



Police Service of Northern Ireland

Annual Report and Accounts

for the year ended 31 March 2013

Police Service of
Northern Ireland



Annual Report and Accounts

For the year ended 31 March 2013

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

on

26 June 2013

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

04 July 2013

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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 third annual report as Chief Constable of the Police Service of Northern Ireland (PSNI). This relates to the financial year 2012-2013. The report will consist of a short synopsis of how our budget was used to deliver an impartial policing service to everyone in Northern Ireland, and our annually published statistics.

I am very pleased to report that Northern Ireland is benefiting from its lowest level of crime in 15 years. This is in no small part due to the courage, commitment and determination of officers and staff right across the service to keep people safe, which is clearly making a difference in delivering reduced crime rates.

The number of crimes recorded during the period is the lowest annual level of crime recorded by PSNI since the new Home Office counting rules were introduced in 1998/99, and is the fourth consecutive year that a decrease in crime has been recorded.

Crime across Northern Ireland has dropped by 2.9%, falling by 3,000 from 103,389 crimes in 2011-12 to 100,389 in 2012-13.

Crime decreased in six of the ten main crime classifications. Offences of violence against the person were down by 0.7%; robberies were down by 17.0%; burglaries were down by 9.4%; offences against vehicles were down by 11.3%; criminal damage offences were down by 8.1%; and other miscellaneous offences were down by 5.6%.

There were, though, increases in the remaining four crime classifications. Sexual offences increased by 6.1%; 'other theft' offences rose by 0.2%; fraud and forgery rose by 15.2%; and drugs offences rose by 15.8%.

This encouraging news should be seen alongside ever-increasing levels of confidence in police and very positive victim satisfaction results. Taken together, they show that policing is contributing fully to create a safer and positive future.

The success we have achieved during this reporting period should not be reviewed in isolation, but rather it must be set against the backdrop of some difficult and resource intensive policing challenges. The celebrations associated with Her Majesty's Diamond Jubilee, the 2012 London Olympics torch relay and, regrettably the disorder surrounding recent flag protests are indicative of the diverse and sometimes difficult nature of policing we face within a fiercely proud and, on occasion, divided society. The desire for local policing we continually see, and the increasing confidence in the PSNI, are clear signs that our community wants the PSNI to work with them to reduce crime and disorder. We also recognise that there remain areas where, for some, turning to the PSNI for support remains a difficult choice. However, we shall continue to work tirelessly to build trust in our Service through demonstrating our unwavering commitment towards improving the safety and life opportunities of all.

Introduction by Chief Constable (continued)

Misuse of drugs, both legal and illegal, remain a source of harm and concern to communities. That is why we took the step to run a high profile operation specifically targeted at street level drug dealing during the latter half of 2012. The increased level of drug seizures and arrests recorded in 2012-13 is testimony to the success of this operation. During this period there were 4,475 drug seizure incidents recorded in 2012-13 representing a 14% increase on the 3,920 seizure incidents in 2011-12. As in previous years, the majority of these incidents related to seizures of Cannabis. There were 2,784 persons arrested for drug offences in 2012-13 compared with 2,543 persons in 2011-12, an increase of 241 arrests (9.5%).

The security situation continues to provide a dangerous environment for officers as they work to make Northern Ireland safer for all. There were two security related deaths recorded during 2012-13, one more than in the previous year. There were fewer bombing incidents in 2012-13, and a decrease in the number of shooting incidents. There were 27 casualties resulting from paramilitary style shootings in 2012-13, 6 fewer than in the previous year and a decrease in the number of casualties resulting from paramilitary style assaults. However, whilst there has been a slight decrease in the number of person arrested under Section 41 of the Terrorism Act, the number of persons subsequently charged following arrest under the Act has increased from 39 in 2011-12 to 50 in 2012-13.

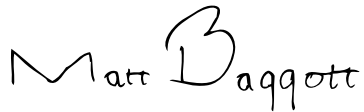
It is our duty to stand up for those more vulnerable amongst us and who need our protection. We cannot do this in isolation but we can start by focussing our efforts upon improving people's life chances within those most disadvantaged neighbourhoods across Northern Ireland by tackling the incredibly damaging issues of drug misuse, domestic violence, paramilitary attacks and hate crime. This is not simply a question of greater use of resources but one of ever better collaboration across the public sector in delivering a shared future for us all. I look forward with confidence to those charged with delivering a better future for us all, particularly in those areas of most need. Collectively we stand the best chance of supporting the aspiration of those communities who most need our help.

The varied policing challenges and successes we have seen have been met in the face of an ever diminishing and acutely uncertain financial future. Like all public services we continue to face significant budgetary pressures. That said we will strive to meet these without diminishing presence, built around locally focussed resources. We will continue to examine how we perform and what we deliver. We will look at how we are spending money, when and where we deploy our officers and staff and how we can deliver our part to cost savings across the justice sector as a whole.

Good policing is essential to everyone's future because safety and confidence helps employment, tourism and peace building. Whilst this report is an opportunity to reflect on the past financial year it would be amiss of me not to mention to challenges we face as we enter the next. Challenges which will see policing, and Northern Ireland as a whole, firmly in the global spotlight.

Introduction by Chief Constable (continued)

As we look forward that we remain steadfastly committed to providing the best possible policing service for everyone, whatever their background, whatever their problem, because that is what the people of Northern Ireland expect and indeed deserve.

A handwritten signature in black ink that reads "Matt Baggott". The signature is written in a cursive style, with the first letters of "Matt" and "Baggott" being capitalized and prominent.

Matt Baggott
Chief Constable

FOREWORD

Background Information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year 2012-13 to which they relate as the Department of Justice may determine. This is to allow the Policing Board to meet its own specific requirements under Section 12(1)(a) of the Act.

Principal Activities

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

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.

Accounts Direction

The Annual Report and Accounts for 2012-13 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.

Foreword (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.

Foreword (continued)

Chief Officers

The Chief Officers who served throughout the 2012-13 year were as follows:

Chief Constable

Matt Baggott

Deputy Chief Constable

Judith Gillespie

Assistant Chief Constable Crime Operations

Drew Harris

Assistant Chief Constable Operational Support

Alistair Finlay

Assistant Chief Constable Service Improvement

George Hamilton

Assistant Chief Constable Rural Region*

David Jones

Assistant Chief Constable Urban Region

William Kerr

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart

Further details are provided in the Remuneration Report section on page 25.

** Assistant Chief Constable David Jones left his post in June 2013 to take up the position of Chief Constable of North Yorkshire.*

Foreword (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 four programme boards:

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

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.

Foreword (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 an update to the 2012-2015 Policing Plan on 26 March 2013. The 2012-2015 plan sets out our vision, the outcomes we want to achieve and how we will achieve them. It is backed by our 'Policing Commitments' and our long-term strategy for policing with the community.

"We identified the issues we tackle in this plan after wide-ranging and continuous consultation with the community and a professional assessment of the major policing issues facing Northern Ireland, and by considering best practice at home and abroad. The plan is consistent with the Minister of Justice's 'Long Term Objectives for Policing'. The outcomes we have identified reflect the concerns you have and the challenges we face."

A copy of the 2013 update to the Policing Plan 2012-2015 can be viewed on the Policing Board's website:

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

or the PSNI website:

www.psni.police.uk

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

- reducing the level of crime and disorder
- protecting people from harm
- improving how we deliver our service;
- enhancing our engagement, consultation and involvement with the community; and
- developing how we work in partnership with other agencies.

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.

Foreword (continued)

As well as this plan the local police commander will produce their own policing plan which will concentrate on the issues that matter to you, in your neighbourhood. These plans will include a commitment to support and work alongside Policing and Community Safety Partnership (PCSP) colleagues to deliver a reduction in the number of violent crimes where alcohol is a contributory factor, as well as supporting PCSP initiatives aimed at removing drugs from the community and reducing the harm which drugs cause.

There is no doubt that the financial pressures on the police budget are very real and demanding. Over the next few years we will have to put into practice a wide range of savings initiatives while delivering value for money and focusing our available resources on the things that matter most.

2013 is a significant year for Northern Ireland and the PSNI. The eyes of the world will be watching during the G8 Summit, the World Police and Fire Games, the City of Culture celebrations and the Fleadh, allowing Northern Ireland to showcase what we have to offer.

Charitable donations

PSNI made three charitable and no political donations during the year. A £1,000 donation was paid to the Royal Humane Society and the Police Memorial Trust in August 2012. A vehicle was also donated through a local cross community programme to the Mongolian Rally Charity with an estimated value of £2,000.

Disabled persons

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

Employee involvement

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

Health and safety

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

Off Payroll Engagements

PSNI had one 'off-payroll' engagement at a cost of over £58,200 per annum that was in place as at 31 January 2012. This engagement has continued through to March 2013 on the existing arrangements and is still 'off-payroll'.

Foreword (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 2012-13 financial year, average overall performance showed 93.2% (89.1% 2011-12) of all invoices were paid within 10 days. In the 2012-13 financial year 99.1% of invoices were paid within the government prompt payment target of 30 days. 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 13.6 creditor days (9.6 creditor days 2011-12).

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 25 and note 3 to the Accounts.)

Audit services

The Financial Statements for 2012-13 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 45 to 47.

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 (2011-12 £76,000). This includes the audit fees in respect of the Main Police Account including the Police Fund and Police Property Fund £58,500 (£61,000 2011-12), and the Police Pension Scheme Accounts £15,000 (£15,000 2011-12). Audit services shown in the Statement of Comprehensive net expenditure reflect a charge of £71,000, due to an over accrual in the previous year.

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 an audit report was finalised and issued in respect of Associate Staff.

The Accounts of the PSNI for 2012-13 are required to be audited by the Comptroller and Auditor General. The Department of Justice will lay the accounts on behalf of the C&AG.

Foreword (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.psnipolice.uk.

Police Pension Scheme Accounts

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

MANAGEMENT COMMENTARY

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

The Management Commentary discusses the following main areas:

Nature of the business

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

The PSNI provides effective, efficient and professional policing to the people of Northern Ireland. It aims to achieve this by working in partnership with local communities. It is the role of the PSNI to work with local communities to reduce crime and the fear of crime.

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

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

The purpose and vision of PSNI will be delivered by the 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.
- 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.

Management Commentary (continued)

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

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

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

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

Review of performance and future developments

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 effective and efficient policing. Through the Chief Constable, the Board also hold PSNI accountable for delivery of those aims.

The Police (Northern Ireland) Act 2000 states that the Policing Board must issue a Policing Plan. This plan is prepared by the Chief Constable, agreed by the Board and endorsed by the Minister for Justice. The plan will set out specific measures and indicators for the PSNI and outlines a strategic view of policing for a three year period.

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 indicators against which the District is measured.

The Annual Policing Plan can be obtained from the Policing Board's website, www.nipolicingboard.org.uk, or from the PSNI website, www.psni.police.uk.

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 the Board has set out in the Northern Ireland Policing Plan. This function is carried out through public meetings every 3 months at which the Chief Constable updates Board members on PSNI's progress against agreed areas outlined in the N.I Policing Plan.

Management Commentary (continued)

This year as a result of discussions with the Policing Board, 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 other 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 2012-13, and the 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.psnipolice.uk.

The Policing Board have 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 2012-13, and can be viewed at www.nipolicingboard.org.uk.

During the year 2012-13, the overall level of recorded crime fell to its lowest level since Home Office Counting Rules were introduced in 1998, with crime falling by 3,000 offences to 100,389. This represents a decrease of 2.9% on the previous years figure.

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

| Indicator/Measure | Performance from 1 April 2012 to 31 March 2013 |
|--|---|
| Increase Confidence | Increase of 0.3% ⁽¹⁾ |
| Reduce Crime | Reduced by 2.9% |
| Reduce Antisocial Behaviour | Increased by 1.8% |
| Reduce Road Deaths | 1 more road death in 12-13 when compared to 11-12 (53 road deaths in 12-13) |
| Reduce Road Injuries | Reduced by 3.3% |
| Reduce allegations of incivility | Reduced by 19.5% (as at 28 Feb 2013) ⁽²⁾ |
| Increase the use of officer discretion | Increased by 8% |

Management Commentary (continued)

| | |
|---|--|
| Increase the amount of time spent on patrol | Increased by 9.2% ⁽³⁾ |
| Reduce Violent Crime | Reduced by 6.9% |
| Impact on Organised Crime | <ul style="list-style-type: none"> • Cash Seizures increased by £379,132 |
| | <ul style="list-style-type: none"> • Value of Confiscation Orders reduced by £694,896 |
| | <ul style="list-style-type: none"> • 116 Organised Crime Groups Frustrated, Dismantled or Disrupted by PSNI |

- (1) This measure is collected quarterly and the current figure compares calendar year 2011 to calendar year 2012
- (2) Most recent figures as supplied by 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

Confidence

Confidence in Policing is included in the Ministers 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 the 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, around 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> | Jan 11 to Dec 11 | Jan 12 to Dec 12 |
|--|-------------------------|-------------------------|
| a) Can be relied on to be there when you need them | 50.6% | 51.4% |
| b) Would treat you with respect if you had contact with them | 83.5% | 84.6% |
| c) Treat everyone fairly regardless of who they are | 65.8% | 66.0% |
| d) Can be relied on to deal with minor crimes | 49.9% | 51.2% |
| e) Understand the issues that affect this community | 62.2% | 62.8% |
| f) Are dealing with the things that matter to this community | 49.1% | 51.2% |
| Overall Confidence in the local police | 64.5% | 64.8% |

The Police Service of Northern Ireland is committed to the delivery of personal, professional and protective policing to all communities in Northern Ireland.

Management Commentary (continued)

Personal: Personal policing means dealing with issues which affect people in their daily lives and making sure that the police service meets individual needs.

Reduction of Crime and Antisocial behaviour are key measures in this area. In the financial year 2012-13, the level of crime was lower than in the previous financial year, and is at its lowest recorded level since 1998/99. In comparison to its most similar force group, 4 out of 5 of the forces most similar to us across England and Wales have higher levels of crime, and we are below the overall England and Wales average

Table 3: Three year trend graph showing reduction of crime since April 2009

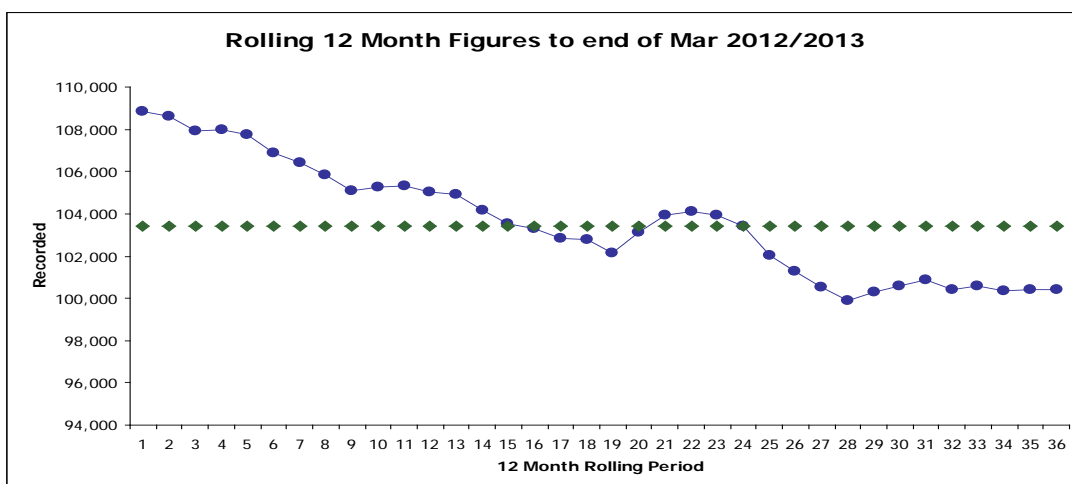
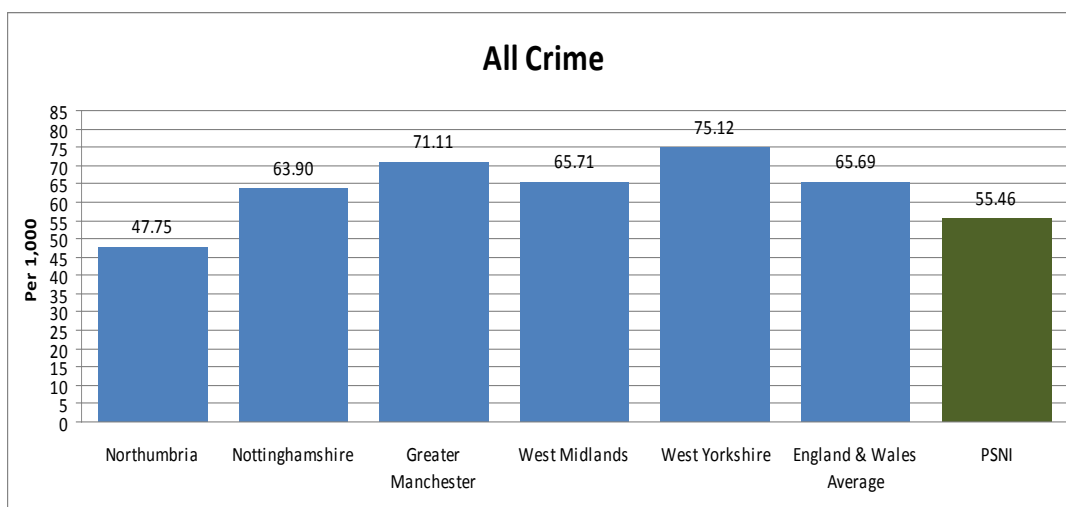


Table 4: Crime rates per 1,000 of the population using the Most Similar Force group and an average of all England and Wales Police Forces

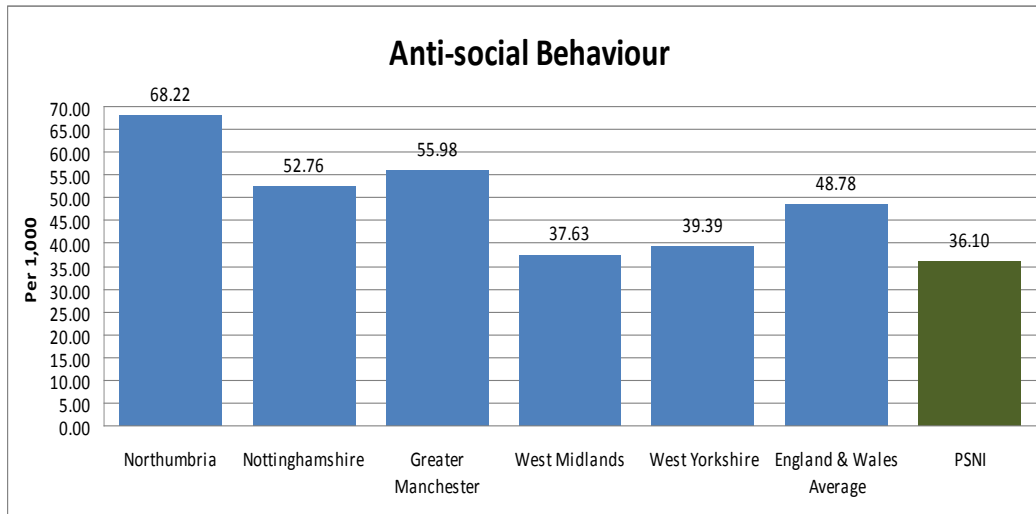


While antisocial behaviour showed a 1.8% increase during the 2012-13 year, the number of incidents recorded in that period is 34.9% lower than the total recorded in 2006/7, which is when the complete data series began.

Management Commentary (continued)

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

Table 5: Rates of antisocial behaviour per 1,000 of the population using the Most Similar Force Group and an average of all England and Wales Police Forces



Professional: Professional policing means being visible, available and responsive to people's needs and providing an excellent service to communities.

The Policing with the Community 2020 Strategy provides a number of key measures in this area. In the financial year 2012-13 the number of allegations of incivility against police officers reduced by 18%. There has been a year-on year reduction in this performance area, with 2012-13 being the best performing year to date in this category.

In order 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 matter most to them.

Another measure in this category is an increase in the amount of time spent on patrol. In the financial year 2012-13 this has increased significantly, and each increase of 5% is estimated to represent an increase of 30 minutes per officer per duty shift based on a 10 hour shift pattern

Table 6: The amount of time spent by each officer on patrol

| March 2012 | March 2013 | Change |
|-------------------|-------------------|---------------|
| 57.02% | 66.24% | + 9.2% |

Management Commentary (continued)

Protective: Protective policing means keeping the public safe from threat, risk and harm. Its objective is to improve our service to victims of crime, in particular the most vulnerable in society.

Performance in this area includes reducing the proportion of violent crime in which alcohol is a contributory factor, as well as action taken against organised crime groups. In 2012-13 there was a 14.2% increase in the number of drugs seizures across Northern Ireland, which yielded drugs with an estimated street value of £10.6 million. Offences of this nature can be influenced by police activities, for example in the latter half of 2012, police ran a high profile operation specifically targeted at “street level drug dealing” (Operation Torus).

During 2012-13 a base line was established relating to those crimes where alcohol is a contributory factor.

Table 7: The number of crimes where alcohol is a contributory factor (by crime type)

| | Financial Year Recorded | | |
|-----------------------------------|-------------------------|-----------------|---------------------|
| | All | Alcohol related | Alcohol as % of all |
| Domestic violence with injury | 3,599 | 2,156 | 59.9% |
| Non domestic violence with injury | 11,176 | 6,298 | 56.4% |
| Violence without injury | 15,963 | 5,976 | 37.4% |
| Most serious sexual crime | 1,676 | 346 | 20.6% |
| Criminal damage | 21,364 | 2,774 | 13.0% |
| Total all crime | 100,389 | 20,004 | 19.9% |

The detection rate for recorded crimes in 2012-13 was 26.4%, an increase of 0.1% on the previous year. Under revised Home Office arrangements, from April 2013 discretionary disposals will be included as a crime outcome along with existing current detections/outcomes. Within PSNI, published crime statistics will in future refer to crime “outcomes” rather than detections.

With regard to Violence against the person offences, the overall level of offences with injury in this category decreased by 763 crimes, a decrease of 4.9%. Violence against the person without injury increased by 544, representing a 3.5% increase.

Burglary offences decreased significantly during the period, with a reduction of 999 such crimes, with burglary levels now at their lowest level since 2002/3. In comparison to our Most Similar Force Group, PSNI hold the lowest rate of burglary, as well as being below the England and Wales average for crimes of this type.

There were 53 fatalities on Northern Ireland’s roads during 2012-13, which is a total increase of 1 fatality when compared to 2011-12. This figure includes 6 child fatalities, which is five more than the 2011-12 period. Notwithstanding this increase, it is a large reduction from the peak figure recorded in 1972 of 372 fatalities.

Management Commentary (continued)

There was a decrease in the number of bombing incidents from 56 in 2011-12 to 44 in 2012-13. There was also a decrease in the number of shooting incidents from 67 in 2011-12 to 64 in 2012-13. There were 2 deaths resulting from the security situation recorded during 2012-13.

In 2012-13, a total of 157 people were arrested under Section 41 of the Terrorism Act, which represents a decrease from the 159 recorded last year. Fifty people were subsequently charged.

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, Affordability Plan, Human Resource issues, Management of Police Information, G8 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 48 and shows a deficit for the year of £817.2m (£824.7m in 2011-12).

The total cost of policing

The total Resource DEL budget allocation (excluding costs of the Police Pension Scheme and AME impairments) available for 2012-13 was £818.1m. The DEL expenditure against this budget during the year was £809.4m, resulting in an overall surplus of £8.7m.

The total AME (Annually Managed Expenditure) 2012-13 budget allocation (including Pension Scheme, AME impairments, Release and Movements to Provisions) was £267.4m. The AME expenditure against this budget during the year was £246.3m, resulting in an overall surplus of £21.1m.

This gives a total resource spend of £1,055.7m. 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 £56.3m and a surplus of £1.6m was reported.

Management Commentary (continued)

The overall performance in 2012-13 represents an improvement on last year, despite the very real operational pressures. However, this involved deferring some planned activity.

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 2012-13 financial year, efficiency savings of £23.2m were delivered against a target of £22.1m.

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 2012-13 objectives in relation to reductions in energy consumption, carbon emission reductions and water usage established in the 2012-13 Estates Annual Business Plan.

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.

Management Commentary (continued)

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 awarded the Best 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 2013 shows net current liabilities of £140.8m. 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 2012-13.

Sickness absence data


The reported average number of working days lost due to sickness for 2012-13 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 2012-13 | Average Working Days Lost 2011-12 |
|------------------------|--|--|
| Police Officers | 10.56 | 9.25 |
| Police Staff | 8.78 | 7.71 |

Management Commentary (continued)

Personal data related incidents

PSNI suffered no breaches of sensitive personal data during the period but one internal breach of procedure was reported to the Information Commissioner's Office and is subject to on-going independent investigation.

A handwritten signature in black ink that reads "Matt Baggott". The signature is written in a cursive style with a large, prominent letter 'B'.

Matt Baggott
Chief Constable
Police Service of Northern Ireland
21 June 2013

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

Remuneration Report (continued)

The PSNI Regulations 2005 specify a fixed term of five years for the post of Chief Constable or Deputy Chief Constable, which may be extended for a further term of a maximum of three years and for subsequent terms of a maximum of one year. Any extension or subsequent extension which is due to expire more than one year after the expiry of the original fixed term shall require the consent of the 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 |
| David Jones | 8 September 2008 |
| William Kerr | 16 August 2009 |
| George Hamilton | 5 December 2011 |

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.

Remuneration Report (continued)

Salary and pension entitlement: (Audited Information)

Remuneration and pension information for the year ended 31 March 2013 is provided for Chief Officers of the PSNI as follows:

| | Salary 2012-13 €000's | Bonus 2012-13 €000's | Benefits in Kind 2012-13 €000's | Salary 2011-12 €000's | Bonus 2011-12 €000's | Benefits in Kind 2011-12 €000's |
|---|-----------------------------|----------------------------|--|-----------------------------|----------------------------|--|
| Chief Constable Matt Baggott | 190-195 | NIL | NIL | 190-195 | NIL | NIL |
| Deputy Chief Constable Judith Gillespie | 170-175 | NIL | NIL | 170-175 | NIL | NIL |
| Assistant Chief Constable, Criminal Justice George Hamilton (Full Year Equivalent) | 120-125 | NIL | NIL | 35-40 (120-125) | NIL | NIL |
| Assistant Chief Constable, Urban Region William Kerr | 115-120 | NIL | NIL | 115-120 | NIL | NIL |
| Assistant Chief Constable, Crime Operations Drew Harris | 125-130 | NIL | NIL | 120-125 | NIL | NIL |
| Assistant Chief Constable, Operational Support Alistair Finlay | 125-130 | NIL | NIL | 120-125 | NIL | NIL |
| Assistant Chief Constable, Rural Region David Jones | 125-130 | NIL | NIL | 115-120 | NIL | NIL |
| Director of Finance & Support Services David Best | 115-120 | NIL | NIL | 115-120 | NIL | NIL |
| Director of Human Resources Joe Stewart | 115-120 | NIL | NIL | 115-120 | NIL | NIL |

'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 2012-13 (None 2011-12).

Remuneration Report (continued)

Salary and pension entitlement: Pay Multiples (Audited information)

| 2012-13 Organisation Total | £000's | 2011/2012 Organisation Total | £000's |
|---|----------------|---|----------------|
| Remuneration of Highest Paid all Employees Total Remuneration | 190-195 | Remuneration of Highest Paid all Employees Total Remuneration | 190-195 |
| Median Total Remuneration | 34.78 | Median Total Remuneration | 34.62 |
| Ratio | 5.59 | Ratio | 5.56 |
| Police | | | |
| Remuneration of Highest Paid Police Officer's Total Remuneration | 190-195 | Remuneration of Highest Paid Police Officer's Total Remuneration | 190-195 |
| Median Total Remuneration | 38.75 | Median Total Remuneration | 38.75 |
| Ratio | 5.02 | Ratio | 4.96 |
| 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 | 22.65 | Median Total Remuneration | 22.75 |
| Ratio | 5.13 | Ratio | 5.16 |

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 2012-13 was £190,000-195,000 (2011-12 £190,000-195,000). This was 5.59 times (2011-12 5.56) the median remuneration of the workforce, which was £34,780 (2011-12 £34,620).

No employees in 2012-13 or 2011-12 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 remained similar at 5.59 in 2012-13 compared to 5.56 in 2011-12. This is largely a result of a general pay freeze. 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.

Remuneration Report (continued)

Chief Officer Pension Benefits

| Audited Information | Accrued pension as at 31 March 2013 | Real increase in pension and related lump sum at 31 March 2013 | ² CETV at 31 March 2013 | CETV at 31 March 2012 | Real increase in CETV |
|-------------------------------|--|---|---|------------------------------|------------------------------|
| | £000's | £000's | £000's | £000's | £000's |
| Matt Baggott ¹ | 130-135 | (0-2.5) | 2,976 | 2,964 | (14) |
| Judith Gillespie ¹ | 105-110 | 0 | 2,543 | 2,511 | 0 |
| George Hamilton ¹ | 60-65 | 0-2.5 | 1,253 | 1,144 | 33 |
| William Kerr ¹ | 50-55 | 0-2.5 | 698 | 639 | 17 |
| Drew Harris ¹ | 65-70 | 0-2.5 | 1,503 | 1,380 | 35 |
| Alistair Finlay ¹ | 70-75 | 0-2.5 | 1,660 | 1,627 | 4 |
| David Jones ¹ | 40-45 | 2.5-5.0 | 991 | 856 | 76 |
| David Best | 50-55 plus lump sum of 150-155 | 0-2.5 plus lump sum of 2.5-5.0 | 1,106 | 1,032 | 4 |
| Joe Stewart ³ | 10-15 plus lump sum of 40-45 | (7.5-10) plus lump sum of (25-27.5) | 304 | 457 | (182) |

Note:

- 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.*
- Due to a CETV factor change opening figures for 2012-13 may be subject to change from figures previously reported.*
- A real decrease in pension and related lump sum is due to a pension debit being applied in year.*

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.

Remuneration Report (continued)

PRINCIPAL CIVIL SERVICE PENSION SCHEME (NI)

Pension benefits for PSNI Police Staff are provided through the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)), 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). Prior to 2011 pensions were increased in line with the Retail Price Index (RPI). 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 2013, public service pensions will be increased by 2.2% with effect from 8 April 2013.

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

| Annual pensionable earnings (full-time equivalent basis) | New 2013 contribution rate before tax relief for Classic Members: | New 2013 contribution rate before tax relief for premium, nuvos, and Classic plus |
|---|--|--|
| Up to £15,000 | 1.50% | 3.50% |
| £15,001 - £21,000 | 2.70% | 4.70% |
| £21,001-£30,000 | 3.88% | 5.88% |
| £30,001-£50,000 | 4.67% | 6.67% |
| £50,001-60,000 | 5.46% | 7.46% |
| Over £60,000 | 6.25% | 8.25% |

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.

Remuneration Report (continued)

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 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.

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.

Remuneration 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, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS(NI) or PSNI Police Pension Scheme arrangements and for which a transfer payment has been received, commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. The factors for calculating CETVs changed from 26 October 2011 under advice from the Government Actuaries Department. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

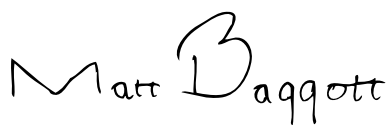
Remuneration Report (continued)

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).

Compensation for loss of Office

No Chief Officers left their posts during the 2012-13 financial year.

A handwritten signature in black ink that reads "Matt Baggott". The signature is written in a cursive style with a large, prominent letter 'B'.

Matt Baggott
Chief Constable
Police Service of Northern Ireland
21 June 2013

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.nipoliceboard.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 Chairman and myself; the Chairman 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.

Leadership Team

I am supported by an executive leadership team consisting of a Deputy Chief Constable, five Assistant Chief Constables, and two senior civilian staff Directors. We meet formally each month as the Service Executive Board (SEB) to provide executive management and governance to the operations and delivery of the PSNI. During 2012-13 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 2013 looking at its performance over the financial year 2012-13, 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.

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

| Members as at 31 March 2013 | Number of SEB meetings eligible to attend | Number of SEB meetings attended |
|------------------------------------|--|--|
| Matt Baggott | 14 | 11 |
| Judith Gillespie | 14 | 13 |
| George Hamilton | 14 | 9 |
| William Kerr | 14 | 11 |
| Drew Harris | 14 | 9 |
| Alistair Finlay | 14 | 10 |
| David Jones | 14 | 10 |
| David Best | 14 | 12 |
| Joe Stewart | 14 | 12 |

Governance Statement (continued)

The Audit and Risk Committee consists entirely of independent members, chaired by an independent Chairperson with two other independent members. The Deputy Chief Constable and the Director of Human Resources were members of the ARC until October 2012. A self effectiveness review of the committee compared the committee with best practice contained in the "HM Treasury Audit Committee Handbook" and recommended that the Audit Committee should contain only non executive members. The NIAO and the NIPB also recommended that the membership of the PSNI audit committee should comprise only non executive members. The membership change to the ARC in October 2012 means that PSNI is now fully compliant with the National Audit Office, Audit Committee Self-Assessment checklist.

The Audit and Risk Committee met 4 times during 2012-13, 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 has been taken by PSNI to address issues where "Limited" assurance levels on individual reviews were identified.

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:

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.

Resourcing. PSNI continues to face significant challenges to remain within spending targets, mainly due to the imposed constraints from budget 2011-15 and the savings programme across four years of £135m. Other challenges are as a result of the cost of dealing with legacy issues i.e. historical enquiries, legacy inquests, legal costs and compensation claims. The future funding of the Historical Enquiries team has also not been identified and presents a significant resourcing and political risk to the service.

Human Resource. The human resource challenges facing PSNI include the awaited outcome from the Public Accounts Committee hearing on the use of agency and temporary staff, the outcome from the judicial review on the managed services contract and the continuing difficulties in the retention and recruitment of experienced staff. As PSNI continues to reduce in size, the distribution of people and skills combined with the requirement for changing business practices has the potential to negatively impact on operational capability.

Governance Statement (continued)

Public Order. The potential for unforeseen public order events coupled with the major pre planned events in 2013 has a resilience impact on our existing resources, resulting in the potential impact on the delivery of normal policing.

G8. The policing of the G8 event in June 2013 requires significant planning and delivery. There is the risk if the safety and security operation for G8 and the provision of policing to the province during that time are not properly discharged, there could be major reputational damage for the service. The funding arrangements for G8 include a letter of comfort from the Chief Secretary which included confirmation that the UK Government will fund the costs associated with mutual aid, national security and military support. In addition, it was confirmed that a further £26m will be made available from the Treasury Reserve to help fund the core policing costs. While this is welcome, this still leaves a funding gap. The tight time frame also presents significant challenges in complying with administrative and approval processes not designed for this purpose.

NI Community Safety College. The recent announcement on the costs of the college being above the agreed funding level has the potential to impact on the PSNI's future capital budget. This could result in the delay or postponement of pre-planned PSNI capital projects.

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 will not be connected to national resources and specialisms relating to sharing intelligence, civil recovery of criminal assets, child exploitation on line, cybercrime and specialist resources for covert policing. This will 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 resources as inevitably more PSNI resource will be needed to combat serious crime in an attempt to plug the gap caused by the absence of the NCA. The PSNI Audit and Risk Committee consider this to be a serious risk for PSNI, due to the potential impact for public harm.

Funding Arrangements. PSNI is more restricted than other 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 Police Precept or to borrow funds to finance major projects.

Planning and Performance. PSNI is concerned that in the future the Policing Plan for PSNI may be more rigid compared to some Police Services in England and Wales, through the imposition of fixed performance measures, which could mean that there will be less flexibility in dealing with risk and unforeseen circumstances.

Regulation. PSNI has concerns regarding the regulatory processes in operation, including the number, scope, timing and coordination of external inspections carried out on an on-going basis.

Governance Statement (continued)

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.

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 2012-13 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.

Capacity to handle risk

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 four new risks coming on, three risks being removed, and changes in two risks being incorporated.

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.

Governance Statement (continued)

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 risk tolerance level set by the Service Executive Team for professional policing issues, regularity and propriety, and financial management is low. The risk tolerance level forms part of the risk management review of individual risks by the Service Executive Team.

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.

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 reported to the SEB. The effectiveness of the risk management process is reported twice a year to the RDR Committee and is 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 an assurance statement 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 to through to the Stewardship Statement I provide to the Department of Justice at six monthly intervals.

Governance Statement (continued)

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.

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. 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 if appropriate. PSNI continues to work towards the Cabinet Office Information Assurance Maturity Model, and at 31 March 2013 PSNI can demonstrate 100% Compliance at Level 1 in all 6 of the key risk areas. This provides evidence of our ability to manage information risk.

Governance Statement (continued)

Auditors from the Information Commissioners Office inspected PSNI in February 2013, and provided an overall reasonable assurance rating, indicating there is no requirement for a follow up visit. The inspection recorded a high assurance assessment in relation to security of personal data, and reasonable assurance in relation to records management, data sharing and requests for personal data. An action plan for implementation of the recommendations is being developed.

Personal Data Related Incidents

There is a current investigation into a potential breach of personal information from the internal Human Resources computer system. The investigation is at an early stage, and the outcomes from the investigation will be treated in the appropriate way when available.

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 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 2012-13 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 an overall satisfactory level of 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:

Control over Identifiable Items

Identifiable items are high priority personal issue/pool items used by Police Officers and staff to perform their day to day operational duties, often having a financial and operational value with an associated reputational risk. Internal Audit has raised an inconsistent approach across Districts regarding the management of these items, highlighting poor control in some instances. The audit raised concerns on the inconsistent procedures across districts relating to these items, and advised that they did not find that items were missing. Work is progressing in implementing the agreed actions and providing more consistent procedures.

Governance Statement (continued)

Operational Policy / Service Directives

Internal Audit through the district CRSA process has recognised positive developments over the last year in relation to the management of missing persons and managing sex offenders. Whilst the developments are positive it is an area that Internal Audit considers to be significant and on which resources should continue to be focused. Internal Audit has undertaken a number of reviews of this area, and the PSNI Audit and Risk Committee received a presentation on the issues at its May 2013 meeting. We will continue to focus on improving our performance in the future and the implementation of the audit recommendations.

Also, the review of the PSNI policy and service procedures is continuing to ensure the level of detail is appropriate and not prescriptive to the extent of causing non compliance issues. PSNI is working to incorporate the reviewed policy framework in line with the recently developed Authorised Professional Practice (APP) policy framework for England and Wales. APP is a project being led by the National Police Improvement Agency & Association of Chief Police Officers, and is aimed at reducing the amount of guidance on issue to police services across the UK. The Police Service of Northern Ireland fully supports this approach which is in line with our own review of policy and procedure.

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 draft report contains a qualified audit opinion advising that the Policing Plan lacked sufficient quantitative targets. I will be working with the NIPB to address the points the Comptroller and Auditor General will raise in the final report.

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, which has been produced as a separate account for the first time in 2011-12, and the Comptroller and Auditor General is proposing to qualify his opinion 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.

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;

Governance Statement (continued)

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

Any issues of control weaknesses, identified from reviews carried out by these independent bodies in 2012-13, have been considered and action taken with progress on actions outstanding monitored through the "Overview" system.

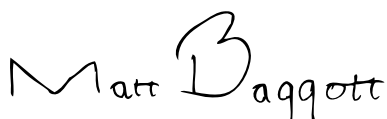
The SEB continues to keep its internal control arrangements under review in response to internal and external developments. The SEB is independently advised by the Audit and Risk Committee which meets four times per year, and reports through its annual report, and regular meetings between the independent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



Matt Baggott
Chief Constable
Police Service of Northern Ireland
21 June 2013

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 2013 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 mainly comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Responsibilities of the Chief Constable, the Chief Constable as Accounting Officer, is responsible for the preparation of the financial statements on behalf of the Northern Ireland Policing Board and for being satisfied that they give a true and fair view. My responsibility is to examine, 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 the International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

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

The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly (continued)

Opinion on Regularity

In my opinion, 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 affairs of the Police Service of Northern Ireland, the PSNI Police Property Fund Account and the PSNI Police Fund Account as at 31 March 2013 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 information given in the Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly (continued)

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



**Kieran J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
Date: 26 June 2013**

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2013

| | Notes | Year Ended 31 March 2013 £000's | Year Ended 31 March 2012 £000's |
|---|-------|---------------------------------------|---------------------------------------|
| Expenditure: | | | |
| Staff Costs | 3 | 543,831 | 529,505 |
| Depreciation | 4 | 32,249 | 30,701 |
| Other Expenditures | 5 | 198,086 | 206,568 |
| | | <u>774,166</u> | <u>766,774</u> |
| Income: | | | |
| Income from activities | 6 | (4,699) | (1,237) |
| Other Income | 6 | (4,053) | (7,704) |
| | | <u>(8,752)</u> | <u>(8,941)</u> |
| Net Expenditure | | <u>765,414</u> | <u>757,833</u> |
| Other Comprehensive Expenditure: | | | |
| Net loss on the revaluation of Property, Plant and Equipment | 7 | 1,131 | 3,433 |
| Net gain on the revaluation of Intangibles | 7 | - | (10) |
| Actuarial Loss | 16 | 50,640 | 63,410 |
| | | 51,771 | 66,833 |
| Total Comprehensive Expenditure for year ended 31 March | | <u>817,185</u> | <u>824,666</u> |

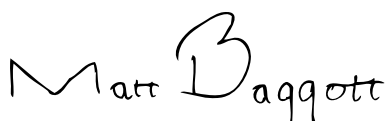
The notes on pages 52 to 88 form part of this account

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

| | Notes | 2013 £000's | 2012 £000's |
|--|-------|-------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant & equipment | 8 | 571,518 | 559,465 |
| Intangible assets | 9 | 4,166 | 3,210 |
| Total non-current assets | | <u>575,684</u> | <u>562,675</u> |
| Current assets | | | |
| Assets classified as held for sale | 11 | 2,189 | 2,460 |
| Inventories | 12 | 5,343 | 5,630 |
| Trade and other receivables | 13 | 25,514 | 22,948 |
| Cash and cash equivalents | 14 | 1,745 | 2,870 |
| Total current assets | | <u>34,791</u> | <u>33,908</u> |
| Total assets | | <u>610,475</u> | <u>596,583</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | (100,576) | (95,413) |
| Provisions | 16 | (75,059) | (99,344) |
| Total current liabilities | | <u>(175,635)</u> | <u>(194,757)</u> |
| Non current assets less net current liabilities | | <u>434,840</u> | <u>401,826</u> |
| Non-current liabilities | | | |
| Provisions | 16 | (530,912) | (498,329) |
| Total non-current liabilities | | <u>(530,912)</u> | <u>(498,329)</u> |
| Assets less liabilities | | <u>(96,072)</u> | <u>(96,503)</u> |
| Taxpayers' equity | | | |
| Revaluation Reserve | | 110,611 | 121,387 |
| General Reserve | | (206,683) | (217,890) |
| Total | | <u>(96,072)</u> | <u>(96,503)</u> |

The notes on pages 52 to 88 form part of this account.

The financial statements on pages 48 to 88 were approved and authorised by the PSNI on 21 June 2013 and were signed on its behalf by:



Matt Baggott
Chief Constable
Police Service of Northern Ireland
21 June 2013

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

| | Notes | Year ended 2012-13 £000's | Year ended 2011-12 £000's |
|---|---------|---------------------------------|---------------------------------|
| Cash flows from operating activities: | | | |
| Net Cost | | (817,185) | (824,666) |
| Adjustments for non-cash transactions | 4,5,6,7 | 107,997 | 129,148 |
| (Increase) /Decrease in trade and other receivables | 13 | (2,566) | 24,186 |
| (Decrease) in trade and other payables | 15 | (2,241) | (24,749) |
| Decrease /(Increase) in Inventories | 12 | 287 | (277) |
| Use of Provisions | 16 | <u>(65,688)</u> | <u>(104,594)</u> |
| Net cash outflow from operating activities | | <u>(779,396)</u> | <u>(800,952)</u> |
| Cash flows from investing activities: | | | |
| Purchase of property, plant & equipment | | (48,075) | (47,144) |
| Purchase of intangible assets | | (973) | (1,148) |
| Proceeds on Assets Held for Sale | | 967 | 1,431 |
| Proceeds on disposal of plant, property & equipment | | <u>111</u> | <u>103</u> |
| Net cash outflow from investing activities | | <u>(47,970)</u> | <u>(46,758)</u> |
| Cash flows from financing activities: | | | |
| Grant from Sponsoring department | | <u>826,241</u> | <u>803,300</u> |
| Net financing | | <u>826,241</u> | <u>803,300</u> |
| Net decrease in cash and cash equivalents in the period | | <u>(1,125)</u> | <u>(44,410)</u> |
| Cash and cash equivalents at the beginning of the period | | <u>2,870</u> | <u>47,280</u> |
| Cash and cash equivalents at the end of period | | <u>1,745</u> | <u>2,870</u> |

The notes on pages 52 to 88 form part of this account

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2013

| | General Reserves £000's | Revaluation Reserves £000's | Total Reserves £000's |
|---|-------------------------------|-----------------------------------|-----------------------------|
| Balance at 31 March 2011 | (197,310) | 121,718 | (75,592) |
| Changes in Taxpayers' Equity 2011-12 | | | |
| Net gain on revaluation of property, plant and equipment | - | 455 | 455 |
| Transfers between reserves | 786 | (786) | - |
| Comprehensive Expenditure for the year | <u>(824,666)</u> | <u>-</u> | <u>(824,666)</u> |
| Total | (823,880) | (331) | (824,211) |
| Grant from Sponsoring Entity | 803,300 | - | 803,300 |
| Balance at 31 March 2012 | <u>(217,890)</u> | <u>121,387</u> | <u>(96,503)</u> |
| Changes in Taxpayers' Equity 2012-13 | | | |
| Net loss on revaluation of property, plant and equipment | - | (8,625) | (8,625) |
| Transfers between reserves | 2,151 | (2,151) | - |
| Comprehensive Expenditure for the year | <u>(817,185)</u> | <u>-</u> | <u>(817,185)</u> |
| Total | (815,034) | (10,776) | (825,810) |
| Grant from Sponsoring Entity | 826,241 | - | 826,241 |
| Balance at 31 March 2013 | <u>(206,683)</u> | <u>110,611</u> | <u>(96,072)</u> |

The notes on pages 52 to 88 form part of this account

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2013

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2012-13 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.

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 2013 (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 2013 (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 less costs to sell. Depreciation is not charged once an asset has been classified as Held for Sale.

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 2013 (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 2013 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 2013 (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 (2012) 15. 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 2013 (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 2012-13.

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 2013 (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 2013 (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 2013 and no corporation tax is due in the 2012-13 year. Note 24 provide details of the performance of this fund for the 2012-13 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 2012-13 financial year.

1.24 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2013

The PSNI has included details of the performance of the Police Fund and the Police Property Fund Accounts for 2012-13 including comparative figures, as notes to the Main Financial Statements as set out in the accounts direction on 28 March 2013.

PSNI has reviewed the standards, interpretations and amendments to published standards that became effective during 2012-13 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the financial position or results of the PSNI.

| Chapter in FReM 2012-13 | Area affected | Description of Revision | Comments |
|-------------------------|---|--|---|
| 7 | Accounting for Carbon Reduction commitment Scheme (CRC) Energy Efficiency Scheme. | The amendments: Clarify the position whereby those participating in the CRC Energy Efficiency scheme will need to account for assets, liabilities, and expenses relating to the scheme. | Applied during the 2012-13 year. No impact on the PSNI. |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

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.

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) 2012-13 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 2013 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 |
|---|---|----------------------------|--|
| 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. |
| IAS 16 Property, Plant and Equipment | Classification of servicing equipment – items such as spare parts, stand-by equipment and servicing equipment are recognised under IAS 16 when they meet the definition of property, plant or equipment. They are otherwise classified as inventory under IAS 2. | 2013-14 | The FREM is expected to apply this change in full. |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

| Standard | Description of revision | Application date | Comments |
|--|---|-------------------------------------|--|
| IAS 19 – Post-employment benefits (pensions) | The amended IAS 19 introduces a number of changes affecting Recognition, Presentation and Disclosures. It also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition | 1 January 2013 (FREM 2013-14) | The application of the IAS 19 amendment interpreted for the public sector context is effective from April 2013 |
| IFRS 13 – Fair Value Measurement | 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): The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. | 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 2013 (continued)

**2. STATEMENT OF OPERATING COSTS BY SEGMENT FOR THE YEAR ENDED
31 MARCH 2013**

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 | 55,220 | 774,166 |
| Income | (814) | (1,655) | (6,283) | - | (8,752) |
| Net Expenditure | <u>330,487</u> | <u>192,748</u> | <u>186,959</u> | <u>55,220</u> | <u>765,414</u> |

Operating Segments

2011-12:

| | Territorial Policing | Other Frontline Policing | Infrastructure Support Costs | Other Costs | Total |
|------------------------|---------------------------------|---|---|------------------------|-----------------------|
| | £000's | £000's | £000's | £000's | £000's |
| Gross expenditure | 317,314 | 194,522 | 193,295 | 61,643 | 766,774 |
| Income | (882) | (1,813) | (6,246) | - | (8,941) |
| Net Expenditure | <u>316,432</u> | <u>192,709</u> | <u>187,049</u> | <u>61,643</u> | <u>757,833</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 2013 (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

| | 2012-13 Permanently Employed Staff | 2012-13 Others | 2012-13 Staff Costs Total | 2011-12 Staff Costs Total |
|---|---|---------------------------|--|--|
| | £000's | £000's | £000's | £000's |
| Wages & salaries | 421,275 | 13,525 | 434,800 | 422,346 |
| Social security costs | 37,200 | - | 37,200 | 35,176 |
| Pension Costs | 72,392 | - | 72,392 | 72,702 |
| Total staff costs | <u>530,867</u> | <u>13,525</u> | <u>544,392</u> | <u>530,224</u> |
| Less recoveries in respect of outward secondments | <u>(561)</u> | <u>-</u> | <u>(561)</u> | <u>(719)</u> |
| Total net costs | <u>530,306</u> | <u>13,525</u> | <u>543,831</u> | <u>529,505</u> |

Average numbers of persons employed:

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

| | Total | 2012-13 Permanent Staff | 2012-13 Others | 2011-12 Total Staff |
|-----------------------------------|----------------------|--|---------------------------|------------------------------------|
| Directly Employed | 10,024 | 10,024 | - | 10,348 |
| Other | 431 | - | 431 | 501 |
| Staff Engaged in Capital Projects | - | - | - | 4 |
| Total | <u>10,455</u> | <u>10,024</u> | <u>431</u> | <u>10,853</u> |

Notes to the Accounts for Year Ended 31 March 2013 (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.

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

For 2012-13, employers' contributions of £11,544,381 were paid to the PCSPS (NI) (2012-13: £11,771,495) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 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 2013 (continued)

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.

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 2013, employer's contributions of £47,868,131 have been paid at the rate of 24.2% of pensionable pay. For 2011-12, employers' contributions of £49,791,074 were paid to the PSNI PPS. In addition employers' contributions totalling £2,804,775 have been paid for the year to 31 March 2013 in respect of early retirements (2011-12 £1,798,502). 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 2013 (continued)

New Police Pension Scheme (NPPS)

For the period to 31 March 2013, employer's contributions of £12,928,410 have been paid at the rate of 24.2% of pensionable pay. For 2011-12, employers' contributions of £12,430,262 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 2012-13 (total £75,145,697).

Employer pension costs disclosed on page 63 (note 3) of £72,392k 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 2013 (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 |

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.

No voluntary payments were made to Police Officers. All five payments were made to Police Staff. One charge is in relation to approved early retirement. The remaining four payments were made following dismissal.

Notes to the Accounts for Year Ended 31 March 2013 (continued)

Reporting of Compensation and Exit Packages for all Staff 2011-12

| Exit Package Cost Band | Number of Compulsory Redundancies | Number of Other departures agreed | Total number of Exit Packages by cost band |
|--------------------------------------|--|--|---|
| < £10,000 | 3 | 2 | 5 |
| £10,000 - £25,000 | 5 | 2 | 7 |
| £25,000 - £50,000 | - | 2 | 2 |
| £50,000 - £100,000 | 26 | 51 | 77 |
| £100,000 - £150,000 | 192 | 24 | 216 |
| £150,000 - £200,000 | 3 | 9 | 12 |
| £200,000 - £250,000 | - | 6 | 6 |
| £250,000 - £300,000 | - | 2 | 2 |
| | | | |
| Total number of Exit Packages | 229 | 98 | 327 |
| | | | |
| Total Resource Cost (£) | 24,762,322 | 11,126,010 | 35,888,332 |

Exit packages in 2011-12 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.

Notes to the Accounts for Year Ended 31 March 2013 (continued)

| 4. DEPRECIATION AND AMORTISATION | Year Ended 31 March 2013 | Year Ended 31 March 2012 |
|---|-------------------------------------|-------------------------------------|
| | £000's | £000's |
| | <u>32,249</u> | <u>30,701</u> |

| 5. OTHER EXPENDITURE | Year Ended 31 March 2013 | Year Ended 31 March 2012 |
|--|-------------------------------------|-------------------------------------|
| | £000's | £000's |
| Other Expenditures | 62,366 | 63,701 |
| Accommodation services | 45,744 | 43,743 |
| IT & communications | 39,279 | 40,255 |
| Transport | 16,448 | 16,469 |
| Travel, subsistence & relocation | 9,113 | 9,313 |
| Charges for operating leases: property | 766 | 972 |
| Charges for operating leases: photocopiers | 122 | 141 |
| Hospitality | 199 | 185 |
| Audit fees | 71 | 84 |
| Non cash items: | | |
| Loss on Disposal of non-current assets | 632 | - |
| Cost of Borrowing on provisions | 25,080 | 27,968 |
| Increase in Provision | 31,052 | 23,372 |
| Provision not utilised | <u>(32,786)</u> | <u>(19,635)</u> |
| Total | <u>198,086</u> | <u>206,568</u> |

| 6. INCOME | Year Ended 31 March 2013 | Year Ended 31 March 2012 |
|--|-------------------------------------|-------------------------------------|
| | £000's | £000's |
| Fees for firearms certificates, permits & accident reports | 1,165 | 1,092 |
| Profit on Disposal of non-current assets | - | 92 |
| Police Transport | 50 | 53 |
| EU Income | 26 | 76 |
| Asset recovery | 758 | 1,093 |
| Refunds and Contributions | 2,700 | 2,061 |
| Other | <u>4,053</u> | <u>4,474</u> |
| Total | <u>8,752</u> | <u>8,941</u> |

| 7. OTHER COMPREHENSIVE EXPENDITURE | Year Ended 31 March 2013 | Year Ended 31 March 2012 |
|---|-------------------------------------|-------------------------------------|
| | £000's | £000's |
| Downward revaluation in Property, Plant and Equipment | 1,131 | 3,433 |
| Downward revaluation in Intangibles | - | (10) |
| Actuarial Loss | <u>50,640</u> | <u>63,410</u> |
| Total | <u>51,771</u> | <u>66,833</u> |

Notes to the Accounts for Year Ended 31 March 2013 (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 w/o | - | - | 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 2013. Separate valuations were secured for the two helicopters (as included in Vehicles and Aircraft) in March 2013 from the contracted supplier. All other items of Plant & Equipment were valued using independent indices as at January 2013. 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 2013 (continued)

8. PROPERTY, PLANT AND EQUIPMENT

| 2011-2012 | 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 2011 | 138,100 | 404,500 | 110,565 | 12,528 | 80,932 | 41,095 | 787,720 |
| Additions | - | 21,011 | 11,313 | 2,301 | 13,758 | - | 48,383 |
| Disposals | - | - | (3,747) | (262) | (1,369) | - | (5,378) |
| Revaluation on Disposal | - | - | - | - | - | - | - |
| Assets Held for Resale | (1,890) | (65) | - | - | - | - | (1,955) |
| Transfers | - | (5,872) | 2,101 | 317 | (835) | 3,975 | (314) |
| Impairment | - | - | - | - | - | - | - |
| Revaluation | (623) | (1,625) | (7) | (84) | (199) | - | (2,538) |
| Indexation | - | - | 333 | 323 | 337 | - | 993 |
| Write off from AICC | - | - | - | - | - | 679 | 679 |
| At 31 March 2012 | <u>135,587</u> | <u>417,949</u> | <u>120,558</u> | <u>15,123</u> | <u>92,624</u> | <u>45,749</u> | <u>827,590</u> |
| Depreciation: | | | | | | | |
| At 1 April 2011 | - | 104,032 | 71,185 | 8,217 | 59,762 | - | 243,196 |
| Charged in Year | - | 12,057 | 11,643 | 642 | 3,378 | - | 27,720 |
| Disposals | - | - | (3,724) | (244) | (1,346) | - | (5,314) |
| Assets Held for Resale | - | (60) | - | - | - | - | (60) |
| Revaluation | - | - | 197 | 126 | (411) | - | (88) |
| Indexation | - | 909 | 129 | 38 | 22 | - | 1,098 |
| Depreciation w/o | - | - | 1,489 | - | 84 | - | 1,573 |
| At 31 March 2012 | - | <u>116,938</u> | <u>80,919</u> | <u>8,779</u> | <u>61,489</u> | - | <u>268,125</u> |
| Net Book Value | | | | | | | |
| 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> |
| At 31 March 2011 | <u>138,100</u> | <u>300,468</u> | <u>39,380</u> | <u>4,311</u> | <u>21,170</u> | <u>41,095</u> | <u>544,524</u> |
| Asset Financing: | | | | | | | |
| Owned | <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> |
| Net Book Value 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> |
| Dwellings 11-12 | | | | | | | |
| Cost or Valuation | £000's | | | | | | |
| At 1 April 2011 | 550 | | | | | | |
| Depreciation | (10) | | | | | | |
| Disposals | - | | | | | | |
| Revaluation | (20) | | | | | | |
| At 31 March 2012 | <u>520</u> | | | | | | |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

9. INTANGIBLE ASSETS

| | 31 March 2013 |
|---|----------------------|
| | £000's |
| Cost or valuation: | |
| At 1 April 2012 | 12,909 |
| Additions | 935 |
| Disposals | (1,683) |
| Revaluation | 1,571 |
| Transfers | 799 |
| 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 |
| Revaluation below Historical Cost | 1,304 |
| At 31 March 2013 | <u>10,365</u> |
| Net Book Value as at 31 March 2013 | <u>4,166</u> |
| | 31 March 2012 |
| | £000's |
| Cost or Valuation: | |
| At 1 April 2011 | 16,250 |
| Additions | 1,043 |
| Disposals | (4,634) |
| Revaluation | 301 |
| Devaluation | (365) |
| Transfers | 314 |
| At 31 March 2012 | <u>12,909</u> |
| Amortisation: | |
| At 1 April 2011 | 13,026 |
| Charged in year | 1,297 |
| Disposals | (4,634) |
| Write Backs | 117 |
| Revaluation | 97 |
| Revaluation below Historical Cost | (204) |
| At 31 March 2012 | <u>9,699</u> |
| Net Book Value as at 31 March 2012 | <u>3,210</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 2013 (continued)

10. FINANCIAL IMPAIRMENTS

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

11. ASSETS HELD FOR SALE

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

| | Land and buildings 2012-13 | Land and buildings 2011-12 |
|--|---------------------------------------|---------------------------------------|
| Assets Classified as Held for sale: | £000's | £000's |
| Opening Balance 1 April | 2,460 | 3,075 |
| Transferred from Land and Buildings | 2,922 | 1,895 |
| Revaluations to market value | (1,503) | (1,130) |
| Disposals | <u>(1,690)</u> | <u>(1,380)</u> |
| Closing Balance 31 March | 2,189 | 2,460 |

Disposal proceeds of £967k were received in 2012-13 (£1,431k 2011-12) in respect of assets disposed of. A loss of £723k (£53k loss 2011-12) was noted due to fluctuations in the current property market.

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

| As at 31 March 2013 | £000's | | £000's | | £000's |
|----------------------------|---------------|-------------|---------------|-----------------------------|---------------|
| Bessbrook | 12 | Donaghadee | 65 | Irvinestown | 111 |
| Bushmills | 80 | Dungiven | 120 | Keady | 70 |
| Charlotte St Ballymoney | 75 | Eglinton | 70 | Killyleagh | 125 |
| Cloughmills | 60 | Garvagh | 90 | Land Rear Craigavon | 500 |
| Comber | 85 | Glenarm | 118 | Prince William Road Lisburn | 200 |
| Crossgar | 98 | Glengormley | 100 | Randalstown | 80 |
| | | | | Saintfield | 130 |
| | | | | Total | 2,189 |

| As at 31 March 2012 | £000's | | £000's | | £000's |
|----------------------------|---------------|-----------------|---------------|-----------------------------|---------------|
| Keady* | 70 | Newtownstewart* | 400 | Oldpark* | 100 |
| Belcoo* | 110 | Pomeroy* | 180 | Rathfriland* | 65 |
| Bellaghy* | 385 | Carryduff* | 150 | Prince William Road Lisburn | 200 |
| Newtownbutler* | 200 | Crumlin* | 100 | Land Rear Craigavon | 500 |
| | | | | Total | 2,460 |

* denotes sold in 2012-13

Notes to the Accounts for Year Ended 31 March 2013 (continued)

| 12. INVENTORIES | 2012-13 £000's | 2011-12 £000's |
|---------------------------|--------------------------|--------------------------|
| General stores | 2,395 | 3,048 |
| Transport Services stores | 1,396 | 930 |
| Heating oil | 824 | 891 |
| Petrol and diesel | <u>728</u> | <u>761</u> |
| Total | <u>5,343</u> | <u>5,630</u> |

| 13.(A) TRADE AND OTHER RECEIVABLES | 2012-13 £000's | 2011-12 £000's |
|---|--------------------------|--------------------------|
| Prepayments and accrued income | 4,388 | 4,790 |
| Trade receivables | 2,371 | 1,372 |
| Contributions due to the Pensions Scheme | 7,663 | 6,502 |
| HMRC VAT Receivable | 8,387 | 7,781 |
| Other receivables | <u>2,705</u> | <u>2,503</u> |
| Total | <u>25,514</u> | <u>22,948</u> |

| 13.(B) INTRA GOVERNMENT RECEIVABLE BALANCES | 2012-13 £000's | 2011-12 £000's |
|---|--------------------------|--------------------------|
| Balances with other central government | 18,248 | 17,224 |
| Balances with local authorities | 14 | 14 |
| Balances with public corporations and trading funds | <u>127</u> | <u>151</u> |
| Sub- total Intra governmental Balances | <u>18,389</u> | <u>17,389</u> |
| Balances with bodies external to government | <u>7,125</u> | <u>5,559</u> |
| Total receivables as at 31 March | <u>25,514</u> | <u>22,948</u> |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

| | 2012-13 | 2011-12 |
|--|---------------------|---------------------|
| 14. CASH AND CASH EQUIVALENTS | | |
| | £000's | £000's |
| Balance at 1 April | 2,870 | 47,280 |
| Changes in cash and cash equivalent balances | (1,125) | (44,410) |
| Balance at 31 March | <u>1,745</u> | <u>2,870</u> |
| All cash held in commercial bank accounts. | | |

| | 2012-13 | 2011-12 |
|--|-----------------------|----------------------|
| 15.(A) TRADE AND OTHER PAYABLES | | |
| | £000's | £000's |
| Trade payables | 12,489 | 9,047 |
| Trade accruals and Deferred Income | 51,428 | 48,963 |
| Taxation & social security | 12,931 | 12,564 |
| Employee Benefit Accrual | 8,812 | 8,438 |
| Advance Severance Payments for Leavers | 90 | 13 |
| Payroll accrual | 10,844 | 11,738 |
| Other payables | 3,982 | 4,650 |
| Total | <u>100,576</u> | <u>95,413</u> |

| | 2012-13 | 2011-12 |
|---|-----------------------|----------------------|
| 15.(B) INTRA GOVERNMENT PAYABLE BALANCES | | |
| | £000's | £000's |
| Balances with other central government bodies | 17,985 | 16,552 |
| Balances with local authorities | 557 | 1,783 |
| Balances with public corporations and trading funds | 694 | 273 |
| Sub- total Intra governmental Balances | 19,236 | 18,608 |
| Balances with bodies external to government | 81,340 | 76,805 |
| Total | <u>100,576</u> | <u>95,413</u> |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

16.(A) PROVISIONS FOR LIABILITIES AND CHARGES:

| | Severance £000's | Compen- sation £000's | Injury Awards £000's | Equal Pay £000's | Decomm- issioning 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 | 324 | 26,990 | 3,140 | - | 430 | 168 | 31,052 |
| 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> |

| | Severance £000's | Compen- sation £000's | Injury Awards £000's | Equal Pay £000's | Decomm- issioning Costs £000's | Misc £000's | Total £000's |
|-------------------------|---------------------|-----------------------------|----------------------------|------------------------|---|-------------------|-----------------------|
| At 1 April 2011 | 32,987 | 157,866 | 388,217 | 26,577 | 1,312 | 193 | 607,152 |
| Utilised in Year | (45,219) | (38,532) | (20,211) | - | (601) | (31) | (104,594) |
| Provision not utilised | - | (19,635) | - | - | - | - | (19,635) |
| Cost of Borrowing | 1,205 | 5,477 | 21,280 | - | - | 6 | 27,968 |
| Actuarial Loss | - | - | 63,410 | - | - | - | 63,410 |
| Increase in Provision | 14,545 | 4,968 | 3,820 | - | 39 | - | 23,372 |
| At 31 March 2012 | <u>3,518</u> | <u>110,144</u> | <u>456,516</u> | <u>26,577</u> | <u>750</u> | <u>168</u> | <u>597,673</u> |

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

16.(B) ANALYSIS OF EXPECTED TIMING OF DISCOUNTED FLOWS:

| 2012-13 | Severance £000's | Compen- sation £000's | Injury Awards £000's | Decomm- issioning 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 | 1,603 | 44,405 | 484,904 | - | - | 530,912 |
| 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> |

| 2011-12 | Severance £000's | Compen- sation £000's | Injury Awards £000's | Equal Pay £000's | Decomm- issioning Costs £000's | Misc £000's | Total £000's |
|---|---------------------|-----------------------------|----------------------------|------------------------|---|-------------------|-----------------------|
| Not Later than one year | 2,807 | 50,042 | 19,000 | 26,577 | 750 | 168 | 99,344 |
| Later than one year and not later than 5 years | 711 | 60,102 | 70,000 | - | - | - | 130,813 |
| Later than five years | - | - | 367,516 | - | - | - | 367,516 |
| At 31 March 2012 | <u>3,518</u> | <u>110,144</u> | <u>456,516</u> | <u>26,577</u> | <u>750</u> | <u>168</u> | <u>597,673</u> |

Notes to the Accounts for Year Ended 31 March 2013 (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 | Hearing Loss | Total |
|-------------------------|----------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| | £000's | £000's | £000's | Injury £000's | Legal £000's | £000's |
| At 1 April 2012 | 22,422 | 2,328 | 17,068 | 36,563 | 31,763 | 110,144 |
| Utilised in Year | (2,031) | (2,031) | (1,636) | (17,032) | (17,621) | (40,351) |
| Provision not utilised | (2,639) | - | - | (3,570) | - | (6,209) |
| Costs of Borrowing | 509 | 9 | 387 | 1,280 | 1,112 | 3,297 |
| Increase in Provision | <u>6,984</u> | <u>152</u> | <u>3,972</u> | <u>7,468</u> | <u>8,414</u> | <u>26,990</u> |
| At 31 March 2013 | <u>25,245</u> | <u>458</u> | <u>19,791</u> | <u>24,709</u> | <u>23,668</u> | <u>93,871</u> |

At 31 March 2013, there were 2,666 'live' injury or wrongful acts claims and 814 'live' damage to property claims. Associated legal fees are also provided for.

Claims have varying life spans with claims involving personal injury mostly concluded within six years of receipt and claims for damage to property usually being concluded within one or two years of receipt. In deriving the above figures, assumptions have been made relating to the number of outstanding claims likely to attract compensation, the average claim value for the different claim types and likely timing of settlement. The data assumes that past trends will persist with only marginal fluctuations and any deviations from this pattern may have a material impact on actual claims settled. The provision for years 1-6 have been discounted at the HM Treasury rate of (1.8%).

Notes to the Accounts for Year Ended 31 March 2013 (continued)

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 2013, 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 2013 | Value at 31 March 2012 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| | £000's | £000's |
| Liability in respect of | | |
| Active Members | 122,360 | 107,030 |
| Pensions in payment (injury awards) | 386,314 | 349,486 |
| Total liability | 508,674 | 456,516 |

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 4.10% pa
- A rate of long-term inflation and pensions increases of 1.70% 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.

| History of Experience gains and losses | Value at 31 March 2013 | Value at 31 March 2012 |
|--|-----------------------------------|-----------------------------------|
| | £000's | £000's |
| Experience losses on the scheme liabilities | (27,640) | (26,770) |
| Percentage of the liability at the end of year | -5.4% | 5.9% |
| Total actuarial loss | (50,640) | (64,410) |
| Percentage of the liability at the end of year | -10.0% | -0.5% |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

Equal Pay:

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

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

The County Court Ruling was received on the 7 March 2013, dismissing the breach of contract claim brought by PSNI staff, and Trade Union representatives have decided not to launch an appeals process. This provision has therefore been reversed.

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 £000's | Early Retirement £000's | Total £000's |
|-------------------------|------------------------------------|---------------------------------------|------------------------|
| At 1 April 2012 | 168 | - | 168 |
| Utilised in Year | (27) | (22) | (49) |
| Cost of borrowing | (5) | - | (5) |
| Increase in Provision | - | 168 | 168 |
| At 31 March 2013 | <u>136</u> | <u>146</u> | <u>282</u> |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

17. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2013 not otherwise included in these financial statements.

| | 2012-13 | 2011-12 |
|----------------------------|----------------------|----------------------|
| | £000's | £000's |
| Property Plant & Equipment | 55,890 | 24,081 |
| Intangible Assets | <u>2,010</u> | <u>2,751</u> |
| Total | <u>57,900</u> | <u>26,832</u> |

The increase in capital commitments at year end reflect contracted agreements for the new build at Downpatrick, the refresh of a number of ICS systems and some new transport assets.

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:

| | 2012-13 | 2011-12 |
|---|---------------------|---------------------|
| | £000's | £000's |
| Land: | | |
| Not later than one year | 209 | 140 |
| Later than one year and not later than five | 381 | 234 |
| Later than five years | <u>191</u> | <u>20</u> |
| Total | <u>781</u> | <u>394</u> |
| Buildings: | | |
| Not later than one year | 405 | 390 |
| Later than one year and not later than five | 840 | 731 |
| Later than five years | <u>170</u> | <u>153</u> |
| Total | <u>1,415</u> | <u>1,274</u> |
| Other: | | |
| Not later than one year | 37 | 48 |
| Later than one year and not later than five | 13 | 46 |
| Later than five years | <u>-</u> | <u>-</u> |
| Total | <u>50</u> | <u>94</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 2012-13.

20. OTHER FINANCIAL COMMITMENTS

The PSNI has no other material financial commitments to report for financial year 2012-13. 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 2013. This is due to the organisation being essentially a non-trading entity and financed as a Non Departmental Public body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year end flexibility. 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.

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 2013 (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 2013 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 2013 (continued)

23. LOSSES AND SPECIAL PAYMENTS

Losses & Special Payments

| Type | Description | No of Cases | £000's |
|--|--------------|---------------------|----------------------|
| Losses | | 2 | 1 |
| Overpayments | | 6 | 20 |
| Stores | | 104 | 10 |
| Claims waived or Abandoned | | 341 | 257 |
| Special Payments | Compensation | 3,040 | 22,052 |
| Fruitless Payments & Constructive Losses | | 201 | 26 |
| Total | | <u>3,694</u> | <u>22,366</u> |

During 2012-13, compensation payments were made in relation to 3,040 cases, the total amount paid in these cases was £22,052. Two payments exceeded £250k. A compensation payment was made for £467k in May 2012, the plaintiff, a former serving officer, claimed negligence and breach of statutory duty following injury while training. A compensation payment of £300k was made in April 2012, the plaintiff, a former serving officer, was injured during serious public disorder. 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 2013 (continued)

24. POLICE FUND

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2013**

| | 2012-13 | 2011-12 |
|-----------------------------------|---------------------|---------------------|
| | £000's | £000's |
| EXPENDITURE | | |
| Other Expenditure | 12.3 | 11.4 |
| INCOME | | |
| Income from Activities | (7.3) | (6.7) |
| Other Income | (9.3) | (5.3) |
| | <u>(16.6)</u> | <u>(12.0)</u> |
| NET INCOME BEFORE TAXATION | (4.3) | (0.6) |
| Tax | - | 0.2 |
| NET INCOME AFTER TAXATION | <u>(4.3)</u> | <u>(0.4)</u> |

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

| | 2012-2013 | 2011-2012 |
|--------------------------------|---------------------|---------------------|
| | £000's | £000's |
| NON-CURRENT ASSETS | | |
| Financial Assets | 99.2 | 99.0 |
| CURRENT ASSETS | | |
| Trade and Other Receivables | 22.4 | 18.9 |
| Cash and Cash Equivalents | 35.9 | 35.2 |
| TOTAL CURRENT ASSETS | <u>58.3</u> | <u>54.1</u> |
| TOTAL ASSETS | <u>157.5</u> | <u>153.1</u> |
| CURRENT LIABILITIES | | |
| Trade and Other Payables | - | - |
| Current Liabilities | | |
| ASSETS LESS LIABILITIES | <u>157.5</u> | <u>153.1</u> |
| TAX PAYERS' EQUITY: | | |
| General Reserve | 153.3 | 149.1 |
| Revaluation Reserve | 4.2 | 4.0 |
| TOTAL | <u>157.5</u> | <u>153.1</u> |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

| | 2012-13 | 2011-12 |
|---|--------------------|--------------------|
| | £000's | £000's |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Surplus after interest | 4.3 | 0.4 |
| Increase in Trade and Other Receivables | (3.6) | 0.3 |
| Decrease in Trade Payables | - | - |
| 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>35.2</u> | <u>34.5</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | |
| | <u>35.9</u> | <u>35.2</u> |

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2013**

| | General Reserve | Revaluation Reserve | Total Reserves |
|---|----------------------------|--------------------------------|---------------------------|
| | £000's | £000's | £000's |
| Balance at 31 March 2011 | 148.6 | 1.3 | 149.9 |
| Changes in Taxpayers' Equity 2011-12 | | | |
| Surplus on Revaluation of Investments | - | 2.7 | 2.7 |
| Net Operating Surplus | 0.4 | - | 0.4 |
| Balance at 31 March 2012 | <u>149.0</u> | <u>4.0</u> | <u>153.0</u> |
| Changes in Taxpayers' Equity 2012-13 | | | |
| Surplus on Revaluation of Investments | - | 0.2 | 0.2 |
| Net Operating Surplus | 4.3 | - | 4.3 |
| Balance at 31 March 2013 | <u>153.3</u> | <u>4.2</u> | <u>157.5</u> |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

25. POLICE PROPERTY FUND

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2013**

| | 2012-13 | 2011-12 |
|------------------------|----------------------|---------------------|
| | £000's | £000's |
| EXPENDITURE | | |
| Other Expenditure | (2.7) | 0.9 |
| INCOME | | |
| Income From Activities | (12.8) | (10.4) |
| NET INCOME | <u>(15.5)</u> | <u>(9.5)</u> |

STATEMENT OF FINANCIAL POSITION 31 MARCH

| | 2013 | 2012 |
|--------------------------------|--------------------|--------------------|
| | £000's | £000's |
| CURRENT ASSETS | | |
| Trade and Other Receivables | 63.0 | 51.0 |
| CURRENT LIABILITIES | | |
| Trade and Other Payables | - | (3.5) |
| ASSETS LESS LIABILITIES | <u>63.0</u> | <u>47.5</u> |
| TAXPAYERS' EQUITY: | | |
| General Fund | <u>63.0</u> | <u>47.5</u> |

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013**

| | 2012-13 | 2011-12 |
|--|-----------------|-----------------|
| | £000's | £000's |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Surplus after interest | 15.5 | 9.5 |
| Increase in Trade and Other Receivables | (12.0) | (9.5) |
| Decrease in Trade Payables | (3.5) | - |
| NET CASH INFLOW 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 2013 (continued)

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2013**

| | Total Reserves £000's |
|---|---------------------------------|
| Balance at 31 March 2011 | 38.0 |
| Changes in Taxpayers' Equity 2011-12 | |
| Net Operating Surplus | 9.5 |
| Balance at 31 March 2012 | <u>47.5</u> |
| Changes in Taxpayers' Equity 2012-13 | |
| Net Operating Surplus | 15.5 |
| Balance at 31 March 2013 | <u>63.0</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.

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.

| | 2011-12 £000's | Gross Inflows £000's | Gross Outflows £000's | 2012-13 £000's |
|----------------------------|--------------------------|------------------------------------|-------------------------------------|--------------------------|
| Bank Balances and Monetary | | | | |
| Sealed Packages Held: | <u>3,949</u> | <u>15</u> | <u>(350)</u> | <u>3,614</u> |

Notes to the Accounts for Year Ended 31 March 2013 (continued)

28. EVENTS OCCURRING 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 26 June 2013.

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