	393	58
Stephen Martin ¹	50-55	5-7.5	1,057	884	110
Alan Todd ¹	40-45	0-2.5	664	617	3
David Best	50-55 plus 155-160 lump sum	0-2.5 plus 2.5-5 lump sum	1,190	1,106	2
Joe Stewart ³	15-20 plus 45-50 lump sum	0-2.5 plus 2.5-5 lump sum	344	304	16

Note:

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.

These pension benefits are provided through two pension schemes depending on the employment status of the individual. Details of these schemes are included under note 3 to the Accounts.

RENUMERATION 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)), which are administered by Civil Service Pensions (CSP).

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 the Assembly each year.

From April 2011 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 a 'Career Average Revalued Earnings' (CARE) 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%. CARE pension benefits are increased annually in line with increases in the CPI. For 2014, public service pensions will be increased by 2.7% for pensions which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings, the current rates are as follows;

Annual pensionable earnings (full-time equivalent basis)	New 2014 contribution rate before tax relief for Classic Members:	New 2014 contribution rate before tax relief for premium, nuvos, and Classic plus
Up to £15,000	1.50%	3.5%
£15,001 - £21,000	3.0%	5.0%
£21,001-£30,000	4.48%	6.48%
£30,001-£50,000	5.27%	7.27%
£50,001-60,000	6.06%	8.06%
Over £60,000	6.85%	8.85%

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.

RENUMERATION REPORT (CONTINUED)

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 centrally provided risk benefit cover (death in service and ill health).

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 pension age. Pension age is 60 for members of Classic, Premium, and Classic Plus and 65 for members of Nuvos. Further details about the CSP arrangements can be found at the website:

www.dfpni.gov.uk/civilservicepensions-ni

POLICE PENSION SCHEMES

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.

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 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.

RENUMERATION REPORT (CONTINUED)

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)

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. 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 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 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. 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.

RENUMERATION REPORT (CONTINUED)

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

Compensation for loss of Office

No Chief Officers that left their posts during the 2013-14 financial year received compensation for loss of office.



George Hamilton
Chief Constable
Police Service of Northern Ireland
02 July 2014

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 and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, 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.

GOVERNANCE STATEMENT

Scope of responsibility

I have been appointed as the Accounting Officer for the Police Service of Northern Ireland (PSNI), by the Accounting Officer of the Department of Justice (DOJ) to whom I am directly accountable. My responsibilities as the PSNI Accounting Officer are contained in the Police (Northern Ireland) Act 2000, the Department of Finance and Personnel (DFP) document Managing Public Money (NI), and the Management Statement and Financial Memorandum agreed with the DOJ.

As the PSNI Accounting Officer I have responsibility for maintaining a sound system of internal control. The internal controls support the achievement of the PSNI's policies, aims and objectives which are set by the Northern Ireland Policing Board (NIPB), while also safeguarding the public funds and assets for which I am personally responsible as Accounting Officer. This responsibility is undertaken in accordance with the requirements of the DFP document Managing Public Money (NI).

The PSNI Governance Framework

The governance structure of the PSNI reflects our unique statutory position, balancing the need for appropriate controls and oversight, while preserving the operational independence of the role of Chief Constable. This balance is recognised in the Police (Northern Ireland) Act 2000, and the Management Statement and Financial Memorandum issued by the DOJ.

It is essential that the PSNI is seen to uphold the highest standards in its own operations and, for this purpose, I am held to account on a regular basis by the NIPB. The NIPB is a statutory non departmental public body consisting of 10 locally elected political representatives and 9 independent members, to whom I have statutory responsibilities.

I recognise that the governance structures for the PSNI set out within the Police (Northern Ireland) Act 2000, incorporating the oversight functions of the NIPB and PSNI as two separate but linked organisations are unique and not replicated for any other public sector body. Where the requirements of the Act and the Corporate Governance Code differ, the PSNI will always seek to comply with the Act, which reflects the wishes of Parliament. I have assessed the PSNI governance arrangements against the Governance Code and found that the NIPB and the PSNI arrangements when taken together comply with the code to the extent that it is relevant and meaningful.

Northern Ireland Policing Board

The NIPB is a non departmental public body and separate from the PSNI. It produces its own annual report and accounts, including a governance statement. The NIPB has a statutory role in "securing the maintenance of the Police in Northern Ireland, and shall secure that the Police, and the police support staff are efficient and effective". Their governance structure in undertaking this role is contained in the NIPB governance statement, it can be found at: www.nipolicingboard.org.uk

GOVERNANCE STATEMENT (CONTINUED)

The NIPB is required to meet at least eight times each year for the purposes of receiving and considering a report on policing from the Chief Constable. The NIPB also has a structure of committees that meet on a regular basis to consider specific areas of Policing and PSNI business areas. One of the main roles that NIPB undertakes is to determine and revise objectives for the policing of Northern Ireland. The NIPB has a statutory requirement to secure continuous improvement in the way the Chief Constable functions in regard to economy, efficiency and effectiveness, and to monitor the performance of the police, trends and patterns in relation to complaints against the police, trends and patterns in crimes, and recruitment to the police and police staff.

This demonstrates the unique governance arrangements contained in the Police (Northern Ireland) Act 2000 that exist between the PSNI and the NIPB, and why the NIPB scrutinises the work of PSNI through its Board and Committee structure. There is a clear division of responsibility between the NIPB Chairperson and myself; the Chairperson is responsible for the leadership and effective working of the NIPB, and I am responsible as the PSNI Accounting Officer for the implementation of PSNI strategy and making operational decisions relating to policing. The requirements in the Corporate Governance Code are provided for under these arrangements.

I have raised with the Department about the need to revisit the protocol on statutory responsibilities of all those organisations involved with policing in Northern Ireland, including national and local responsibilities and reporting mechanisms.

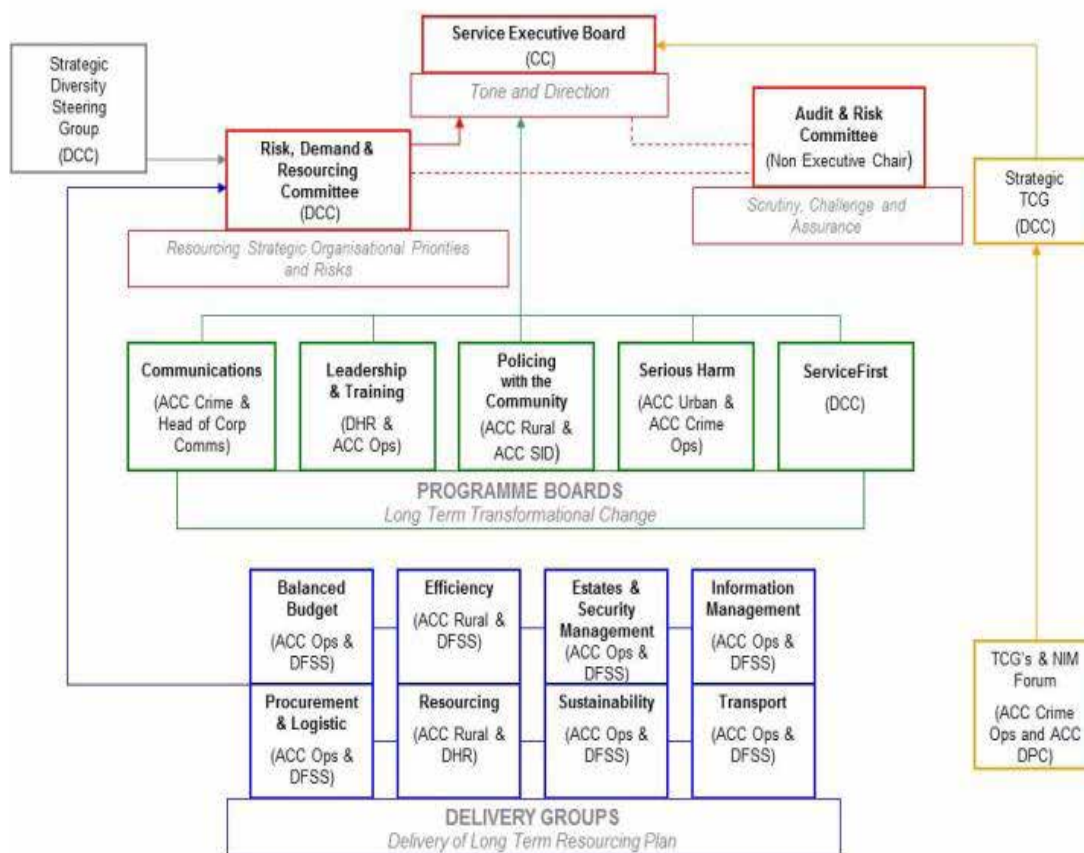
Leadership Team

I am supported by a Service Executive Team consisting of a Deputy Chief Constable, Assistant Chief Constables, and senior civilian staff Directors. The Deputy Chief Constable retired from the Service at the end of March 2014 and Chief Constable Baggott retired on 29 June 2014. I took up post on 30 June 2014 following the NIPB's appointment. The NIPB has already initiated a process to appoint a new Deputy Chief Constable later this year.

Governance Structure

The leadership team meets formally each month as the Service Executive Board (SEB) to provide executive management and governance to the operations and delivery of the PSNI. During 2013-14 the Service Executive Board was supported by three other governance committees, the Risk, Demand and Resources committee (RDR), the Audit and Risk Committee (ARC), and the Strategic, Tasking and Coordinating Group (STCG). The RDR and STCG committees are executive committees and support SEB by making strategic decisions in line with the tone and direction set by SEB. The SEB undertook a self effectiveness review in April 2014 looking at its performance over the financial year 2013/14, and is satisfied with the level and type of information it received during the period. The SEB provided strategic direction for the PSNI over the period. A schematic of our governance structure is shown opposite.

GOVERNANCE STATEMENT (CONTINUED)



Attendance by the members of the year at SEB meetings is set out below:

Members as at 31 March 2014	Number of SEB meetings eligible to attend	Number of SEB meetings attended
Matt Baggott	14	12
Judith Gillespie	14	11
David Best	14	12
Alistair Finlay	14	10
George Hamilton	14	12
Mark Hamilton	11	8
Drew Harris	14	13
David Jones	2	1
William Kerr	14	10
Stephen Martin	6	6
Joe Stewart	1	1
Alan Todd	1	1

The Audit and Risk Committee consists entirely of independent members, chaired by an independent Chairperson with two other independent members, and is fully compliant with the National Audit Office, Audit Committee Self-Assessment checklist, and the "HM Treasury Audit Committee Handbook".

GOVERNANCE STATEMENT (CONTINUED)

The Audit and Risk Committee met four times during 2013-14, providing me with assurance on issues of internal control, governance and risk. The Committee is informed from a number of sources, one being the Head of Internal Audit who issues an independent opinion on the adequacy and effectiveness of the PSNI's system of internal control. A satisfactory level of assurance has been provided by Internal Audit in relation to risk management, internal control and governance, with the exception of a number of specific areas. Firm action will be taken by PSNI to address issues where "Limited" assurance levels on individual reviews were identified.

Risk and Control Framework

The Service Executive Team assess how the achievement of our policies, aims and objectives might be affected by the risks we face, and the internal control framework is designed to mitigate those risks. The framework has been in place across the 2013-14 year. 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, and it therefore provides reasonable rather than absolute assurance of effectiveness.

The internal control framework, which accords with DFP guidance and best practise, is an ongoing live process identifying and prioritising the risks to the achievement of organisational policies, aims and objectives. I have put in place arrangements to ensure that a proper evaluation of the balance of the cost of control and the risk encountered is part of the PSNI decision making process. The internal control systems ensure that PSNI's assets are utilised with regard to the overall value for money to public funds.

Within PSNI we manage our business with a view to the risks we face, using appropriate control systems. This process is embedded in how we undertake our responsibilities and includes clearly defined policies and processes, effective financial management and the identification and management of risks.

Our ability to handle risk can be clearly seen by the movements on the corporate risk register over the reporting period, with six new risks coming on, eight risks being removed.

To ensure that we continue to respond to our changing environment, the PSNI's strategic objectives are translated to our operations through working towards meeting the Northern Ireland Policing Plan, and by clearly defined accountabilities over the delivery of outputs and outcomes.

We continue to refine management information and business reporting to provide the Service Executive Team and the NIPB with appropriate and timely management information to allow them to identify and respond to emerging risks.

Risk Management

Risk management is high on the business agenda and we manage risks in a structured manner. The Service Executive Team has reviewed the PSNI risk appetite using the recognised classifications of Hungry; Open; Cautious; Minimalist and Averse and has agreed the organisational risk appetite across the five categories of risk provided in the following table:

GOVERNANCE STATEMENT (CONTINUED)

Category	Appetite	Rationale
Reputation / Confidence	Averse	The Minister's long term objective for policing is to improve confidence in policing, maintaining our reputation is of paramount importance in assisting us to work towards this objective. The avoidance of risk in this area is crucial.
Litigation	Averse	The PSNI will seek at all times to act within the relevant legal and regulatory constraints. The PSNI seeks to avoid intentional actions that will lead to litigation.
Resourcing	Open	The delivery of an efficient and effective policing service is key to improving confidence in policing. Whilst ongoing security issues often consume our resources we are open minded and willing to consider all options that may result in improved and increased resources.
Continuous Improvement	Open	The PSNI is committed to delivering an effective and efficient policing service whilst rising to the challenge of delivering substantial savings. Consideration will be given to all options that may result in an improved business benefit.
Service Delivery	Ranges from Averse to Open	The PSNI recognises its responsibility to protect the public from the threat and risk of harm. When delivering a policing service the PSNI appetite to risk ranges from 'Averse' when dealing with issues like Child Sexual Exploitation where risk will be avoided, to 'Open' when receiving and using intelligence that will help us combat the terrorist threat and deal with serious and organised crime.

Consideration and mitigation of risk is crucial to the effectiveness of the system of internal control. Policies and principles for how staff can undertake the work of PSNI are developed, maintained and communicated to staff through the code of ethics, and staff handbook. Compliance with these policies is expected of all our staff and breaches can lead to re-training and/or disciplinary action.

All Chief Officers and Service Managers together with the Audit and Risk committee have provided leadership to the risk management process, throughout the reporting period. In addition the Corporate Risk Manager provides training, guidance and support across the organisation to enable all staff to manage risk.

GOVERNANCE STATEMENT (CONTINUED)

The PSNI has a risk management policy which clearly describes the various roles and responsibilities of relevant positions within the PSNI. The monitoring and reporting of risk management arrangements are included in the policy.

Risk management is embedded into the organisation with each Department and District actively managing individual risk registers, and all have a common theme and link through to the Policing Plan objectives. A control risk self assessment process is also completed across Districts and Departments, and this is formally reviewed by Internal Audit.

The Corporate Risk Register is managed by the Corporate Risk Manager and captures significant risks facing the organisation. The Risk Register is reviewed on a monthly basis at the RDR Committee, with changes to the register approved by the SEB. The effectiveness of the risk management process is reported twice a year to the RDR Committee and the ARC, it is also used to assist in the Chief Officers Annual Performance Appraisal Process.

Stewardship reporting is a key assurance control for the accountability, ownership and management of risks throughout the PSNI. All Senior Officers provide statement of risk management assurance twice per year confirming they have reviewed the risks within their area of responsibility, and assessed the management of the risks identified. This is part of a hierarchy of stewardship reporting from district commanders to ACC's, and from ACC's through to the Stewardship Statement I provide to the Department of Justice at six monthly intervals.

Control Risk Self Assessment (CRSA) programmes were not completed for the 2013-14 year in relation to Operations and Human Resources, however these will form part of the internal audit plan for 2014-15 and District Commanders and Departments will use CRSA as part of their review of controls to inform their stewardship reporting.

Processes to manage operational risks incorporate those risks identified through the operation of the National Intelligence Model (NIM). The NIM control strategies for each priority are aligned with the actions necessary to manage the identified risk.

The PSNI Audit and Risk Committee, which consists of non-executive members, provides me with assurance that effective risk management, governance and control arrangements are in place. The Audit and Risk Committee receives regular risk management updates, along with reports from internal and external audit. The DoJ, Policing Board and NIAO have standing invitations to attend the ARC meetings as observers, and also contribute to the business at the committee. The Internal Audit contract was tendered in 2013 and the new Internal Audit provider commenced their work mid 2013.

Areas of significant concern or risk

During the period PSNI has identified some areas of significant concern or risk that could impact on the delivery of policing:

GOVERNANCE STATEMENT (CONTINUED)

Terrorist Attack. The terrorist threat level to PSNI remains at “severe”. Government has provided additional funding for this spending period to help deal with the threat, however it continues to affect conventional policing methods. There is an impact on the level of resources available to other core areas of policing, which could have a negative impact on public confidence.

Legacy Issues. This continues to be a huge area of risk for the organisation due to the increasing public and political focus on dealing with the past. The cost of dealing with legacy issues i.e. historical enquiries, legacy inquests, legal costs and compensation claims will continue to put a strain on finances at a time when efficiency savings are sought. The provision of letters by the Northern Ireland Office to “on the runs” also became an issue for the PSNI during 2013/14. A judicial led review by Lady Justice Hallett is ongoing to establish the facts.

National Crime Agency (NCA). The formation of the NCA on 1 October 2013 and the decision of the Northern Ireland Assembly to not enact enabling legislation allowing the NCA to operate within Northern Ireland, means that PSNI is not completely connected to national resources and specialism’s relating to sharing intelligence, civil recovery of criminal assets, child exploitation on line, cybercrime and specialist resources for covert policing. This has the potential to impact on the PSNI’s ability to protect life under Article 2 of the Human Rights Act (1998), and tackling serious crime, such as drug trafficking and human trafficking. It will also cause pressure on PSNI resources as inevitably more will be needed to combat serious crime in an attempt to undertake the work caused by the absence of the NCA. PSNI Audit and Risk Committee are particularly concerned at the non-resolution of this issue.

Resilience. PSNI continues to face significant challenges to remain within spending targets and to deliver efficiency savings. PSNI is more restricted than police services in England and Wales in responding to unforeseen financial pressures, as there is no ability to carry forward reserves, raise funding through a policing precept or borrow funds to finance major projects. The policing of major pre-planned events along with unforeseen public order activity put a major strain on human and financial resources during 2013/14. Without commitment to a suitable and sustainable budget settlement the Service may not be able to recruit and sustain enough staff to ensure the service is sufficiently resilient to meet the foreseeable policing demands to the end of 2016.

Government Classification Policy. GCP introduces a culture change across all of UK Government in respect of how we manage and secure our information assets. Central HM Government Departments (including the NI Civil Service and the Ministry of Defence) will implement the new policy from 2 April 2014. PSNI will adopt the new policy from 1 October 2014. There is a risk that ill-considered or hasty introduction of the new Government Classification Policy may lead to compromise of our sensitive information assets particularly when working in partnership with other Government bodies who are implementing the policy six months in advance of national policing.

GOVERNANCE STATEMENT (CONTINUED)

Public Order. Maintaining public order in 2013 due to on going protests and incidents of severe disorder, resulted in extended periods of duty for many Police Officers. The extended duty, coupled with the difficult nature of the public order duties undertaken in these periods has had a detrimental impact on the welfare and general health of our officers. Without general societal agreement in relation to many of the reasons for the protests, 2014 has the potential for the policing of public order to remain a concern and to impact on the delivery of normal policing.

Northern Ireland Community Safety College. The continuing uncertainty around the construction, procurement and overall funding associated with the NICSC has the potential to impact on the PSNI's future capital budget. This uncertainty could result in the delay or postponement of pre planned PSNI capital projects. Further consideration around how the Service will build sufficient capacity to deliver firearms training is also required.

Child Sexual Exploitation. Child sexual exploitation with an emphasis on children in care was widely publicised in 2013. There is a risk that if we are ineffective in our response to missing children who are suffering, or at risk of sexual exploitation there may be a loss of public confidence by victims, their family or carers and safeguarding agencies.

Historical Enquiries Team (HET). An HMIC report on the Historical Enquiries Team was critical of the "HET" operational policy and procedure, and high level political criticism followed the publication of the HMIC report. The NIPB has a specific working group monitoring the work undertaken in relation to the report and PSNI have taken significant steps to progress the recommendations. HET will be resume work in the very near future.

Security Funding. As Chief Constable I receive funding relating to national security and reserved matters, this comes from the Northern Ireland Executive and HM Treasury. I received the funding through the normal grant mechanisms, and I report back on the spend to the NI Policing Board, Department of Justice, and the Department of Finance and Personnel. I also provide detailed operational and financial reports to the Northern Ireland Office and Whitehall due to the nature of this funding. The SEB also receives monthly reports relating to this funding. Security funding is subject to the normal PSNI policies and procedures including external and internal auditing procedures. The PSNI also spends approximately 27% of its main grant budget dealing with the current security threat. This diverts limited resources away from day to day policing and means that any reduction in main grant funding has a direct impact on national security issues.

Statement of Information Risk

Together with the staff of PSNI I have privileged access to data and information to support the discharge of the policing function and ensure that the work undertaken by PSNI is factual, accurate and complete. The PSNI has a duty to respect this privilege and ensure that the personal information entrusted to it is safeguarded properly. The PSNI complies with the mandatory requirements in the Cabinet Office's security policy framework, and has developed its own information assurance strategy, and information assurance policy which is supported by 27 detailed information security standards.

GOVERNANCE STATEMENT (CONTINUED)

The strategy facilitates the safe and secure move towards transformational services, information sharing in partnership with other bodies, and recognises the increasing threat to information assets in a developing technological environment through:

- Effective and Secure Information sharing
- Proportionate Risk Management, Accreditation, and Communications leading to enhanced organisational Information Assurance awareness
- Increased Innovation Empathy
- Alignment with National Objectives

The strategy is owned by an Assistant Chief Constable who is a member of the SEB, and is the Service Information Risk Owner (SIRO) for the PSNI. The SIRO is supported by a dedicated Information Assurance Unit led by the PSNI Accreditor and supported by the Information Assurance Manager, the IT Security Officer, and a network of Information Asset Owners who oversee all of the information assets held by PSNI. There is a Corporate Information Risk Register providing details on information risk treatment plans which are managed through the security accreditation process.

The SIRO receives monthly reports in relation to Information Risk, which are elevated to the Service Executive Board [or Resource, Demand and Risk Committee] if appropriate. PSNI continues to work towards conforming with the Cabinet Office Information Assurance Maturity Model. At 31 March 2014 PSNI can demonstrate 100% Compliance at Levels 1 and 2, and 94½% Compliance at Level 3, in all 6 of the key risk areas of the Maturity Model. An additional series of risk assessments conducted in collaboration with our major delivery partners and third party suppliers resulted in a range of 88-98% compliance against IA Maturity Model controls during 2013/14. These high percentage scores provide evidence of our ability to manage information risk both internally and externally across our supply chain.

Personal Data Related Incidents

As the PSNI Accounting Officer I have responsibility for ensuring the security of personal data and to respond if there has been a breach or potential breach of the Data Protection Act. In 2013 four incidents of losses of notebooks have been reported to my Data Protection Unit. For the majority of these incidents, the notebooks have since been retrieved. However, in line with Information Commissioner's Office guidance, three incidents have been reported to them and investigations have commenced. In response to these incidents local investigations have commenced at District level and internal notebook handling processes are being reviewed and evaluated by the Review of Identifiable Items Working Group, which reports to the Audit and Risk Committee. Whilst all of this work is not complete, PSNI will comply with all outcomes and directions from the Information Commissioner's Office.

GOVERNANCE STATEMENT (CONTINUED)

Review of Effectiveness

As the PSNI Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by the work of the Service Executive Officers (Chief Officers) within the organisation who have responsibility for the development and maintenance of the internal control framework, and the work undertaken by the Internal and External Auditors during the reporting period.

Significant Internal Control Issues

I am able to report that there were no significant weaknesses in the PSNI's system of internal controls in 2013-14 which affected the achievement of the PSNI's key policies, aims, and objectives. I have received assurances from individual Chief Officers in relation to their Departments, and regularly review management reports from the "Overview" system that monitors organisational progress on review recommendations accepted by management. Internal Audit has also provided me with assurance in relation to risk management, the operational effectiveness of internal control systems, and in relation to governance arrangements, with the exception of the following specific areas of concern noted by Internal Audit in their Annual Assurance Statement:

Hate Crime (Compliance with the Service Procedure)

Given the complex nature of hate incidents/crimes, Internal Audit focused its work on compliance with elements of the Service Procedure (Police response to Hate Incidents). It was found that adherence to the Service Procedure varied across Districts, with no District fully compliant. The priority 1 issues identified related to the non-compliance with hate crime management relating to victim contact as part of the 30 day review, and the inconsistent standards of documentation ranging from a very high standard to sparse across the organisation. PSNI will focus on improving compliance with the Service Procedure in Hate Crime and addressing investigative standards. Hate Crime is now a Service strategic priority and this provides an additional formal mechanism for monitoring progress against recommendations/mitigating actions to ensure they are delivered upon.

Warrants

PSNI currently execute warrants issued by the NI Courts and Tribunals Service when a defendant has defaulted on the payment of a fine. Warrants are reported in the NI Courts and Tribunal Services Trust Statement. The Comptroller and Auditor General has qualified his opinion on these statements on the basis of a limitation of scope on the cash collection of warrants. The Department of Justice are currently working toward the introduction of a civilian solution for executing warrants which will remove PSNI from the process. I support the Department in this aim but, in the meantime, I am committed to working with the NI Courts and Tribunals Service to address any areas for improvement, where this does not compromise Human Rights obligations under the Police Act or delivery of the Policing Plan.

GOVERNANCE STATEMENT (CONTINUED)

Contracts

Currently there is a Police investigation into the area of PSNI transport contracts. This investigation is at an early stage and any corrective action required to be taken will be dependent on the outcome of the Police investigation.

A recent Internal Audit report, commissioned by management, on expenditure on ICS contracts identified a number of weaknesses in the ordering and receipting arrangements in this area. Interim management action has already been taken to help address the issues raised and new procedures are also being developed. Internal Audit have been asked to review this area again in 2014/15 to provide assurance that all issues have been satisfactorily addressed.

The Northern Ireland Audit Office has undertaken external audit work on the organisation in addition to its annual financial audit on the PSNI's financial statements. There are two significant reports to consider:

Continuous Improvement in Policing

The Comptroller and Auditor General (NI) audited the NIPB's continuous improvement arrangements as required by Part V of the Police (NI) Act 2000. The report contains a qualified audit opinion for the second consecutive year on the NIPB's continuous improvement arrangements advising that the performance standards contained in the Policing Plan lacked sufficient clarity on the degree of improvement required, and the timeframe within which they should be achieved.

PSNI staff have worked closely with staff from the NIPB to develop a Policing Plan for 2014-17 which addresses the issues raised by the Comptroller and Auditor General (NI) in his qualified audit report.

Public Accounts Committee Report on PSNI's use of Agency Staff

The Northern Ireland Audit Office reviewed the arrangements relating to the use by PSNI of agency staff, and the report was considered by the Assembly's Public Accounts Committee on 10 October 2012, and again on 28 November 2012. The Public Accounts Committee report was released on 26 March 2014, and the PSNI has provided a response to the Department of Justice within the six week period allowed.

No ministerial directions were received during the period.

There are a number of other sources from which I draw assurance on the system of internal control. These include the work of those independent external bodies which provide a challenge function to the work of the PSNI including;

The Northern Ireland Policing Board
The Department of Justice
Northern Ireland Audit Office
Her Majesty's Treasury
The Criminal Justice Inspectorate of Northern Ireland
Her Majesty's Inspectorate of Constabulary
Surveillance Commissioner
Human Rights Commission

GOVERNANCE STATEMENT (CONTINUED)

Any issues of control weaknesses, identified from reviews carried out by these independent bodies in 2013-14, have been considered and action taken with progress on actions outstanding monitored through the "Overview" system.

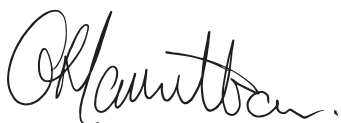
The SEB continues to keep its internal control arrangements under review in response to internal and external developments. The SEB is independently advised by the Audit and Risk Committee which meets four times per year, and reports through its annual report, and regular meetings between the independent Chair of the Audit and Risk committee and the Deputy Chief Constable.

Internal Audit submit regular reports on the management of key business risks, and the effectiveness of the system of internal control, making recommendations for improvement where appropriate. This is formally reported to the Audit and Risk Committee at each meeting. Those recommendations accepted by PSNI have been implemented, or, are being implemented against agreed timetables, with those accepted recommendations past their initial planned end date reported to the Audit and Risk Committee, and quarterly to the Service Executive Board.

Accounting Officer's Statement of Assurance

I have considered the assurances provided by PSNI Senior Officers, the Audit and Risk Committee, Internal Audit, External Audit and external scrutiny bodies.

As the PSNI Accounting Officer, I am satisfied with the overall effectiveness of the system of internal control and am content that adequate plans exist to address any weaknesses and to ensure continuous improvement.



George Hamilton
Chief Constable
Police Service of Northern Ireland
02 July 2014

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 (PSNI), the PSNI Police Property Fund Account and the PSNI Police Fund Account for the year ended 31 March 2014 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 Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 Police Service of Northern Ireland, 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, certify and report on 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

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

Basis for qualified opinion on regularity

As noted in the PSNI governance statement, there is currently a Police investigation in the area of PSNI transport contracts. This investigation is considering the awarding of a number of vehicle contracts. The investigation is at an early stage. Any corrective action required to be taken will be dependent on the outcome of the investigation. PSNI have been unable to provide me with the information and evidence I require to form an opinion on the regularity of transactions associated with an unspecified number of transport contracts under investigation or the full value of the transactions incurred as a result of these contracts. There are no other audit procedures which I can undertake to obtain this evidence.

Qualified opinion on regularity

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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, the PSNI Police Property Fund Account and the PSNI Police Fund Account as at 31 March 2014 and of the 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 CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)

- the information given in the Chief Constable's Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect alone of the issue relating to the investigation of the awarding of vehicle contracts referred to above I have not received all of the information and explanations that I require for my audit.

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 Governance Statement does not reflect compliance with the Department of Finance and Personnel guidance.

Report

Other than as outlined above, I have no further observations to make on these financial statements.



Kieran J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
Date: 03 July 2014

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2013-14 £000	*restated 2012-13 £000
Expenditure:			
Staff Costs	3	555,532	543,831
Depreciation	4	38,021	33,380
Other Expenditures	5	<u>243,005</u>	<u>198,086</u>
		836,558	775,297
Income:			
Income from activities	6	(13,218)	(4,699)
Other Income	6	<u>(2,923)</u>	<u>(4,053)</u>
		(16,141)	(8,752)
Interest Payable/Receivable		-	-
Net Expenditure after Interest		<u>820,417</u>	<u>766,545</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net loss on the revaluation of Property, Plant and Equipment	7	560	8,625
Net loss on the revaluation of Intangibles		40	-
Actuarial Loss		<u>40,400</u>	<u>50,640</u>
		41,000	59,265
Total Comprehensive Net Expenditure		<u>861,417</u>	<u>825,810</u>

The notes on pages 56 to 92 form part of this account

**2012-13 restated to reflect prior period adjustment as detailed in note 1.24*

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

		2014	2013
		£000	£000
	Note		
Non-current assets:			
Property, plant & equipment	8	577,386	571,518
Intangible assets	9	<u>4,277</u>	<u>4,166</u>
Total non-current assets		<u>581,663</u>	<u>575,684</u>
Current assets:			
Assets classified as held for sale	11	2,420	2,189
Inventories	12	5,307	5,343
Trade and other receivables	13	27,639	25,514
Cash and cash equivalents	14	<u>2,685</u>	<u>1,745</u>
Total current assets		<u>38,051</u>	<u>34,791</u>
Total assets		<u>619,714</u>	<u>610,475</u>
Current liabilities:			
Trade and other payables	15	(82,949)	(100,576)
Provisions	16	<u>(63,887)</u>	<u>(75,059)</u>
Total current liabilities		<u>(146,836)</u>	<u>(175,635)</u>
Non current assets less net current liabilities		<u>472,878</u>	<u>434,840</u>
Non-current liabilities:			
Provisions	16	(565,348)	(530,912)
Total non-current liabilities		<u>(565,348)</u>	<u>(530,912)</u>
Total assets less liabilities		<u>(92,470)</u>	<u>(96,072)</u>
Taxpayers' equity			
Revaluation Reserve		108,363	110,611
General Reserve		<u>(200,833)</u>	<u>(206,683)</u>
Total		<u>(92,470)</u>	<u>(96,072)</u>

The notes on pages 56 to 92 form part of this account.

The financial statements on pages 52 to 92 were approved and authorised by the PSNI on 02 July 2014 and were signed on its behalf by:



George Hamilton
Chief Constable
Police Service of Northern Ireland
02 July 2014

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014**

		2013-14	*restated 2012-13
		£000	£000
	Note		
Cash flows from operating activities:			
Net Deficit after Interest		(861,417)	(825,810)
Adjustments for non-cash transactions	(4,5,6,7)	113,843	116,622
Increase in trade and other receivables	13	(2,125)	(2,566)
Decrease in trade and other payables	15	(17,627)	5,163
Less movements in payables relating to Capital items		8,669	(7,404)
Decrease in Inventories	(12)	36	287
Use of Provisions	(16)	<u>(52,270)</u>	<u>(65,688)</u>
Net cash outflow from operating activities		(810,891)	(779,396)
Cash flows from investing activities:			
Purchase of property, plant & equipment		(54,356)	(48,075)
Purchase of intangible assets		(189)	(973)
Proceeds on Assets Held for resale		1,025	967
Proceeds on disposal of plant, property & equipment		<u>332</u>	<u>111</u>
Net cash outflow from investing activities		(53,188)	(47,970)
Cash flows from financing activities:			
Grant from Sponsoring department		865,019	826,241
Net financing		865,019	826,241
Net increase/(decrease) in cash and cash equivalents in the period		<u>940</u>	<u>(1,125)</u>
Cash and cash equivalents at the beginning of the period		<u>1,745</u>	<u>2,870</u>
Cash and cash equivalents at the end of period		<u>2,685</u>	<u>1,745</u>

The notes on pages 56 to 92 form part of this account

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2014**

	General Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2012	<u>(217,890)</u>	<u>121,387</u>	<u>(96,503)</u>
Changes in Taxpayers' Equity 2012-13			
Transfers between reserves	2,151	(2,151)	-
Comprehensive Expenditure for the year	<u>(817,185)</u>	<u>(8,625)</u>	<u>(825,810)</u>
Total	<u>(815,034)</u>	<u>(10,776)</u>	<u>(825,810)</u>
Grant from Sponsoring Entity	<u>826,241</u>	-	<u>826,241</u>
Balance at 31 March 2013	<u>(206,683)</u>	<u>110,611</u>	<u>(96,072)</u>
Changes in Taxpayers' Equity 2013-14			
Transfers between reserves	1,648	(1,648)	-
Comprehensive Expenditure for the year	<u>(860,817)</u>	<u>(600)</u>	<u>(861,417)</u>
Total	<u>(859,169)</u>	<u>(2,248)</u>	<u>(861,417)</u>
Grant from Sponsoring Entity	<u>865,019</u>	-	<u>865,019</u>
Balance at 31 March 2014	<u>(200,833)</u>	<u>108,363</u>	<u>(92,470)</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. 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 which is judged to be most appropriate for the PSNI and giving a true and fair view has been selected. The particular policies adopted by the PSNI are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories. The main accounting policies adopted by the PSNI are summarised below.

1.2 Income

This is income which relates mainly to the operational activities of the organisation. Operating income is earned principally from the issue of Firearms Licences, Refunds & Contributions, Rental Income, Income earned from the Barracuda system and for the safety camera scheme. Income earned from the Home office through the Assets Recovery Incentivisation Scheme (ARIS), monies seized through the proceeds of crime act are also included.

Income is stated on an Accruals basis, in accordance with FReM and is stated net of VAT. PSNI complies with the charging guidelines as laid down by the Association of Chief Police Officers (ACPO).

1.3 Property, Plant and Equipment

Property, Plant and Equipment comprise Land, Buildings IT and Communications, Plant and Equipment, Vehicles and Aircraft, and Assets in the Course of Construction.

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. Items classes as 'Assets in the Course of Construction' are recognised in the Statement of Financial Position, to the extent money has been paid or a liability has been recognised.

In compliance with IAS 16 Property, Plant and Equipment, Subsequent expenditure on an asset which does not meet the criteria of an enhancement or an improvement is treated as revenue. All Property, Plant and Equipment are reviewed annually for impairment and are carried at fair value.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

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 last 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 IFRS disclosure requirements, separate disclosure is attributed to Dwellings (under Land & Buildings).

Upward revaluations are credited to the Revaluation Reserve and permanent reductions in the value of property, plant and equipment are charged to the Statement of Comprehensive Net Expenditure. Any subsequent revaluation of assets is credited to the Statement of Comprehensive Net Expenditure to the extent that it reverses previous revaluation decreases recognised as an expense.

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. Assets in the course of construction are not depreciated until the asset is brought into use and transferred to the relevant asset group. 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
Intangible Assets	3 years or life of purchased licence

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.

A further adjustment is made for any backlog depreciation arising from the requirement to value assets by reference to current costs and from this the backlog depreciation is posted to the revaluation reserve.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

1.5 Intangible Assets

The PSNI has classified expenditure on software licences and general information software technology costing more than £5,000 as Intangible Assets. Software licences are included at cost and principally amortised over a 3 year period or the life of the licence purchased which is estimated to be their useful economic life. Intangibles are revalued annually using indices provided by the Office for National Statistics.

1.6 Non-Current Assets Held for Sale

The PSNI has classified non-current assets as Held for Sale where their carrying amount will be recovered through sale rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and it should be expected to be completed or realised within one year from the date of classification.

Such assets classified as Held for Sale are measured at the lower of carrying amount and fair value, costs of sale for these assets have been provided for separately due to the specialised nature of the assets. These decommissioning costs are set out in note 16. Depreciation is not charged once an asset has been classified as Held for Sale, any downward revaluation or impairment of non current assets Held for Sale is charged to the Statement of Comprehensive Expenditure.

1.7 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when the entity becomes party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when and only when the contractual rights to the cash flows from the asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when it is extinguished.

Financial instruments are initially recognised at fair value unless otherwise stated. Fair value is the amount at which an instrument could be exchanged in an arms length transaction between informed and willing parties.

PSNI categorises the following balances to be financial instruments:

Trade and Other Receivables:

Financial Assets within trade and other receivables are initially recognised a fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective method less provisions for doubtful receivables. Provisions are made specifically where there is objective evidence of a dispute or inability to pay.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

Cash and Cash Equivalents:

Cash and cash equivalents comprise cash in hand and current balances with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Trade and Other Payables:

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method.

Risk Management:

The PSNI is not exposed to the same degree of financial risk faced by business entities. This is due to the organisation being essentially a non-trading entity and financed as a Non Departmental Public Body. It has no powers to borrow or invest in surplus funds and has limited year end flexibility. It is therefore 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.

1.8 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 2010 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.

A separate account is prepared showing details of the PSNI Police Pensions Schemes.

1.9 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 the Value Added Tax Act 1994. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

1.10 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.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

1.11 Provisions

PSNI provide for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows have been discounted as set out in HM Treasury PES (2013) 07. The following provisions are included in the PSNI Statement of Financial Position.

1.12 Provisions 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.

1.13 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.

1.14 Provision for Injury Awards

Injury awards are valued under International Accounting Standard (IAS) 19 Employee Benefits by GAD. As such the 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 provision also contains an estimate of possible future awards for current members. The liability is measured on an actuarial basis by the Government Actuary's Department (GAD).

1.15 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.

1.16 Miscellaneous Provisions

PSNI 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.

Early Retirement Costs:

PSNI has provided for the future obligations arising from staff being provided with Early Retirement under the Principal Civil Service Pension Scheme.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

1.17 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, PSNI discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.18 Leases

Finance Leases:

Leases of property, plant and equipment where PSNI holds substantially all the risks and rewards of ownership are classified as finance leases. PSNI did not hold any finance leases during 2013/14.

Operating Leases:

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating 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.

1.19 Employee Benefits and Staff Costs

In compliance with IAS 19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the costs of any untaken leave as at the reporting date. The cost of untaken leave has been determined from a sample of staff leave records. The PSNI has recognised, recorded and expensed all relevant staff costs as soon as it is obligated to honour them.

1.20 Critical Accounting Estimates and Key Judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the PSNI's accounting policies. We continually evaluate our estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. There were no other material changes to accounting estimates and methodology adopted by the PSNI in preparing these accounts.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts are discussed below.

Depreciation of property, plant and equipment and Amortisation of intangible assets:
Depreciation and amortisation is provided in the accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 1.4

Impairment and Revaluation of property, plant and equipment:
Where there is an indication that the carrying value of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.
Revaluations of Property and PSNI Aircraft are based on the assessment of independent experts, while all other assets are revalued using details of indices as published by the Office for National Statistics.

Injury on duty awards - life expectancy:
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 (GAD). Injury awards are valued under International Accounting Standard (IAS) 19 Employee Benefits by GAD.

Provisions for litigation claims and miscarriages of justice:
The decision to provide for, and the amounts provided for, compensation claims and associated legal costs is based on legal advice using the best estimate of the outcome of each case (the likely compensation and legal costs payable) from an assessment of the latest information.

1.21 Segmental Report

Under the requirements of IFRS 8 Operating Segments, PSNI must disclose information to enable users of the financial statements to evaluate the nature and financial effects of the business in which it engages and the economic environment in which it operates. 'Total Assets' are only required to be disclosed in reporting segments where total assets for segments are regularly reported to the chief operating decision maker. As total assets for segments are not regularly reported to the chief operating decision maker PSNI has adopted this amendment. The amendment does not have a material impact on PSNI's financial statements. Full details of the reporting segments are contained within Note 2.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

1.22 Police Fund

The Police Fund is a separate scheme administered by the PSNI in conjunction with the RUC Benevolent Fund. It was established by regulations under section 28 of the Police Act (NI) 1970 which consist of PSNI Grant and fines imposed on police officers as a result of disciplinary action. This together with investment income is applied by PSNI for the welfare of police officers and their dependants.

As from the 1 April 2005, the Police Fund has been treated as a mutual Trust and is liable for corporation tax on interest and loan investment income. Due to the limited income received by the Fund, HMRC have marked the Fund as dormant from February 2014 and no corporation tax is due in the 2013-14 year. Note 24 provide details of the performance of this fund for the 2013-14 financial year.

1.23 Police Property Fund

The Police Property Fund is a separate fund, administered by PSNI and established by regulations under section 2 of the Police (Property) Act 1987. It comprises unclaimed receipts arising from criminal investigations by the PSNI, which the Policing Board donate to charities. The Police Property Fund does not hold a separate bank account, but rather utilises the banking arrangements of the PSNI. Note 25 provides details of the performance of this fund for the 2013-14 financial year.

1.24 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2014

The PSNI has included details of the performance of the Police Fund and the Police Property Fund Accounts for 2013/14 including comparative figures, as notes to the Main Financial Statements as set out in the accounts direction on 30 June 2014.

PSNI has reviewed the standards, interpretations and amendments to published standards that became effective during 2013-14 and which are relevant to its operations.

Standard	Description of revision	Application date	Comments
IAS 1 – Presentation of financial statements (Other Comprehensive Income (OCI))	Requiring items of OCI to be grouped on the basis of whether they might at some point be reclassified ('recycled') from OCI to profit (e.g. cash flow hedges) or where they will not (e.g. gains on property revaluation). This will make it clearer to users what their potential effect on profit or loss will be in future periods, notably in light of improved disclosure of financial instruments and pensions, and where there will be no impact. Amendments also allow simplified reporting for discontinued operations and OCI tax grouping.	1 June 2012 (FREM 2013-14)	The application of the IAS 1 amendment interpreted for the public sector context is effective from April 2013.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

Items relating to Other comprehensive Income have been restated to reflect the treatment as set out by International Accounting Standard 1 – Presentation of Financial Statements. The impact of this is outlined below:

	2012-13 £000's	Adjustment £000's	2012-13 £000's
Expenditure:			
Staff Costs	543,831		543,831
Depreciation	33,380	1,131	32,249
Other Expenditures	<u>198,086</u>	<u>—</u>	<u>198,086</u>
	775,297	1,131	774,166
Income:			
Income from activities	(4,699)		(4,699)
Other Income	<u>(4,053)</u>		<u>(4,053)</u>
	(8,752)		(8,752)
Interest Payable/Receivable	-		-
Net Expenditure after Interest	<u>766,545</u>	<u>1,131</u>	<u>765,414</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net gain/(loss) on the revaluation of Property, Plant and Equipment	8,625	7,494	1,131
Net gain/(loss) on the revaluation of Intangibles			
Actuarial Loss	<u>50,640</u>	<u>—</u>	<u>50,640</u>
	59,265	7,494	51,771
Total Comprehensive Net Expenditure	<u>825,810</u>	<u>8,625</u>	<u>817,185</u>

1.25 Third Party Assets

Third party assets are assets for which the PSNI acts as a custodian or trustee, but in which neither the PSNI nor Government more generally has a direct beneficial interest in them. Third party assets are not public assets, and hence are not recorded in the primary financial statements. In the interests of general disclosure and transparency, details of PSNI third party assets are provided in note 27. These are not recognised in the financial statements as the PSNI does not have a direct beneficial interest in them.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

1.26 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) 2013-14 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 2014 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.

Standard	Description of revision	Application date	Comments
IFRS 13 – Fair Value Measurement	<p>IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise):</p> <p>The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements.</p>	1 January 2013 (not yet EU adopted)	The application of IFRS 13 is subject to further review by HM Treasury and the other Relevant Authorities before due process consultation.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

2. STATEMENT OF OPERATING COSTS BY SEGMENT FOR THE YEAR ENDED 31 MARCH 2014

**Operating Segments
2013-14:**

	Territorial Policing	Other Frontline Policing	Infrastructure Support Costs	Other Costs	Total
	£000's	£000's	£000's	£000's	£000's
Gross expenditure	331,856	214,514	218,268	71,920	836,558
Income	(765)	(1,520)	(13,856)	-	(16,141)
Net Expenditure	<u>331,091</u>	<u>212,994</u>	<u>204,412</u>	<u>71,920</u>	<u>820,417</u>

**restated
Operating Segments
2012-13:**

	Territorial Policing	Other Frontline Policing	Infrastructure Support Costs	Other Costs	Total
	£000's	£000's	£000's	£000's	£000's
Gross expenditure	331,301	194,403	193,242	56,351	775,297
Income	(814)	(1,655)	(6,283)	-	(8,752)
Net Expenditure	<u>330,487</u>	<u>192,748</u>	<u>186,959</u>	<u>56,351</u>	<u>766,545</u>

In compliance with IFRS8, a segmental report has been included. Segments are determined based on the internal reports used by management for decision making, and include the following;

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:

This represents the directly attributable costs for both Crime Operations and Operational Support departments. Crime Operations includes Organised Crime, Serious crime, Intelligence, Specialist Operations, Scientific Support and Authorisations and Review. Operational Support department provides a wide range of operational support to the PSNI in the delivery of front-line policing services including Statistics, Close Protection, Information Assurance and Records Management.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

Infrastructure Support Costs:

This segment combines the costs of the main departments and branches which support Territorial and other Front Line Policing services. They include Finance & Support Services, Human Resources, Legal Services, Service Improvements, Media, Executive Support, Professional Standards and other outsourced services.

Other Costs:

This segment includes Non-Cash costs, including Depreciation and Permanent Diminution and Movement in Provisions. (Net pension costs are excluded).

There have been no changes from prior years in respect of how PSNI identifies its segments.

Any information in respect of fees and charges is provided for information purposes only. There are no transactions undertaken between reportable segments and PSNI places no reliance on income from any major customers.

3. STAFF NUMBERS AND RELATED COSTS

	2013-14 Permanently Employed Staff	2013-14 Others	2013-14 Staff Costs Total	2012-13 Staff Costs Total
	£000's	£000's	£000's	£000's
Wages & salaries	427,909	18,644	446,553	434,800
Social security costs	37,734	-	37,734	37,200
Pension Costs	<u>71,486</u>	<u>-</u>	<u>71,486</u>	<u>72,392</u>
Total staff costs	537,129	18,644	555,773	544,392
Less recoveries in respect of outward secondments	<u>(241)</u>	<u>-</u>	<u>(241)</u>	<u>(561)</u>
Total net costs	<u>536,888</u>	<u>18,644</u>	<u>555,532</u>	<u>543,831</u>

Average numbers of persons employed:

The average number of persons employed during the year was as follows:

	Total	2013-14 Permanent Staff	2013-14 Others	2012-13 Total Staff
Directly Employed	9,651	9,651	-	10,024
Other	396	-	396	431
Staff Engaged in Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>10,047</u>	<u>9,651</u>	<u>396</u>	<u>10,455</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (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 the Assembly each year.

The Principal Civil Service Pensions Scheme (Northern Ireland) [PCSPS(NI)] is an unfunded multi employer defined benefit scheme 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 2010. The pension scheme liability reported in the DFP Superannuation and Other Allowance Resource Accounts last year was as at 31 March 2010, however work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 2014.

For 2013-14, employers' contributions of £12,535,354 were paid to the PCSPS (NI) (2012-13: £11,544,381) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2014-15, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

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.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

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

No individual retired early on ill health grounds during 2013-14.

POLICE PENSION SCHEMES

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 2014, employer's contributions of £46,404,060 have been paid at the rate of 24.2% of pensionable pay. For 2013-14, employers' contributions of £47,868,131 were paid to the PSNI PPS. In addition employers' contributions totalling £2,816,670 have been paid for the year to 31 March 2014 in respect of early retirements (2012-13 £2,804,775). 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 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.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

New Police Pension Scheme (NPPS)

For the period to 31 March 2014, employer's contributions of £13,244,657 have been paid at the rate of 24.2% of pensionable pay. For 2012-13, employers' contributions of £12,928,410 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. 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 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.

EMPLOYER PENSION COSTS

Pension costs for employer contributions noted above are stated as the actual cash payments made in 2013-14 (total £75,001k).

Employer pension costs disclosed on page 67 (note 3) of £71,486k 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.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

Reporting of Compensation and Exit Packages for all Staff 2013-14

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other departures agreed	Total number of Exit Packages by cost band
< £10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	-	-
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
£200,000 - £250,000	-	-	-
£250,000 - £300,000	-	-	-
Total number of Exit Packages	-	-	-
Total Resource Cost (£)	-	-	-

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure.

Where early retirement has been agreed, the additional costs are met by the PSNI. Ill-health retirement costs are met by the pension scheme and not to be included in the above, these costs are set out on page 69.

No voluntary payments were made to Police Officers or Police Staff in the 2013-14 year.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

Reporting of Compensation and Exit Packages for all Staff 2012-13

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other departures agreed	Total number of Exit Packages by cost band
< £10,000	-	3	3
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	1	1
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	1	1
£200,000 - £250,000	-	-	-
£250,000 - £300,000	-	-	-
Total number of Exit Packages	-	5	5
Total Resource Cost (£)	-	223,328	223,328

Exit packages in 2012-13 contain information relating to the final leavers under the Patten severance scheme.

Assumptions:

Exit costs are accounted for in year of departure.

Where early retirement has been agreed, the additional costs are met by the PSNI.

Ill-health retirement costs are met by the pension scheme and not to be included in the above, these costs are set out on page 69.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

	2013-14	2012-13
	£000's	£000's
4. DEPRECIATION AND AMORTISATION		
Depreciation	33,272	32,249
Impairment	<u>4,749</u>	<u>1,131</u>
Total	<u>38,021</u>	<u>33,380</u>
5. OTHER EXPENDITURE:		
Other Expenditures	46,887	36,071
Accommodation services	55,627	45,744
IT & communications	40,782	39,279
Contracted Out services	18,402	15,805
Transport	17,213	16,448
Travel, subsistence & relocation	17,605	9,113
Forensic Services	10,503	10,490
Charges for operating leases: property	341	766
Charges for operating leases: photocopiers	123	122
Hospitality	219	199
Audit fees	74	71
Non cash items:		
Loss on disposal of Non Current Assets	96	632
Cost of borrowing on provisions	18,835	25,080
Increase in Provision	23,934	31,052
Provision not utilised	<u>(7,635)</u>	<u>(32,786)</u>
Total	<u>243,005</u>	<u>198,086</u>
6. INCOME FROM ACTIVITIES:		
Fees for firearms certificates, permits & accident reports	950	1,165
Profit on Disposal of non-current assets	407	-
Police Transport	50	50
Asset Recovery Scheme	680	758
Refunds & Contributions	11,047	2,700
EU Income	<u>84</u>	<u>26</u>
Subtotal	<u>13,218</u>	<u>4,699</u>
Other	<u>2,923</u>	<u>4,053</u>
Total	<u>16,141</u>	<u>8,752</u>
7. OTHER COMPREHENSIVE EXPENDITURE		
Downward revaluation in Property, Plant and Equipment	560	8,625
Downward revaluation in Intangibles	40	-
Actuarial Loss	<u>40,400</u>	<u>50,640</u>
Total	<u>41,000</u>	<u>59,265</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT:

2013-2014	Land	Buildings	IT and Comms.	Plant and Equip	Vehicles and Aircraft	Assets in Course of	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation:							
At 1 April 2013	129,803	440,408	132,220	15,366	107,148	39,181	864,126
Additions	-	11,666	2,702	1,576	10,719	19,024	45,687
Disposals	-	(124)	(9,302)	(1,321)	(4,336)	-	(15,083)
Assets Held for Sale	-	(1,415)	-	-	-	-	(1,415)
Reclassifications	(69,251)	61,246	7,473	(1,138)	18,545	(18,085)	(1,210)
Revaluations	(559)	4,053	(11,594)	(650)	-	-	(8,750)
Indexation	-	-	(570)	260	600	-	290
Impairments to SoCNE	-	(7,524)	(20)	(2)	(27)	-	(7,573)
At 31 March 2014	<u>59,993</u>	<u>508,310</u>	<u>120,909</u>	<u>14,091</u>	<u>132,649</u>	<u>40,120</u>	<u>876,072</u>
Depreciation:							
At 1 April 2013	-	122,563	95,473	9,358	65,214	-	292,608
Charged in Year	-	12,805	12,384	649	6,231	-	32,069
Disposals	-	(77)	(9,240)	(1,316)	(4,301)	-	(14,934)
Assets Held for Sale	-	-	-	-	-	-	-
Revaluations	-	4,322	(11,609)	(728)	-	-	(8,015)
Indexation	-	-	(530)	220	425	-	115
Impairments to SoCNE	-	(3,151)	(2)	-	(4)	-	(3,157)
At 31 March 2014	-	<u>136,462</u>	<u>86,476</u>	<u>8,183</u>	<u>67,565</u>	-	<u>298,686</u>
Carrying amount							
At 31 March 2014	<u>59,993</u>	<u>371,848</u>	<u>34,433</u>	<u>5,908</u>	<u>65,084</u>	<u>40,120</u>	<u>577,386</u>
At 31 March 2013	<u>129,803</u>	<u>317,845</u>	<u>36,747</u>	<u>6,008</u>	<u>41,934</u>	<u>39,181</u>	<u>571,518</u>
Asset Financing:							
Owned	<u>59,993</u>	<u>371,848</u>	<u>34,433</u>	<u>5,908</u>	<u>65,084</u>	<u>40,120</u>	<u>577,386</u>
Carrying Amount At 31 March 2014	<u>59,993</u>	<u>371,848</u>	<u>34,433</u>	<u>5,908</u>	<u>65,084</u>	<u>40,120</u>	<u>577,386</u>

Dwellings 13-14

Cost or Valuation	£000
At 1 April 2013	480
Depreciation	(11)
Revaluation	<u>11</u>
At 31 March 2014	<u>480</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT:

2012-2013	Land	Buildings	IT and Comms	Plant and Equip	Vehicles and Aircraft	Assets in Course of Construction	Total
Cost or Valuation:	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	135,587	417,949	120,558	15,123	92,624	45,749	827,590
Additions	-	15,537	8,242	3,625	28,113	-	55,517
Disposals	-	-	(4,745)	-	(2,644)	-	(7,389)
Assets Held for Resale	(1,595)	(3,806)	-	-	-	-	(5,401)
Transfers	-	21,663	176	(3,400)	(12,670)	(6,568)	(799)
Revaluation	(4,189)	(10,935)	431	(6)	769	-	(13,930)
Indexation	-	-	7,558	24	956	-	8,538
At 31 March 2013	<u>129,803</u>	<u>440,408</u>	<u>132,220</u>	<u>15,366</u>	<u>107,148</u>	<u>39,181</u>	<u>864,126</u>
Depreciation:							
At 1 April 2012	-	116,938	80,919	8,779	61,489	-	268,125
Charged in Year	-	11,975	13,041	558	4,606	-	30,180
Disposals	-	-	(4,745)	-	(2,625)	-	(7,370)
Assets Held for Resale	-	(2,479)	-	-	-	-	(2,479)
Revaluation	-	(3,871)	431	10	-	-	(3,430)
Indexation	-	-	5,265	11	1,282	-	6,558
Depreciation Write Back	-	-	562	-	462	-	1,024
At 31 March 2013	<u>-</u>	<u>122,563</u>	<u>95,473</u>	<u>9,358</u>	<u>65,214</u>	<u>-</u>	<u>292,608</u>
Net Book Value							
At 31 March 2013	<u>129,803</u>	<u>317,845</u>	<u>36,747</u>	<u>6,008</u>	<u>41,934</u>	<u>39,181</u>	<u>571,518</u>
At 31 March 2012	<u>135,587</u>	<u>301,011</u>	<u>39,639</u>	<u>6,344</u>	<u>31,135</u>	<u>45,749</u>	<u>559,465</u>
Asset Financing:							
Owned	<u>129,803</u>	<u>317,845</u>	<u>36,747</u>	<u>6,008</u>	<u>41,934</u>	<u>39,181</u>	<u>571,518</u>
Net Book Value at 31 March 2013	<u>129,803</u>	<u>317,845</u>	<u>36,747</u>	<u>6,008</u>	<u>41,934</u>	<u>39,181</u>	<u>571,518</u>
Dwellings 12-13							
Cost or Valuation	£000's						
At 1 April 2012	520						
Depreciation	(10)						
Disposals	-						
Revaluation	(30)						
At 31 March 2013	<u>480</u>						

PSNI secured an independent and professional valuation from Land & Property Services for the Land and Property assets on 31 March 2014. Separate valuations were secured for the two helicopters (as included in Vehicles and Aircraft) in March 2014 from the contracted supplier. All other items of Plant & Equipment were valued using independent indices as at January 2014. Separate disclosure is included for Dwellings (under Land & Buildings).

Transfers noted above relate to IT items of software reclassified as Intangible assets.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

9. INTANGIBLE ASSETS:

	31 March 2014
	£000's
Cost or valuation:	
At 1 April 2013	14,531
Additions	189
Disposals	(2,671)
Revaluations	(1,270)
Impairments	(54)
Reclassifications	<u>1,210</u>
at 31 March 2014	<u>11,935</u>
Amortisation:	
At 1 April 2013	10,365
Charged in year	1,203
Disposals	(2,670)
Revaluations	(1,230)
Impairments	<u>(10)</u>
at 31 March 2014	<u>7,658</u>
Net Book Value as at 31 March 2014	<u>4,277</u>
	31 March 2013
	£000's
Cost or Valuation:	
At 1 April 2012	12,909
Additions	935
Disposals	(1,683)
Revaluation	1,571
Reclassifications	<u>799</u>
At 31 March 2013	<u>14,531</u>
Amortisation:	
At 1 April 2012	9,699
Charged in year	996
Disposals	(1,683)
Write Backs	49
Revaluations	<u>1,304</u>
At 31 March 2013	<u>10,365</u>
Net Book Value as at 31 March 2013	<u>4,166</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 2014 (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 CLASSIFIED AS 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. The value of these assets are determined as set out in note 1.6.

Land & Buildings	2013-14	2012-13
	£000's	£000's
Opening Balance 1 April	2,189	2,460
Transferred from land & buildings	1,415	2,922
Disposals	(894)	(1,690)
Revaluations to market value	(290)	(1,503)
Closing Balance 31 March	2,420	2,189

Disposal proceeds of £1,025k were received in 2013/14 (£967k 2012/13) in respect of assets disposed of. A profit of £131k (£723k loss 2012/13) was noted due to fluctuations in the current property market.

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

Year Ended 31 March 2014	£000's		£000's
Keady	140	Fintona	50
Land Rear Craigavon	225	N Queen street	100
Killyleagh	70	Hillsborough	500
Bushmills	80	Dromore	60
Glengormley	100	Riddells Building (Part of Musgrave St)	500
Donaghadee	55	Portglenone	120
Dungiven	120	Broughshane	85
Eglinton	60	Charlotte St Ballymoney	75
Garvagh	80		
Total		Total	2,420
Year Ended 31 March 2013	£000's	*denotes sold in 2013-14	£000's
Keady	70	Bessbrook*	12
Prince William Road Lisburn*	200	Cloughmills*	60
Land Rear Craigavon	500	Comber*	85
Glengormley	100	Crossgar*	98
Donaghadee	65	Glenarm*	118
Dungiven	120	Killyleagh	125
Eglinton	70	Randalstown*	80
Garvagh	90	Saintfield*	130
Charlotte St Ballymoney	75	Irvinestown*	111
		Bushmills	80
Total		Total	2,189

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

	2013-14	2012-13
	£000's	£000's
12. INVENTORIES		
General stores	3,034	2,395
Transport Services stores	849	1,396
Heating oil	691	824
Petrol and diesel	<u>733</u>	<u>728</u>
Total	<u>5,307</u>	<u>5,343</u>
	2013-14	2012-13
	£000's	£000's
13.(A) TRADE AND OTHER RECEIVABLES:		
Prepayments and accrued income	3,953	4,388
Trade receivables	10,872	2,371
Contributions due to the Pensions Scheme	7,997	7,663
HMRC VAT Receivable	3,856	8,387
Other receivables	<u>961</u>	<u>2,705</u>
Total	<u>27,639</u>	<u>25,514</u>
	2013-14	2012-13
	£000's	£000's
13.(B) INTRA-GOVERNMENT RECEIVABLE BALANCES		
Balances with other central government	22,615	18,248
Balances with local authorities	74	14
Balances with public corporations and trading funds	<u>101</u>	<u>127</u>
Sub-total Intra governmental Balances	22,790	18,389
Balances with bodies external to government	<u>4,849</u>	<u>7,125</u>
Total receivables at 31 March	<u>27,639</u>	<u>25,514</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

14. CASH AND CASH EQUIVALENTS	2013-14	2012-13
	£000's	£000's
Balance at 1 April	1,745	2,870
Net change in cash & cash equivalent balances	<u>940</u>	<u>(1,125)</u>
Balance at 31 March	<u>2,685</u>	<u>1,745</u>

All cash held in commercial bank accounts.

	2013-14	2012-13
15.(A) TRADE AND OTHER PAYABLES	£000's	£000's
Trade payables	2,125	12,489
Trade accruals and Deferred Income	45,166	51,428
Taxation & social security	11,559	12,931
Employee Benefit Accrual	11,063	8,812
Advance Severance Payments for Leavers	51	90
Payroll accrual	7,749	10,844
Other payables	<u>5,236</u>	<u>3,982</u>
Total	<u>82,949</u>	<u>100,576</u>

15. (B) INTRA-GOVERNMENT PAYABLE BALANCES	2013-14	2012-13
	£000's	£000's
Balances with other central governmental bodies	18,881	17,985
Balances with local authorities	283	557
Balances with public corporations and trading funds	<u>312</u>	<u>694</u>
Sub-total Intra governmental Balances	19,476	19,236
Balances with bodies external to government	<u>63,473</u>	<u>81,340</u>
Total payables at 31 March	<u>82,949</u>	<u>100,576</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

16a. PROVISIONS FOR LIABILITIES AND CHARGES:

	Severance £000's	Compensation £000's	Injury Awards £000's	Decommissioning Costs £000's	Misc £000's	Total £000's
At 1 April 2013	2,481	93,871	508,674	663	282	605,971
Utilised in Year	(675)	(26,763)	(24,561)	(222)	(49)	(52,270)
Provision not utilised	(256)	(7,087)	-	(292)	-	(7,635)
Cost of Borrowing	(46)	(1,559)	20,440	-	-	18,835
Actuarial Loss	-	-	40,400	-	-	40,400
Increase in Provision	<u>(35)</u>	<u>18,849</u>	<u>4,720</u>	<u>400</u>	<u>-</u>	<u>23,934</u>
At 31 March 2014	<u>1,469</u>	<u>77,311</u>	<u>549,673</u>	<u>549</u>	<u>233</u>	<u>629,235</u>

	Severance £000's	Compensation £000's	Injury Awards £000's	Equal Pay £000's	Decommissioning Costs £000's	Misc £000's	Total £000's
At 1 April 2012	3,518	110,144	456,516	26,577	750	168	597,673
Utilised in Year	(1,509)	(40,351)	(23,262)	-	(517)	(49)	(65,688)
Provision not utilised	-	(6,209)	-	(26,577)	-	-	(32,786)
Cost of Borrowing	148	3,297	21,640	-	-	(5)	25,080
Actuarial Loss	-	-	50,640	-	-	-	50,640
Increase in Provision	<u>324</u>	<u>26,990</u>	<u>3,140</u>	<u>-</u>	<u>430</u>	<u>168</u>	<u>31,052</u>
At 31 March 2013	<u>2,481</u>	<u>93,871</u>	<u>508,674</u>	<u>-</u>	<u>663</u>	<u>282</u>	<u>605,971</u>

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

16b. ANALYSIS OF EXPECTED TIMING OF DISCOUNTED FLOWS:

2013-14	Severance £000's	Compensation £000's	Injury Awards £000's	Decommissioning Costs £000's	Misc £000's	Total £000's
Not Later than one year	468	37,437	25,200	549	233	63,887
Later than one year and not later than 5 years	<u>1,001</u>	<u>39,874</u>	<u>524,473</u>	<u>-</u>	<u>-</u>	<u>565,348</u>
At 31 March 2014	<u>1,469</u>	<u>77,311</u>	<u>549,673</u>	<u>549</u>	<u>233</u>	<u>629,235</u>

2012-13	Severance £000's	Compensation £000's	Injury Awards £000's	Decommissioning Costs £000's	Misc £000's	Total £000's
Not later than one year	878	49,466	23,770	663	282	75,059
Later than one year and not later than 5 years	<u>1,603</u>	<u>44,405</u>	<u>484,904</u>	<u>-</u>	<u>-</u>	<u>530,912</u>
At 31 March 2013	<u>2,481</u>	<u>93,871</u>	<u>508,674</u>	<u>663</u>	<u>282</u>	<u>605,971</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

Severance:

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. The remaining provision is to cover the retraining packages obtained by officers who have left under the severance scheme.

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 carried out a number of security reviews and all FTR officers were phased out of operational duties in 2012.

The above provision relates to essentially Payments In Lieu (PIL) for FTR officers.

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	Damage	Legal	Hearing Loss – Injury	Hearing Loss – Legal	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	25,245	458	19,791	24,709	23,668	93,871
Utilised in Year	(2,908)	(88)	(1,853)	(10,424)	(11,490)	(26,763)
Provision not utilised	(3,163)	-	-	(3,042)	(882)	(7,087)
Costs of Borrowing	(410)	(8)	(322)	(392)	(427)	(1,559)
Increase in Provision	<u>2,528</u>	<u>231</u>	<u>(756)</u>	<u>8,467</u>	<u>8,379</u>	<u>18,849</u>
At 31 March 2014	<u>21,292</u>	<u>593</u>	<u>16,860</u>	<u>19,318</u>	<u>19,248</u>	<u>77,311</u>

At 31 March 2014, there were 3,041 'live' injury or wrongful acts claims and 916 '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.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

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 (1.9%).

Injury Awards:

Relevant costs are recognised in the organisation's main financial statements. The pension liability relating to injury awards has been valued by the Government Actuary Department (GAD). The valuation was provided to PSNI by GAD for the 12 months to 31 March 2014, and the current Injury on Duty (IOD) provision reflects this position. Injury awards are valued under IAS 19 and as such include an element for active members. The split of the provision is shown below.

	Value at 31 March 2014 £000's	Value at 31 March 2013 £000's
Liability in respect of		
Active Members	153,610	122,360
Pensions in payment (injury awards)	396,063	386,314
Total liability	549,673	508,674

Liabilities for Injury awards are valued on an actuarial basis using the Projected Unit Credit Method. The assumptions proposed by the Government Actuary's Department and agreed with the PSNI in nominal terms are:

- A long term nominal discount rate of 4.35% pa
- A rate of long-term inflation and pensions increases of 2.50% pa

The PSNI's workforce is too small to provide sufficient data from which to draw statistically reliable conclusions for all of the assumptions which are to be made. As such demographic assumptions are derived from aggregate experience across all authorities with officers in the Police Pension Schemes supplemented as necessary by appropriate standard tables

Expectation of life in years

At 31 March	2014	2013	2012	2011	2010
Males (45 year old future pensioner at age 65)	25.6	25.7	25.6	26.1	26.0
Females (45 year old future pensioner at age 65)	28.0	27.9	27.8	29.2	29.1

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

History of Experience gains and losses	Value at 31 March 2014	Value at 31 March 2013
	£000's	£000's
Experience losses on the scheme liabilities	8,470	(27,640)
Percentage of the liability at the end of year	1.5%	-5.4%
Total actuarial loss	(40,400)	(50,640)
Percentage of the liability at the end of year	-7.3%	-10.0%

Miscellaneous:

A number of Miscellaneous provisions are included relating to the purchase of excess stock from PSNI Managed Service uniforms supplier and Early Retirement Costs.

	Uniform Stock	Early Retirement	Total
	£000's	£000's	£000's
At 1 April 2013	136	146	282
Utilised in Year	(27)	(22)	(49)
Cost of borrowing	-	-	-
Increase in Provision	-	-	-
At 31 March 2014	<u>109</u>	<u>124</u>	<u>233</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

17. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements.

	2013-14	2012-13
	£000's	£000's
Property Plant & Equipment	47,574	55,890
Intangible Assets	<u>2,050</u>	<u>2,010</u>
Total	<u>49,624</u>	<u>57,900</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:

	2013-14	2012-13
	£000's	£000's
Land:		
Not later than one year	133	209
Later than one year and not later than five	260	381
Later than five years	<u>105</u>	<u>191</u>
Total	<u>498</u>	<u>781</u>
Buildings:		
Not later than one year	382	405
Later than one year and not later than five	697	840
Later than five years	<u>412</u>	<u>170</u>
Total	<u>1,491</u>	<u>1,415</u>
Other:		
Not later than one year	61	37
Later than one year and not later than five	-	13
Later than five years	<u>-</u>	<u>-</u>
Total	<u>61</u>	<u>50</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2013 (CONTINUED)

19. COMMITMENTS UNDER PRIVATE FINANCING INITIATIVES (PFI) CONTRACTS

The PSNI has no commitments to report under PFI contracts for the financial year 2013-14.

20. OTHER FINANCIAL COMMITMENTS

The PSNI has no other material financial commitments to report for financial year 2013-14. 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 2014. As the cash requirements of PSNI are met through Grant in Aid provided by Department of Justice, financial instruments play a more limited role in creating and managing risk than would apply to a non public sector body. The majority of financial instruments relate to contracts to buy non financial items in line with PSNI's expected purchase and usage requirements and the NDPB is therefore exposed to little credit, liquidity or market risk

22. CONTINGENT LIABILITIES (DISCLOSED UNDER IAS 37)

The PSNI has the following contingent liabilities:

Post Traumatic Stress Disorder Class Action

The PSNI and the Northern Ireland Policing Board are named defendants in a class action by 5585 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 5 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 5 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 acting as personal litigants. It is not possible at this time to provide a reliable estimate of any potential liability. It should be noted that £2 million has been included in the provision to cover the costs of the original action and subsequent appeal.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

Hearing Loss Cases

The PSNI is named Defendant in a number of claims from current and ex-police officers and police staff for occupational hearing loss. Claims up to May 2014 are reflected in the compensation provision (note 16). Claims have also been received from members/ex-members of the Northern Ireland Prison Service who received firearms training from the RUC/PSNI. However, the number of claims likely to be received in the future is uncertain and cannot be reliably estimated. Each case will be considered on its merits and any settlement based on the severity of hearing loss.

Part Time Reserve Equal Treatment

A number of cases were taken last year where 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 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 3 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.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

23. LOSSES AND SPECIAL PAYMENTS

Losses & Special Payments

<u>Type</u>	Description	No of Cases	£000's
Losses		6	1
Overpayments		7	12
Stores		586	181
Claims waived or Abandoned		309	194
Special Payments	Compensation	1,914	13,717
Ex Gratia Payments		2	1
Fruitless Payments & Constructive Losses		<u>164</u>	<u>42</u>
Total		<u>2,988</u>	<u>14,148</u>

During 2013-14, Special Payments (compensation) were made in relation to 1,914 cases, the total amount paid in these cases was £13,717k. Three payments exceeded £250k. A compensation payment was made for £300k in June 2013, the plaintiff, a former serving officer, claimed damages following injury while a passenger in a police vehicle that went out of control, left the road and overturned. A compensation payment of £422k was made in June 2013, the plaintiff, a former serving officer, claimed damages following injury while a passenger in a police vehicle involved in a 'police vehicle only' accident. A compensation payment of £500k was made in April 2013, the claim arose out of a fatal RTC in which a serving officer was killed. Appropriate authorisation for all payments was granted by the Northern Ireland Policing Board, Department of Justice and Department of Finance & Personnel.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

24. POLICE FUND

**STATEMENT OF COMPREHENSIVE NET INCOME
FOR THE YEAR ENDED 31 MARCH 2014**

	2013-14 £000's	2012-13 £000's
EXPENDITURE		
Other Expenditure	10.1	12.3
INCOME		
Income from Activities	(6.7)	(7.3)
Other Income	<u>(10.0)</u>	<u>(9.3)</u>
	<u>(16.7)</u>	<u>(16.6)</u>
NET INCOME	(6.6)	(4.3)
Interest payable/receivable	-	-
NET INCOME AFTER INTEREST	<u>(6.6)</u>	<u>(4.3)</u>

STATEMENT OF FINANCIAL POSITION 31 MARCH 2014

	2013-14 £000's	2012-13 £000's
NON-CURRENT ASSETS		
Financial Assets	98.6	99.2
CURRENT ASSETS		
Trade and Other Receivables	28.3	22.4
Cash and Cash Equivalents	<u>36.6</u>	<u>35.9</u>
TOTAL CURRENT ASSETS	<u>64.9</u>	<u>58.3</u>
TOTAL ASSETS	<u>163.5</u>	<u>157.5</u>
CURRENT LIABILITIES		
Trade and Other Payables	-	-
Current Liabilities		
ASSETS LESS LIABILITIES	<u>163.5</u>	<u>157.5</u>
TAX PAYERS' EQUITY:		
General Reserve	159.9	153.3
Revaluation Reserve	<u>3.6</u>	<u>4.2</u>
TOTAL	<u>163.5</u>	<u>157.5</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014**

	2013-14 £000's	2012-13 £000's
CASH FLOW FROM OPERATING ACTIVITIES		
Net Surplus after interest	6.6	4.3
Increase in Trade and Other Receivables	(5.9)	(3.6)
Decrease in Trade Payables	<u>-</u>	<u>-</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>0.7</u>	<u>0.7</u>
NET FINANCING		
NET INCREASE IN CASH AND CASH EQUIVALENTS IN THE PERIOD		
	<u>0.7</u>	<u>0.7</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>35.9</u>	<u>35.2</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<u>36.6</u>	<u>35.9</u>

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2014**

	General Reserve £000's	Revaluation Reserve £000's	Total Reserves £000's
Balance at 31 March 2012	<u>149.0</u>	<u>4.0</u>	<u>153.0</u>
Changes in Taxpayers' Equity for 2012-13			
Surplus on Revaluation of Investments	-	0.2	0.2
Net Operating Surplus	<u>4.3</u>	<u>-</u>	<u>4.3</u>
Balance at 31 March 2013	<u>153.3</u>	<u>4.2</u>	<u>157.5</u>
Changes in Taxpayers' Equity for 2013-14			
Surplus on Revaluation of Investments	-	(0.6)	(0.6)
Net Operating Surplus	<u>6.6</u>	<u>-</u>	<u>6.6</u>
Balance at 31 March 2014	<u>159.9</u>	<u>3.6</u>	<u>163.5</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

25. POLICE PROPERTY FUND

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2014**

	2013-14	2012-13
	£000's	£000's
EXPENDITURE		
Other Expenditure	2.0	(2.7)
INCOME		
Income From Activities	<u>(32.0)</u>	<u>(12.8)</u>
NET INCOME	<u>(30.0)</u>	<u>(15.5)</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014**

	2013-14	2012-13
	£000's	£000's
CURRENT ASSETS		
Trade and Other Receivables	93.0	63.0
CURRENT LIABILITIES		
Trade and Other Payables	—	—
ASSETS LESS LIABILITIES	<u>93.0</u>	<u>63.0</u>
TAXPAYERS' EQUITY:		
General Reserve	<u>93.0</u>	<u>63.0</u>

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014**

	2013-14	2012-13
	£000's	£000's
CASH FLOW FROM OPERATING ACTIVITIES		
Net Surplus after interest	30.0	15.5
Increase in Trade and Other Receivables	(30.0)	(12.0)
Decrease in Trade Payables	—	(3.5)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>—</u>	<u>—</u>
NET FINANCING		
NET INCREASE IN CASH AND CASH EQUIVALENTS IN THE PERIOD	<u>—</u>	<u>—</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2014**

	Total Reserves
	£000's
Balance at 31 March 2012	47.5
Changes in Taxpayers' Equity 2012-2013	
Net Operating Surplus	<u>15.5</u>
Balance at 31 March 2013	<u>63.0</u>
Changes in Taxpayers' Equity 2013-2014	
Net Operating Surplus	<u>30.0</u>
Balance at 31 March 2014	<u>93.0</u>

26. RELATED-PARTY TRANSACTIONS

PSNI is a body of constables as set out in the Police Act, 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 Land & Property Services (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.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2014 (CONTINUED)

27. 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.

THIRD PARTY ASSETS

	31 March 2013 £000's	Gross Inflows £000's	Gross Outflows £000's	31 March 2014 £000's
Bank Balances and Monetary Sealed Packages held.	<u>3,614</u>	<u>127</u>	<u>(378)</u>	<u>3,363</u>

Third party assets includes £127k held in relation to EU funded programmes.

28. EVENTS OCCURING AFTER THE REPORTING PERIOD

There are no events to report after the reporting period.

The Annual Report and Accounts were authorised by the Chief Constable to be issued on 03 July 2014.



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