

Keeping People Safe



Police Service of Northern Ireland

Annual Report and Accounts

for the year ended 31 March 2015



**POLICE SERVICE OF
NORTHERN IRELAND**

Annual Report and Accounts For the year ended 31 March 2015

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

01 July 2015



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Introduction by Chief Constable

This Report comes at the end of my first year in office. Much can happen in policing over 12 months and this has been a year of significant challenge, particularly from a financial perspective.

Like all public sector organisations we must deliver financial savings. In the last five years Policing has realised savings of £175 million, with £38 million taken from the 2014/15 budget alone. Next year's budget cuts will be in the region of £40 million a 5.1 per cent cut, with the very real possibility of further short notice, in year reductions.

Through the ServiceFirst Change Programme we are reviewing systems, processes and departments and implementing changes to ensure that we can live within our means. Although, there may be changes to how we've structured our resources, our purpose hasn't changed, nor will it. Keeping People Safe is what we do; Policing with the Community is how we do it.

Trust and confidence are essential in Policing with the Community; delivering the service our community has asked for, preventing crime, protecting people, in particular those who are most vulnerable, and bringing offenders to Justice. This is what we strive to achieve and operating within Human Rights and accountability mechanisms helps us to further develop that trust and confidence. Encouragingly, overall confidence in local police, measured by the Northern Ireland Crime Survey, rose last year to 66.9 per cent (Jan 2014 - Dec 2014). It is also acknowledged that increased confidence in policing does result in increased reporting of crime and in 2014/15 we did see a slight increase of 2.3% in recorded crime, which is similar to the wider trend that is being experienced right across the UK.

Of course dealing with crime isn't solely what police do, in fact it accounts for less than 50 per cent of police activity. Over the last 12 years, reported crime has fallen by 26 per cent, but calls for service have remained constant at 500,000 per year. I am very aware that on a daily basis police are dealing with complex issues such as mental health, child sexual exploitation and missing persons. Any one of these aspects can involve multiple partners and often there is no easy or straightforward solution to the problem at hand. It can be challenging as many of these policing demands don't necessarily feature in the public psyche.

We have fewer people and last year we had to take some tough decisions directly linked to headcount; we had to reduce our recruitment plans and end our agency staff contract. Given the challenges facing the PSNI, I have no doubt that there will be more difficult choices facing us in the year ahead. Going forward, we are having to prioritise our resources to the greatest threat, risk, harm and vulnerability.

As part of the ServiceFirst change programme on 1st April 2015, Local Policing Districts were restructured to reflect the new Local Government structure. This move to an 11 District Structure indicates our commitment to local service delivery, local accountability and local partnership working. The advent of Community Planning also creates opportunities for further collaborative working in each of the Local Policing Districts. This is complimented by restructuring across Crime Operations Department.

Introduction By Chief Constable (continued)

Working with the Northern Ireland Policing Board, PCSPs and other partner agencies, we must ensure new, innovative approaches to service delivery are grasped and realised.

Looking to the year ahead, the Policing Plan places a significant emphasis on vulnerability. I welcome this and I appreciate the Policing Board's support in ensuring that our reducing resources will be focussed to support the most vulnerable in our community. It is also important to acknowledge that many other aspects of policing, which take considerable resources, such as terrorism, public order, security challenges and policing the past, are not reflected in the 32 numeric targets detailed in the Northern Ireland Policing Board's current policing plan.

Performance is a critical issue for Police as it is an indicator of the nature of service being delivered and outcomes being achieved for victims and the communities we serve. In April 2015, we adopted a new Corporate Performance Framework which will assess, understand and improve our performance and delivery in the areas of People and Finance.

It is clear that in the coming months, budget pressures will be an ever-present consideration. As we continue to prioritise our finite resources, I am committed to maintaining a very public conversation with our communities about how we Keep People Safe.



George Hamilton
Chief Constable
26 June 2015

Chief Constable's Report

Principal Activities

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

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

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

In accordance with the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Annual Report and Accounts of the PSNI for the year ended 31 March 2015, will be laid in the Northern Ireland Assembly.

Chief Constable's Report (continued)

Members of the Service Executive Board (SEB)

The Senior Executive Team who served throughout the 2014-15 year were as follows:

Chief Constable

George Hamilton¹

Chief Constable

Matt Baggott¹

Deputy Chief Constable

Drew Harris²

Assistant Chief Constable Human Resources

Alistair Finlay³

Assistant Chief Constable Human Resources

Mark Hamilton⁴

Assistant Chief Constable Crime Operations

Will Kerr⁵

Assistant Chief Constable District Policing

Stephen Martin⁶

T/Assistant Chief Constable Organisational Support

Alan Todd (appointed 15 March 2014)⁷

T/Assistant Chief Constable Service Improvement Department

Chris Noble (appointed 16 March 2015)⁸

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart⁹

Deputy Director of Human Resources

Michael Cox⁹ (appointed 15 March 2014- 13 October 14)

Head of Corporate Communications

Liz Young¹⁰

Head of Legal Services

Donna Scott¹⁰

Non-Executive Member

Dennis Licence¹⁰

Chief Constable's Report (continued)

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

- 1. Chief Constable George Hamilton was appointed by the Policing Board, replacing Chief Constable Matt Baggott on the 30 June 2014, having previously served as Assistant Chief Constable Rural Region.*
- 2. Drew Harris was appointed as Deputy Chief Constable on 13 October 2014, having previously served as Assistant Chief Constable Crime Operations.*
- 3. Assistant Chief Constable Alistair Finlay was appointed T/Deputy Chief Constable from 15 March 2014- 14 October 2014, Assistant Chief Constable Alistair Finlay retired on the 22 March 2015.*
- 4. Assistant Chief Constable Mark Hamilton took over responsibility from Assistant Chief Constable Alistair Finlay on the 16 March 2015, having previously been responsible for Service Improvement Department.*
- 5. Assistant Chief Constable Will Kerr took over responsibility for Crime Operations Department in October 2014, having previously been responsible for Urban Region.*
- 6. Assistant Chief Constable Stephen Martin District Policing was appointed on 30 June 2014, during the year he took over responsibility from Assistant Chief Constable Will Kerr.*
- 7. T/Assistant Chief Constable Alan Todd was appointed to Organisation Development in March 2014, and in October 2014 took over responsibility for Organisational Support Department.*
- 8. T/Assistant Chief Constable Chris Noble was appointed to Service Improvement Department to replace Assistant Chief Constable Mark Hamilton.*
- 9. The substantive Director of Human Resources remains on precautionary suspension. During the period March - October 14 Michael Cox Director of Human Resources was a member of SEB.*
- 10. In November 2014, the Terms of Reference for SEB were revised, with the Head of Legal Services and the Head of Corporate Communications becoming SEB Members. In addition, the Independent Chair of Audit and Risk Assurance Committee became an Independent member of the SEB, attending his first meeting in December 2014.*

Chief Constable's Report (continued)

Corporate Governance

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

- Service Executive Board
- ServiceFirst Board (previously Resource, Demand & Risk Committee)
- Audit and Risk Assurance Committee

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

In November 2014 the Resource, Demand & Risk Committee incorporated Change Management to become known as the ServiceFirst Board (SFB). SFB supports SEB by making strategic decisions on resourcing organisational priorities, in line with the tone and direction set by SEB. The SFB is chaired by the Deputy Chief Constable.

The role of the Audit and Risk Assurance 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 members of the SEB, Internal and External Audit, the Policing Board and the Department of Justice in regular attendance.

Programme Boards, which had formed part of the Governance structure, were collapsed in September 2014 and the work streams for which they had previously been responsible were incorporated into the work streams of newly formed Delivery Groups. Further details are contained within the Governance Statement.

Company directorships

Members of SEB held no company directorships or other significant interests which conflict with their management responsibilities.

Non-current assets

Details of the movement in non-current assets are set out in notes 8 and 9 to the Accounts. There are no significant differences between the market values and book values of land and buildings to be disclosed. Details of the PSNI Estate Strategy can be found at www.psni.police.uk/estates_strategy.pdf

Chief Constable's Report (continued)

Research and development

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

Interest rate and currency risk

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

Future developments

The Northern Ireland Policing Board, in conjunction with the PSNI, published the 2015-16 Update to the 2014-17 Policing Plan on 1 April 2015. The 2015-16 Update sets both annual and longer term objectives and priorities for policing, together with a range of targets and measures for the PSNI to achieve by the end of March 2016. The 2014-17 Plan outlines PSNI's purpose, which is to keep people safe through prevention of crime, protection of people and communities and detecting those who commit crime and bringing them to justice. It also highlights our vision, which is to help build a more confident, safe and peaceful society.

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

To acknowledge the importance of Policing with the Community, the Plan has been revised to reflect a strengthened emphasis on quality of service, partnership working and a focus on policing priorities.

A copy of the Policing Plan 2015 -16 Update can be viewed on the Policing Board's website:
<http://www.nipolicingboard.org.uk/index/publications/policing-plans.htm>

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

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

Chief Constable's Report (continued)

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

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

Following the Review of Public Administration (RPA) Northern Ireland will see the emergence of 11 new Council areas, which went live in April 2015. PSNI structures will change from April also to align with the new Council areas. A key purpose of this alignment is to ensure policing remains accountable to the public, works effectively in partnership, has a clear local identity, and is responsive to local concerns. The changes to PSNI budget and RPA mean that policing is changing. ServiceFirst is the change program and approach that PSNI is using to make the significant changes within PSNI. It will achieve this by managing demand more effectively, for example streamlining core policing functions, consolidating roles and making efficiencies where possible. PSNI will not impose arbitrary cuts. The organisation will be redesigned based upon our purpose of keeping people safe, our policing ethos of Policing with the Community, available budget and anticipated demand.

Keeping people safe is still the priority. We will continue to uphold the law. The way in which PSNI deliver some services to the community will change but PSNI remains resolute in the commitment to reduce crime, and the 2014-17 Policing Plan will help ensure that the most vulnerable in society have the confidence to report crime, and will be reassured by PSNI's response to crimes committed against them.

Charitable donations

PSNI made one charitable and no political donations during the year. A £100 donation was paid to the Police Roll of honour trust in April 2014.

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.

CHIEF CONSTABLE'S REPORT (CONTINUED)

Sickness absence data

The reported average number of working days lost due to sickness for 2014-15 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 2014-15	Average Working Days Lost 2013-14
Police Officers	14.18	10.91
Police Staff	9.90	9.12

Health and safety

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

Personal data related incidents

In 2014-15 six incidents of losses of notebooks have been reported to the PSNI Data Protection Unit. This year a critical incident was declared in C District following the loss of a notebook which led to a review of practices in that area. The majority of notebooks were later recovered on the police estate. Of those six incidents, PSNI is in the process of reporting to the Information Commissioners office (ICO) the loss of two notebooks in line with their guidance.

Off Payroll Engagements

PSNI had no 'off-payroll' engagements in place as at 1 April 2014, and no engagements were made during the year.

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 2014-15 financial year, average overall performance showed 92.85% (94.0% 2013-14) of all invoices were paid within 10 days. In the 2014-15 financial year 98.98% of invoices were paid within the government prompt payment target of 30 days (98.4% 2013-14). 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 11.96 creditor days (1.95 creditor days 2013-14).

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

Chief Constable's Report (continued)

Pension liabilities

The pension liabilities of Police Officers are accounted for separately in the PSNI Police Pension Accounts. Pension benefits and liabilities for Police Staff are provided through the Principal Civil Service Pension Scheme (NI). (See further details in the Remuneration Report on page 27 and note 3 to the Accounts.)

Audit services

The Financial Statements for 2014-15 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 55 to 57.

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 £79,000 (2013-14 £73,500). This includes the audit fees in respect of the Main Police Account including the Police Fund and Police Property Fund £64,000 (£58,500 2013-14), and the Police Pension Scheme Accounts £15,000 (£15,000 2013-14).

The C&AG may also undertake other statutory activities that are not related to the audit of the body's Financial Statements such as Value for Money reports. During the year no reports were undertaken.

The Accounts of the PSNI for 2014-15 are required to be audited by the C&AG. The Department of Justice will lay the accounts on behalf of the C&AG.

Chief Constable's 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 and will also be available on the PSNI's website.



George Hamilton
Chief Constable
Police Service of Northern Ireland
26 June 2015

Strategic Report

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

Background Information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year 2014-15 to which they relate as the Department of Justice may determine. This is to allow the Policing Board to meet its own specific requirements under Section 12(1)(a) of the Act.

The Strategic Report discusses the following main areas:

Nature of the business

The Northern Ireland Policing Board (NIPB) is an independent public body established under the Police (Northern Ireland) Act 2000. Made up of 19 Political and Independent Members the NIPB aims to ensure an effective, efficient, impartial, representative and accountable police service for all the people of Northern Ireland.

Each year the PSNI and the Policing Board publish an annual Policing Plan in accordance with the Police (Northern Ireland) Act 2000. The plan sets out specific outcomes indicators and measures and takes a strategic view of policing in Northern Ireland over the next three years. PSNI on behalf of the NIPB are legislatively responsible for drafting the Policing Plan. This is done in close consultation with the NIPB and the Department of Justice (DoJ) through regular tripartite meetings. Ultimately, outcomes indicators and measures can be revised by Northern Ireland Policing Board as it is their plan.

The Chief Constable is accountable to the NIPB for delivery of outcome indicators and measures detailed in the Policing Plan.

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 associated outcome indicators and measures.

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.

Strategic Report (continued)

Keeping People Safe by Policing with the Community is the core purpose of the Police service of Northern Ireland. The vision of the PSNI is set out below.

The **Vision** of the Police Service of Northern Ireland

'Keeping People Safe is what we do; Policing with the Community is how we do it'



Policing with the Community is about creating real participation between the police and the community - a partnership in which policing reflects and responds to the community's needs and in which the community play an active part in delivering a solution. PSNI are committed to achieving all that is laid out in the challenging Policing Plan.

Strategic Report (continued)

Accounts Direction

The Annual Report and Accounts for 2014-15 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.

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 2015, will be laid in the Northern Ireland Assembly.

Review of performance and future developments:

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

The performance report which the Board receives provides details of progress against the measures in the Policing Plan. It also includes information on trends in recorded crime, antisocial behaviour and confidence in policing. Comparative data is also provided in respect of PSNI's performance against our most similar force group which comprises seven police services across England and Wales.

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

The Policing Board have the responsibility for producing a report outlining the level of success which the 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 2014-15 and can be viewed at www.nipolicingboard.org.uk.

During the year 2014-15, the overall level of recorded crime rose by 2.3% compared to the previous year's figure, with 105,072 crimes recorded in the 2014-15 financial year.

Strategic Report (continued)

Review of performance and future developments:

Table 1 Performance overview

Police Performance at a Glance	
Outcome/Indicator	Progress against 2013/14 performance
Increase Confidence	Reduced by 0.4% ¹
Reduce Crime (by 1%)	Increased by 2.3%
Increase Outcome Rates for:	Reduced by 0.9%
– Sectarian Hate Crime (by 3% points)	Reduced by 0.9%
– Homophobic Hate Crime (by 5% points)	Increased by 3.7%
– Racist Hate Crime (by 1% point)	Reduced by 3.1%
– Crimes with Domestic Motivation (by 7% points)	Reduced by 0.5%
– Domestic Burglaries (by 2% points)	Reduced by 0.9%
– All Crimes using range of disposal methods (by 2% points)	Increased by 0.3%
– Rape Crime (1% point)	Reduced by 6.4%
Reduce ASB	Increased by 0.5%
Reduce Domestic Burglary (by 1%)	Increased by 2.1%
Reduce Road Deaths	There were 76 road deaths in the 2014/15 financial year, 16 more than 2013/14.
Reduce Road Injuries	Increased by 0.8%
Reduce allegations of Incivility (by 1%)	Reduced by 23.5%
Reduce allegations of Oppressive Behaviour (by 10%)	Reduced by 27.6%
Impact on Organised Crime	The Service frustrated, disrupted or dismantled 94 Organised Crime Groups from 1 st April 2014 to 31 st March 2015.

¹ This measure is collected quarterly and the current figure compares calendar year 2014 to calendar year 2013

Strategic Report (continued)

Confidence in Policing

Confidence in policing is measured using information from the Northern Ireland Crime Survey (NICS). The survey is reported on a quarterly basis by NISRA statisticians and is based on a random sample of households selected from the Land and Property Services domestic property database. It is an alternative, but complementary, measure of crime to offences recorded by police.

Table 2: The level of confidence in the local police

<i>The percentage of people saying that they strongly agree / tend to agree that the local police...</i>	<i>Jan 13 – Dec 13</i>	<i>Jan 14 – Dec 14</i>	<i>Statistical significant change on previous year</i>
a) Can be relied on to be there when you need them	54.6	52.4	NS
b) Would treat you with respect if you had contact with them	84.3	83.2	NS
c) Treat everyone fairly regardless of who they are	66.1	65.4	NS
d) Can be relied on to deal with minor crimes	51.7	50.5	NS
e) Understand the issues that affect this community	62.0	64.4	NS
f) Are dealing with the things that matter to this community	51.2	52.3	NS
Overall Confidence in the local police	67.3	66.9	NS

*Statistical significance of change at the 5% level (two-tailed test) is indicated by a double asterisk (**).*

Table 3: below illustrates comparisons between data obtained over the past 8 quarterly surveys (most recent figures from NICS included).



Overall confidence in local police reduced by 0.4 percentage points in 2014 compared to 2013. This decrease is not statistically significant.

Strategic Report (continued)

Keeping People Safe

Recorded Crime

In the financial year 2014/15, the level of recorded crime rose by 2.3%, however crime has shown an overall downwards trend over the last twelve years. Crime has risen over the last two years to 102,746 in 2013/14 and again to 105,072 in 2014/15. The level of crime recorded in 2014/15 is the fifth lowest crime figure recorded since 1998/99. This represents 57 crimes per 1,000 of the population, compared with a level of 84 crimes per 1,000 of the population when crime was at its highest level in 2002/03. The downwards trend in crime over the last twelve years has generally been experienced within the main crime types of robbery, burglary, vehicle offences and criminal damage, each of which have fallen to their lowest levels recorded in 2014/15.

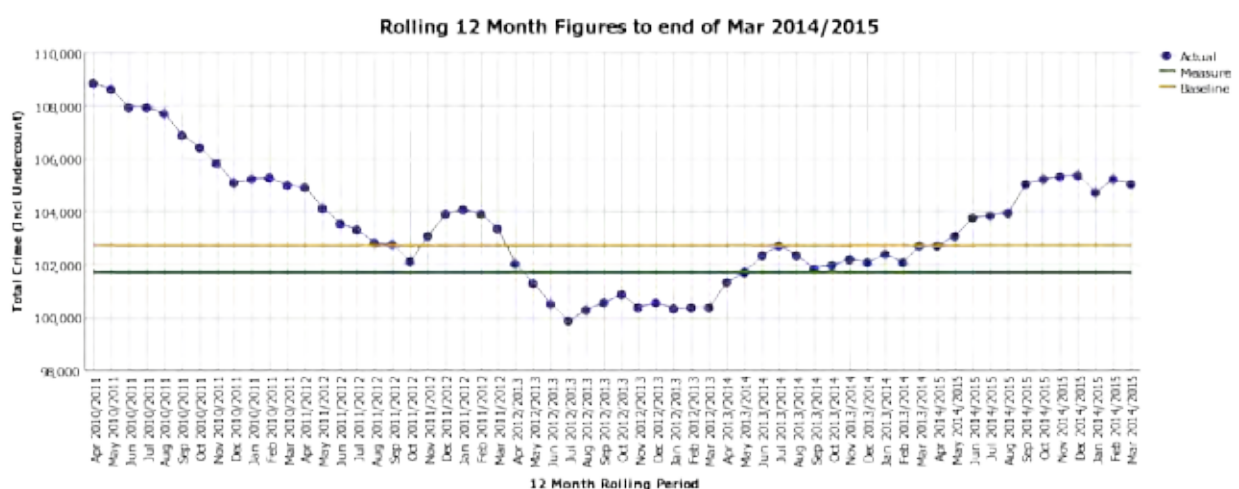
The main areas of increase have been in respect of violence against the person and sexual offences. Offences of violence against the person have risen in each of the last two financial years, with 2014/15 showing a 5.7 per cent increase on 2013/14 to become the highest level recorded since 1998/99.

Sexual offences have shown an upwards trend since 2000/01. The figure for 2014/15 is the highest level recorded since 1998/99 and is more than twice the level recorded in 2000/01.

The domestically motivated crime figure for 2014/15 is the highest level recorded since 2004/05 and represents a 5.6% increase on the number recorded in 2013/14. Reporting also increased in respect of hate crime. These figures suggest an increase in trust and confidence by victims in reporting crime.

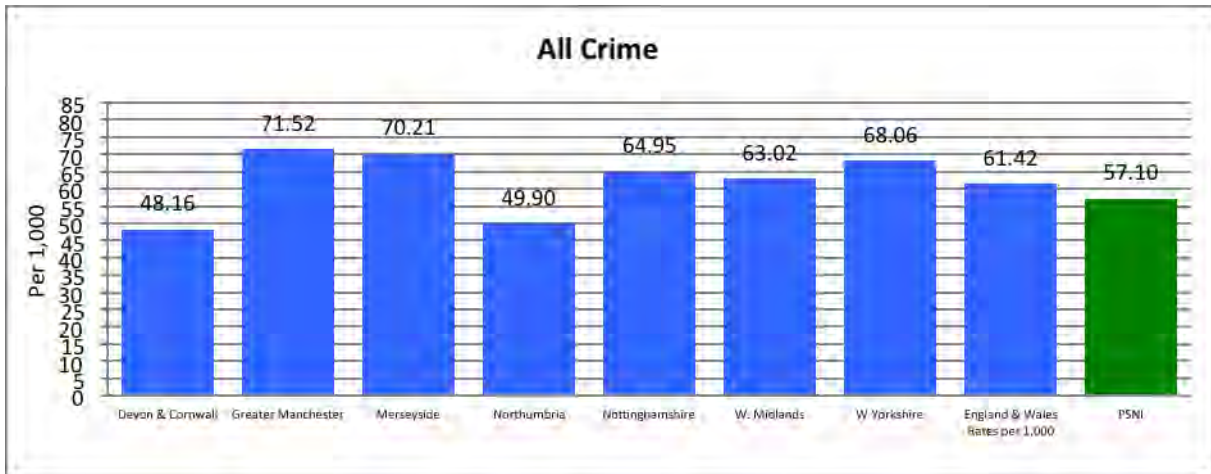
The outcome rate for recorded crimes in 2014/15 was 27.5%, an increase of 0.3 percentage points compared to 2013/14.

Table 4: The number of recorded crimes – 5 Year trend



Strategic Report (continued)

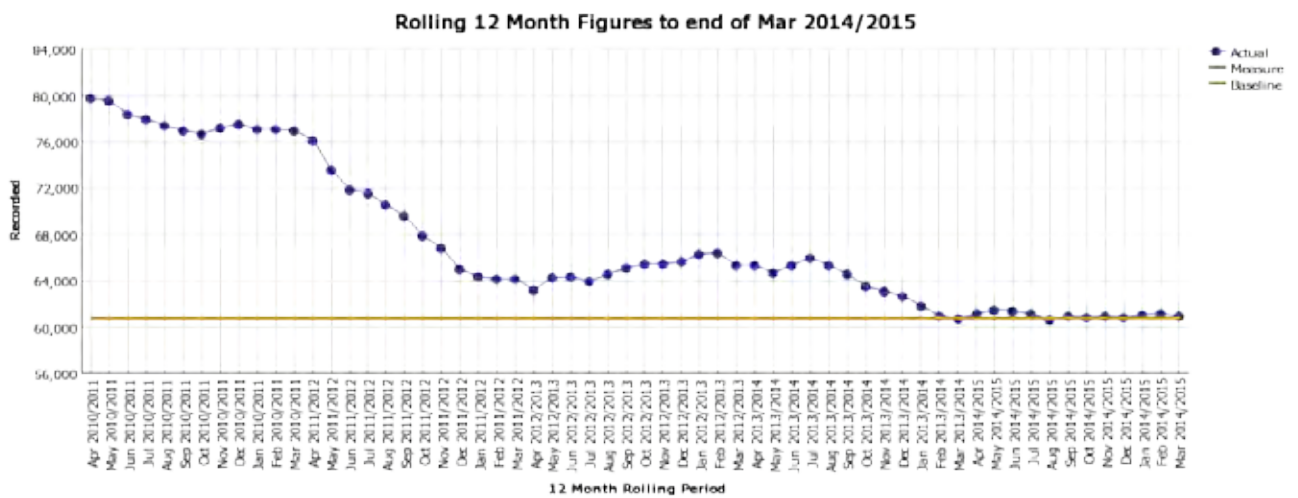
Table 5: Crime rates per 1,000 of the population using Most Similar Force information and an average of all England and Wales Police Forces.



Antisocial Behaviour

Antisocial behaviour increased by 0.5% (276 incidents) in the 2014/15 financial year. The number of ASB incidents has reduced significantly from the levels recorded in 2010/11.

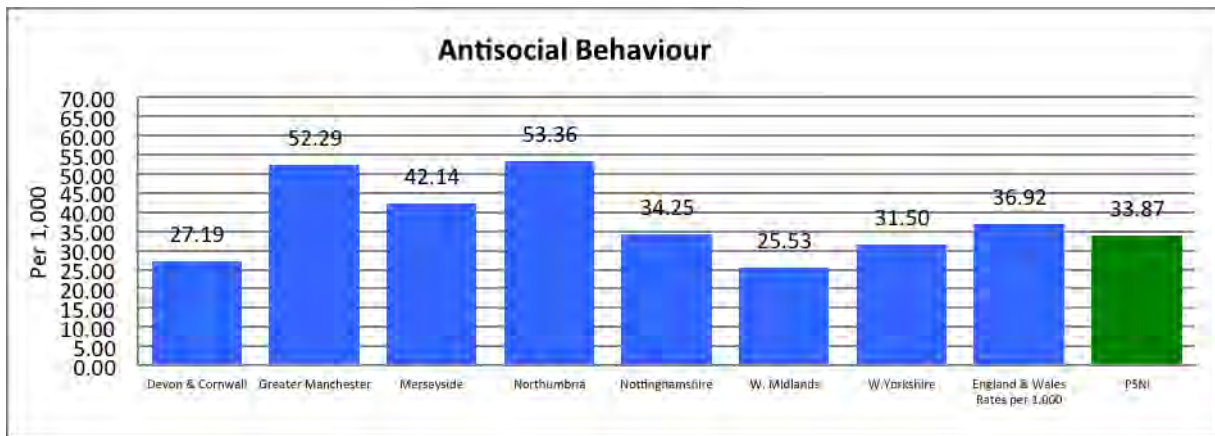
Table 6: The number of antisocial behaviour incidents – 5 year trend.



Northern Ireland continues to experience lower levels of antisocial behaviour compared to the levels recorded in England and Wales and in the majority of our forces in our most similar grouping.

Strategic Report (continued)

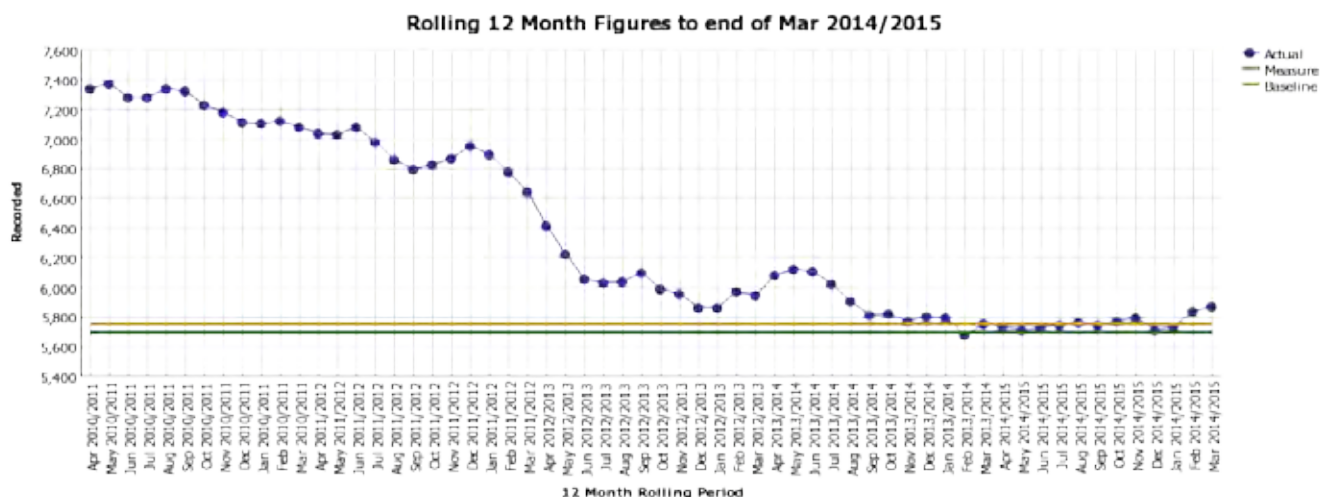
Table 7: Antisocial Behaviour rates per 1,000 of the population using Most Similar Force information and an average of all England and Wales Police Forces.



Domestic Burglary

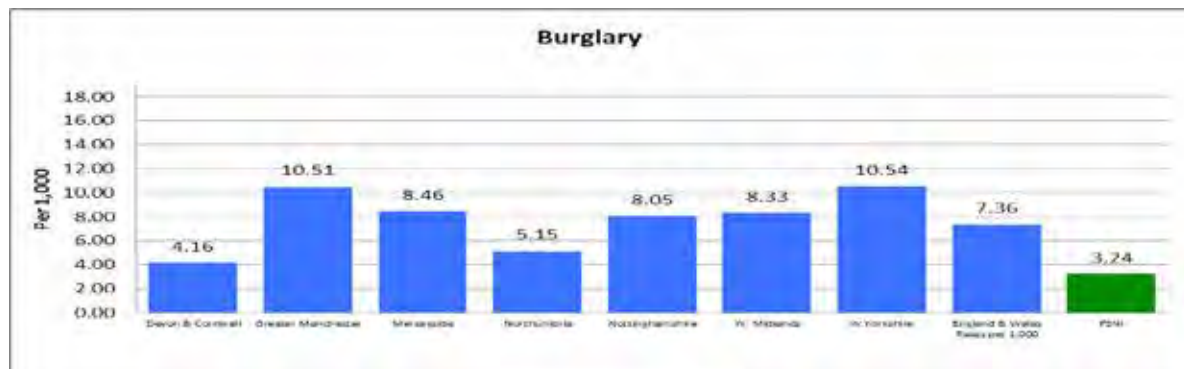
Domestic Burglary increased by 2.1% during the 2014/15 financial year, this equates to 120 additional crimes. PSNI has a lower rate of domestic burglary per 1,000 people than England and Wales and our Most Similar Forces. The domestic burglary outcome rate was 8.8% in 2014/15, a reduction of 0.9 percentage points compared to the 2013/2014 financial year. The number of burglaries / robberies where older persons were victims (people aged 60+) increased by 5.0% (69 crimes) during the 2014/15 financial year.

Table 8: The number of domestic burglaries – 5 year trend.



Strategic Report (continued)

Table 9: Domestic Burglary rates per 1,000 of the population using Most Similar Force information and an average of all England and Wales Police Forces.



Drugs Seizures and Offences

There were an additional 279 drug seizures during the 2014/15 financial year compared to 2013/14. Drug offences are at their highest level since 1998/99. Offences of this nature can be influenced by police activities, for example Operation Torus, a high profile operation specifically targeted at 'street level drug dealing'.

Killed and Seriously Injured as a result of Road Traffic Collisions

Seventy-six people were killed on the roads during 2014/15; this is an increase of 16 compared to the previous financial year, but 58 fewer than 10 years ago in 2005/06. There were fewer serious collisions in 2014/15 than in any other financial year since records on the severity of injury was introduced in 1971. In comparison with 10 years ago, there were five fewer child casualties recorded in 2014/15 than the 895 in 2005/06. However, the difference in terms of severity of injury is quite marked as this comprises 73 fewer child KSI casualties this year (made up of 13 fewer child deaths and 60 fewer children seriously injured).

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, Historical Cases, the Northern Ireland Community Safety College, Child Sexual Exploitation, CRO backlog, Future Funding beyond 15-16, Missing Persons and Security Funding. Further information on risk management is contained within the Governance Statement.

Strategic Report (continued)

Police and Criminal Evidence (PACE) Order Statistics

Table 10: Police and Criminal Evidence (PACE) Order – Article 5 Persons and Vehicles Searched 2014/15

		Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
Stolen Property / Articles	Searches	414	364	316	301	351	337	345	339	374	324	343	309	4,117
	Arrests ¹	51	57	41	52	45	43	54	54	40	49	61	52	599
Offensive Weapon / Blade or Point	Searches	71	92	77	97	72	64	74	80	92	106	91	96	1,012
	Arrests ¹	26	24	20	31	16	24	18	22	16	33	23	26	279
Going Equipped / Prohibited Articles	Searches	148	140	154	162	130	175	200	145	166	184	175	188	1,967
	Arrests ¹	15	16	17	14	12	26	32	29	22	28	19	24	254
Fireworks	Searches	1	0	3	0	3	52	165	20	5	0	0	2	251
	Arrests ¹	0	0	0	0	0	0	3	0	0	0	0	0	3
Total	Searches	634	596	550	560	556	628	784	584	637	614	609	595	7,347
	Arrests ¹	92	97	78	97	73	93	107	105	78	110	103	102	1,135

¹Arrests as a result of search

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

There were 50 road checks authorised in 2014/15, all of which were for the purpose of ascertaining whether a vehicle was carrying a witness to an indictable offence.

Police and Criminal Evidence (PACE) Order – Detention statistics 2014/15

Table 11: Arrests under PACE by Gender and whether requests for friends / relatives or a solicitor were made, for each Quarter during 2014/15.

	Arrests Under PACE			Requests	
	Totals*	Gender		Friend/Relative etc.	Solicitor
		Male	Female		
Quarter 1 April-June	6,394	5,419	975	1,536	3,675
Quarter 2 July-September	6,264	5,284	979	1,499	3,588
Quarter 3 October-December	6,145	5,228	913	1,502	3,421
Quarter 4 January-March	5,574	4,719	855	1,332	3,226
TOTAL	24,377	20,650	3,722	5,869	13,910

* 5 transgender persons are included in "Totals"

Extended Detention: During 2014/15 there were 49 persons who were detained in police custody for more than 24 hours and released without charge.

Strategic Report (continued)

Magistrate's Warrants: There were 45 applications to Magistrates Courts for warrants of further detention, all of which were granted. Twenty-two of these applications were for 24 hours or less, 1 was for 30 hours and the other 22 were for a period of 36 hours. There were eleven occasions where a second warrant of further detention was successfully applied for. Of the 34 persons subject to a warrant of further detention, 12 spent less than 24 hours under its authority, while 15 spent between 24 hours and 36 hours and the remaining 7 persons were detained over 36 hours under the authority of these warrants. 17 persons were subsequently charged.

Intimate Searches: There were two intimate searches carried out by a suitably qualified person during 2014/15. These searches were in relation to drugs offences. In one search nothing was found. The result of the remaining search is unknown.

X-rays & ultrasound scans: During 2014/15 there were no x-rays or ultrasound carried out.

Table 13: PACE Detention statistics by PSNI Custody Suite 2014/15

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Antrim Custody ¹	448	496	444	577	1,965
Ardmore Custody	11	4	0	0	15
Armagh Custody	53	0	0	0	53
Ballymena Custody	307	340	337	0	984
Banbridge Custody	502	491	543	508	2,044
Bangor Custody	562	578	588	566	2,294
Coleraine Custody	337	281	284	424	1,326
Dungannon Custody	302	312	294	273	1,181
Enniskillen Custody	255	243	343	217	1,058
Grosvenor Road Custody	265	258	137	0	660
Limavady Custody	240	101	1	0	342
Lisburn Custody	374	348	322	0	1,044
Lurgan Custody	482	501	462	454	1,899
Musgrave Street Custody	1,334	1,322	1,524	1,749	5,929
Omagh Custody	284	240	136	175	835
Strabane Custody	3	128	169	167	467
Strand Road Custody	631	620	561	464	2,276
Waterside Custody	4	1	0	0	5
Total	6,394	6,264	6,145	5,574	24,377

¹ Includes 7 prisoners detained at Antrim Serious Crime Suite

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

Strategic Report (continued)

Employees

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

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

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

A breakdown of PSNI employees as at 31 March 2015 by Gender is shown below;

	Gender Breakdown as at 31 March 2015	
	Female	Male
Senior Executive Team	2	10
Senior Managers	4	19
PSNI Officers/Staff	3,422	5,876
Total	3,428	5,905

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 2014-15 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, biomass boilers for building heating/cooling have been developed. PSNI has achieved the 2014-15 objectives in relation to reductions in energy consumption, carbon emission reductions and water usage established in the 2014-15 Estates Annual Business Plan.

PSNI Estate Services Business Unit target five Sustainability measures on an annual basis – Total Energy Use, Energy Efficiency per square metre, Carbon Dioxide Emissions, Renewable Energy procured and Water Consumption. Total Energy used (GWh) by the PSNI has reduced year on year since 1999 and the PSNI target is a 1%

Strategic Report (continued)

rolling reduction per annum from 1999 to 2020. The actual amount of energy consumed in 2014-15 has not finally been determined but it is anticipated that a 1% reduction will be achieved compared to 2013-14. The trend since 1999 shows a reduction year on year as the Estate is reduced in size, energy efficiency new builds and refurbishments have been completed. In addition, local initiatives are delivering benefits in relation to energy consumption.

A second energy efficiency target is based on attaining a 15% reduction by 2020 in the energy used per square metre. It is anticipated that the 15% target will be attained by 2020.

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

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

The final target is based on a reduction of water consumption by 25% by 2020, relative to 2004 levels. This target has already been achieved in 2014-15 as a reduction of 72% has been attained, compared to 2004 levels.

Finally, the PSNI has now created the role of Sustainability Manager for the organisation. This individual will help create more focus on the operational impact of the PSNI on the environment and, in particular, the impact on the carbon footprint.

Review of financial position and resources

Results for the year

The Statement of Comprehensive Expenditure is set out on page 58 and shows a deficit for the year of £720.1m (£861.4m in 2013-14).

The total cost of policing

The total Resource DEL budget allocation (excluding costs of the Police Pension Scheme and AME impairments) available for 2014-15 was £760.8m. The DEL expenditure against this budget during the financial year was £755.1m, resulting in a reported underspend of £5.7m. Despite a turbulent year for financial planning, including a 5.7% in year Resource DEL budget cut, PSNI reported an underspend for the year of £5.7m this is less than 1% of Resource DEL budget.

The total Annually Managed Expenditure (AME) 2014-15 budget allocation (including Pension Scheme, AME impairments, Release and Movements in Provisions) was £420.1m. The AME expenditure against this budget during the year was £365.1m, resulting in an overall underspend of £55.0m.

Strategic Report (continued)

This gives a total resource spend of £1,120.2m. The costs of Pensions are reported separately through the PSNI Pension Scheme Accounts and do not form part of the Statement of Comprehensive Expenditure in these Financial Statements.

The Capital budget was £34.0m (net) and an underspend of £1.4m was reported, largely relating to ringfenced funding for the Northern Ireland Community Safety College.

Efficiency Plan

Over the budget period 2011 to 2015 to meet decreasing budget allocations, PSNI was required to implement a wide range of cost saving initiatives while ensuring that the Service continued to keep people safe.

Over this period PSNI was required to deliver net baseline savings of £135m. In order to meet this funding gap PSNI delivered an Efficiency Programme. During the 2014-15 year an additional 5.7% savings was imposed, in addition to the target £47.6m, against this PSNI delivered £83.7m of efficiency savings.

Social and community issues


The tradition of generous charitable giving by officers and staff of the Police Service has continued, with significant sums donated through 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 2015 shows net current liabilities of £96.6m. 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 2014-15.



George Hamilton
Chief Constable
Police Service of Northern Ireland
26 June 2015

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. From 2015-16 onwards a new Pay Review Body will make recommendations on pay scales and settlements for Chief Officers based on evidence received from relevant stakeholders.

Service contracts

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

Chief Constable & Deputy Chief Constable

Chief Constable George Hamilton was appointed by the Policing Board, replacing Chief Constable Matt Baggott on the 30 June 2014.

The Deputy Chief Constable was appointed by the Policing Board on the 13 October 2014.

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 appointed by the Board are as follows:

William Kerr	16 August 2009
Mark Hamilton	5 August 2013
Stephen Martin	30 June 2014

Civilian Chief Officers

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

David Best	1 October 1999
Joe Stewart	3 September 2001

Senior Executives

The appointment dates for current senior executives are as follows:

Donna Scott ¹	3 September 2007
Liz Young ¹	10 March 2008

¹ Members only appointed to Service Executive Board from November 2014.

Unless otherwise stated, Civilian Chief Officers and Senior Executives 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 2015 is as follows:

	Salary 2014-15 £000's	Benefit in Kind 2014-15 £000's	Bonus 2014-15 £000's	*Pension Benefits 2014-15 £000's	Single Total Figure of remuneration £000's
Chief Constable George Hamilton (Full Year Equivalent) ¹	195-200 (215-220)	NIL	NIL	930	1,125-1,130
Chief Constable Matt Baggott (Full Year Equivalent) ¹	100-105 (195-200)	NIL	NIL	-	100-105
Deputy Chief Constable Drew Harris (Full Year Equivalent) ¹	150-155 (175-180)	NIL	NIL	310	460-465
Assistant Chief Constable Crime Operations William Kerr	125-130	NIL	NIL	58	180-185
Assistant Chief Constable Human Resources Alistair Finlay (retired 22 March 2015)	155-160	NIL	NIL	336	460-465
Assistant Chief Constable Human Resources Mark Hamilton	110-115	NIL	NIL	93	200-205
Assistant Chief Constable District Policing Stephen Martin	110-115	NIL	NIL	169	280-285
T/Assistant Chief Constable Organisational Support Alan Todd	105-110	NIL	NIL	174	280-285
T/Assistant Chief Constable Service Improvement Chris Noble (Full Year Equivalent) ¹	0-5 (105-110)	NIL	NIL	55	55-60
Director of Finance & Support Services David Best	115-120	NIL	NIL	(9)	105-110
Director of Human Resources Joe Stewart	115-120	NIL	NIL	19	120-125
Deputy Director of Human Resources Michael Cox (Full Year Equivalent) ¹	50-55 (100-105)	NIL	NIL	61	110-115
Head of Legal Service Donna Scott	80-85	NIL	NIL	34	115-120
Head of Corporate Communications Liz Young	75-80	NIL	NIL	23	95-100
Non-Executive Member Dennis Licence ²	0-5	NIL	NIL	-	0-5

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

1. Details of Senior Executive Board Members start and end dates are provided on pages 6 and 7.
2. As a non-executive member it is not appropriate to include a full time equivalent figure, as the member is paid a per diem rate for attending Board meetings

Remuneration Report (continued)

'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 2014-15 (None 2013-14).

Comparative Remuneration and pension information for the year ended 31 March 2014 is as follows:

	Salary 2013-14 £000's	Benefit in Kind 2013-14 £000's	Bonus 2013-14 £000's	* Pension Benefits 2013-14 £000's	Single Total Figure of remuneration £000's
Chief Constable George Hamilton	125-130	NIL	NIL	69	190-195
Chief Constable Matt Baggott	190-195	NIL	NIL	-	190-195
Deputy Chief Constable Drew Harris	125-130	NIL	NIL	-	125-130
Assistant Chief Constable Crime Operations William Kerr	125-130	NIL	NIL	77	200-205
Assistant Chief Constable Human Resources Alistair Finlay	125-130	NIL	NIL	(10)	115-125
Assistant Chief Constable Human Resources Mark Hamilton	70-75 (110-115)	NIL	NIL	98	165-170
Assistant Chief Constable District Policing Stephen Martin	45-50 (110-115)	NIL	NIL	106	150-155
T/Assistant Chief Constable Organisational Support Alan Todd	5-10 (110-115)	NIL	NIL	6	10-15
T/Assistant Chief Constable Service Improvement Chris Noble	-	-	-	-	-
Director of Finance & Support Services David Best	115-120	NIL	NIL	3	115-120
Director of Human Resources Joe Stewart	115-120	NIL	NIL	17	130-135
Deputy Director of Human Resources Michael Cox	-	-	-	-	-
Head of Legal Service Donna Scott	-	-	-	-	-
Head of Corporate Communications Liz Young	-	-	-	-	-
Non-Executive Member Dennis Licence	-	-	-	-	-

Remuneration Report (continued)

Salary and pension entitlement: Pay Multiples (Audited information)

2014-15 Organisation Total	£000's	2013-14 Organisation Total	£000's
Remuneration of Highest Paid all Employees		Remuneration of Highest Paid all Employees	
Total Remuneration	215-220	Total Remuneration	195-200
Median Total Remuneration	38.52	Median Total Remuneration	37.18
Ratio	5.69	Ratio	5.23
Police		Police	
Remuneration of Highest Paid Police Officer's		Remuneration of Highest Paid Police Officer's	
Total Remuneration	215-220	Total Remuneration	195-200
Median Total Remuneration	41.44	Median Total Remuneration	40.91
Ratio	5.29	Ratio	4.75
Police Staff		Police Staff	
Remuneration of Highest Paid Director's		Remuneration of Highest Paid Director's	
Total Remuneration	115-120	Total Remuneration	115-120
Median Total Remuneration	24.66	Median Total Remuneration	24.00
Ratio	4.78	Ratio	4.87

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

The banded remuneration of the highest paid Executives in the PSNI in the financial year 2014-15 was £215,000-220,000 (2013-14 £195,000-200,000). This was 5.69 times (2013-14 5.23) the median remuneration of the workforce, which was £38,518 (2013-14 £37,180).

No employees in 2014/15 or 2013/14 received remuneration in excess of the highest paid Executive.

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 Executive has increased from 5.23 in 2013-14 to 5.69 in 2014-15. The ratio has increased due to the increase in the overall remuneration of the highest paid executive. 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)

Pension Benefits (Audited Information)

Audited Information	Accrued pension as at 31 March 2015 £000's	Realincrease in pension and related lump sum at 31 March 2015 £000's	CETV at 31 March 2015 £000's	CETV at 31 March 2014 £000's	Real increase in CETV £000's
George Hamilton ¹	110-115	45-47.5	2,526	1,415	1,028
Matt Baggott ¹	140-145	0-2.5	3,126	3,010	-
Drew Harris ¹	85-90	15-17.5	2,114	1,617	375
William Kerr ²	55-60	2.5-5	1,191	1,069	63
Alistair Finlay ¹	90-95	17.5-20	2,090	1,688	389
Mark Hamilton ¹	40-45	5-7.5	570	483	57
Stephen Martin ¹	60-65	7.5-10	1,296	1,057	181
Alan Todd ¹	50-55	7.5-10	845	664	144
Chris Noble ¹	30-35	2.5-5	422	368	31
David Best	50-55	0-2.5	1,198	1,190	4
Joe Stewart	15-20	2.5-5	385	344	19
Michael Cox	40-45	10-12.5	892	797	56
Donna Scott	15-20	0-2.5	180	150	15
Liz young	10-15	0-2.5	193	164	16

Note:

1. PSNI Police Officers have the option of electing for a lump sum paid on retirement (up to 25% of their total accrued pension benefits). The figures shown are the gross pension figures assuming no lump sum payment.
2. Due to reaching a set level of service an increase in factors for Cetv has occurred, 2013-14 has been restated to provided consistency.

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 changes in the Retail Prices 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.

A new pension scheme, alpha, has been introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their Normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their Normal Pension Age were given a choice between moving to Alpha on 1 April 2015 or at a later date determined by their age. Alpha is also 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 rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

For 2015, public service pensions increased by 1.2% for pensions which began before 6 April 2014. Pensions which began after 6 April 2014 will be increased proportionately.

Employee contribution rates for all members for the period covering 1 April 2015 – 31 March 2016 are as follows:

Annual pensionable earnings (full-time equivalent basis)	New 2015 contribution rate before tax relief for Classic Members:	New 2015 contribution rate before tax relief for Classic plus, premium, nuvos, and Alpha
Up to £15,000	3.0%	4.6%
£15,001 - £21,000	4.6%	4.6%
£21,001-£47,000	5.45%	5.45%
£47,001-£150,000	7.35%	7.35%
Over £150,000	8.05%	8.05%

Remuneration Report (continued)

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 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. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the CSP arrangements can be found at the website www.dfpni.gov.uk/civilservicepensions-ni

Police Pension Schemes

Pension benefits for PSNI officers, including Full Time Reserves, are provided through the PSNI Police Pension Scheme and, from 6 April 2006, the New Police Pension Scheme (NPPS).

Police Pension Scheme (PPS)

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

To qualify for an ordinary retirement pension, an officer has to complete 25 years' service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25% of the pension. Actuarial tables are used to calculate the lump sum Pensions increase in line with the Consumer Prices Index effective 1 April 2011 (previously Retail Prices Index). On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme.

Remuneration Report (continued)

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.

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. From April 2015 this scheme was closed for new entrants.

Remuneration Report (continued)

Career Average Police Pension Scheme (CARE)

A new Career Average Revalued Earning (CARE) Scheme has come into effect from 1 April 2015. The current final salary Pension Schemes have closed for new entrants from this date.

Officers retain the service that they have accrued in the final salary scheme and depending on their age and service will have:

- Full protection – experiencing no change to their pension entitlement.
- Tapered protection - moving into the new CARE scheme at their own personal date, based on their age and service.
- No protection - moving into the CARE scheme on 1 April 2015.

In the CARE Police Pension Scheme, from 2015 the accrual rate is 1/55.3 of pensionable pay (equivalent to around 1.81%), with a revaluation rate for active members based on the Consumer Price Index (CPI) +1.25%.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS(NI) or PSNI Police Pension Scheme arrangements and for which a transfer payment has been received, commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of Office

No members of the SEB that left their posts during the 2014-15 financial year received compensation for loss of office.



George Hamilton
Chief Constable
Police Service of Northern Ireland
26 June 2015

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

Governance Statement (continued)

Police, and the police support staff are efficient and effective". Their governance structure in undertaking this role is contained in the NIPB governance statement, it can be found at: www.nipolicingboard.org.uk

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

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

Leadership Team

I am supported by the Service Executive Team (SET), which is the PSNI Senior Management Team, consisting of a Deputy Chief Constable, Assistant Chief Constables, and senior civilian staff Directors. Chief Constable Matt Baggott retired on 29th June 2014. I took up post on 30th June 2014 following my appointment by NIPB.

Temporary Assistant Chief Constable Stephen Martin was appointed as a substantive Assistant Chief Constable on 30th June 2014. Following the retirement of Deputy Chief Constable Judith Gillespie at the end of March 2014, Assistant Chief Constable Alistair Finlay acted as Temporary Deputy Chief Constable until the NIPB carried out an appointment process for the Deputy Chief Constable post. This resulted in Assistant Chief Constable Drew Harris being appointed as Deputy Chief Constable and taking up post on 13th October 2014.

Changes to some SET Portfolios also took effect from 13th October:

- ACC Alistair Finlay became interim Director of Human Resources
- ACC Will Kerr moved to Crime Operations
- T/ACC Alan Todd moved to Operational Support Department
- ACC Stephen Martin moved to District Policing Command, with Urban and Rural becoming one portfolio under District Policing Command.

Governance Statement (continued)

Subsequently, Assistant Chief Constable Alistair Finlay retired on 22nd March 2015, which led to ACC Mark Hamilton moving from Service Improvement Department to become interim Director of Human Resources (HR) and Chief Superintendent Chris Noble being temporarily appointed to the rank of Assistant Chief Constable with responsibility for Service Improvement Department. The substantive Director of HR remains on precautionary suspension.

Governance Structure

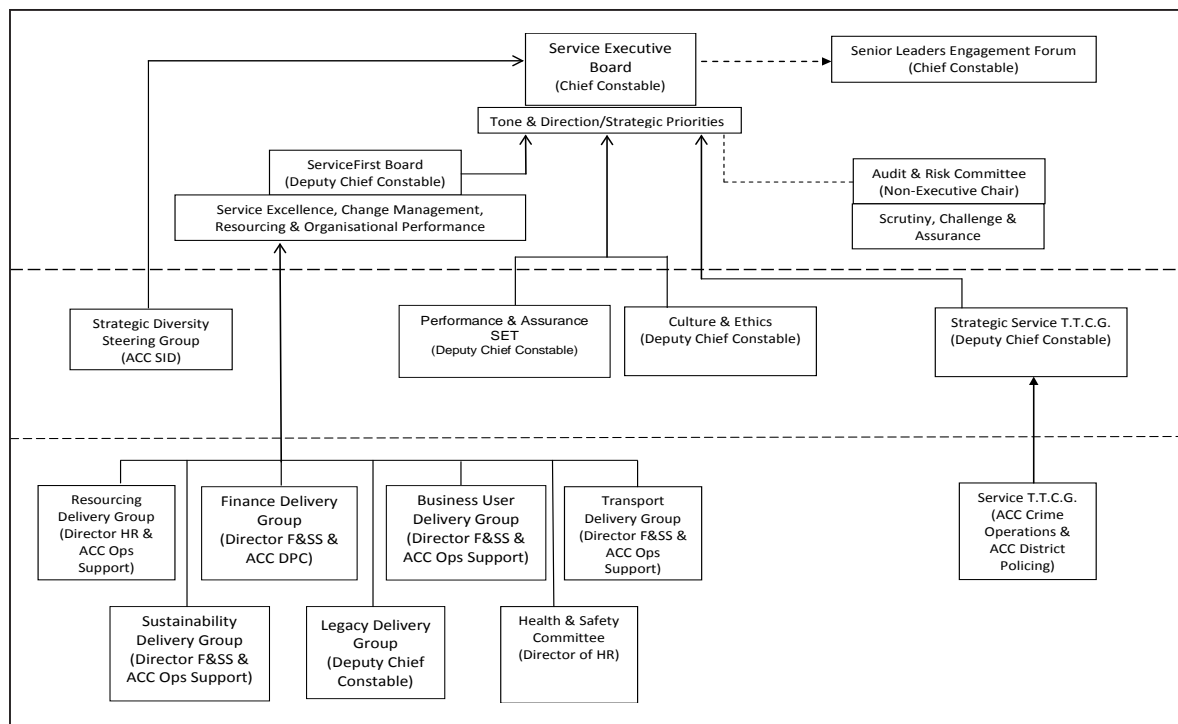
The leadership team meets formally each month as the Service Executive Board (SEB) to provide executive management and governance to the operations and delivery of the PSNI. The SEB consists of PSNI Senior Management Team plus the Non-Executive Chair of the Audit and Risk Assurance Committee (ARAC). During 2014-15 SEB was supported by three other governance committees, the Risk, Demand and Resources committee (RDR), ARAC, and the Strategic Tasking and Coordinating Group (STCG).

As part of a restructure, from November 2014 RDR incorporated Change Management to become known as ServiceFirst Board (SFB) of the Governance Committee Structure and in May 2015 a Performance and Assurance SET (PASET) was established. Programme Boards, which had formed part of the Governance structure, were collapsed in September 2014 and the workstreams for which they had previously been responsible were incorporated in to the workstreams of newly formed Delivery Groups. In November 2014, the Terms of Reference for SEB were revised, with the Head of Legal Services and the Head of Corporate Communications becoming SEB Members. In addition, the Independent Chair of ARAC became an Independent member of the SEB, attending his first meeting in December 2014.

The SFB, PASET, Culture and Ethics Committee 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 May 2015 looking at its performance over the financial year 2014/15, and is satisfied with the level and type of information it received during the period. The SEB provided strategic direction for the PSNI over the period. A schematic of our governance structure is shown below.

Governance Statement (continued)



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

Members as at 31 March 2015	Number of SEB meetings eligible to attend	Number of SEB meetings attended
George Hamilton (as Chief Constable)	9	9
Drew Harris (as Deputy Chief Constable)	6	4
David Best	12	12
Alistair Finlay	12	11
George Hamilton (as ACC)	3	0
Drew Harris (as ACC)	6	3
Mark Hamilton	12	11
William Kerr	12	9
Stephen Martin	11	9
Alan Todd	12	11
Michael Cox	6	5
Liz Young*	4	3
Donna Scott*/** (represented by L. Crilly)	4	4
Dennis Licence*	4	4
Matt Baggott	3	2

* Member of SEB from December 2014

** Member unable to attend due to ill health. Represented by senior departmental colleague.

Governance Statement (continued)

In addition to the monthly SEB meetings listed above, there were a number of Extra-Ordinary SEB meetings throughout the 2014/15 year.

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

The ARAC met four times during 2014-15 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 (Chief Audit Executive) 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. Greater detail on these specific areas is provided in the "Significant Internal Control Issues" section of this report. Firm action will be taken by PSNI to address issues where "Limited" assurance levels on individual reviews have been issued by Internal Audit, and where issues of a Priority 1 nature (using the prioritisation matrix for Internal Audit recommendation as classified by the Department of Finance and Personnel) have been raised.

Following the Review of Public Administration (RPA) Northern Ireland has seen the emergence of 11 new Council areas, which went live in April 2015. PSNI structures changed from April also to align with the new Council areas.

A key purpose of this alignment is to ensure policing remains accountable to the public, works effectively in partnership, has a clear local identity, and is responsive to local concerns. The changes to PSNI budget and RPA mean that policing is changing. ServiceFirst is the change programme and approach that PSNI is using to make the significant changes within PSNI. It will achieve this by managing demand more effectively, for example streamlining core policing functions, consolidating roles and making efficiencies where possible. PSNI will not impose arbitrary cuts. The organisation will be redesigned based upon our purpose of keeping people safe, our policing ethos of Policing with the Community, available budget and anticipated demand.

Risk and Control Framework

The SET and SEB 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 2014-15 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 seeks to reflect best practise, is an ongoing live process identifying and prioritising the risks to

Governance Statement (continued)

the achievement of organisational policies, aims and objectives. I have put in place arrangements to ensure that a proper evaluation of the balance of the cost of control and the risk encountered is part of the PSNI decision making process. The internal control systems ensure that PSNI's assets are utilised with regard to the overall value for money to public funds.

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

Our ability to handle risk can be clearly seen by the movements on the corporate risk register over the reporting period, with nine new risks coming on, seven risks being removed. There are currently 7 Risks on the Corporate Risk Register, with each one managed by a member of the Service Executive Board.

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

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

Risk Management

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

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

Consideration and mitigation of risk is crucial to the effectiveness of the system of internal control. As part of its programme of work in 2014-15, Internal Audit conducted an audit on the Corporate Risk Management Process. Although the outcome of this audit was Satisfactory, PSNI have commenced a pilot exercise within Operations Support Department to trial use of a broader matrix by which to capture risk.

Policies and principles for how staff can undertake the work of PSNI are developed, maintained and communicated to staff through the code of ethics, the staff handbook, training and the internal intranet. Following the findings from a number of pieces of work carried out by Internal Audit, PSNI are undertaking a programme of work to update Service Procedures to ensure that policies and procedures are concise and risk-focussed. 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 ARAC 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.

Governance Statement (continued)

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 SFB, with changes to the register approved by SEB and reported to each ARAC meeting. The effectiveness of the risk management process is reported twice a year to SFB and ARAC, it is also used to assist in the Chief Officers Annual Performance Appraisal Process.

Stewardship reporting is a key assurance control for the accountability, ownership and management of risks throughout PSNI. All Senior Officers provide a statement of risk management assurance twice per year confirming they have reviewed the risks within their area of responsibility, and assessed the management of the risks identified. This is part of a hierarchy of stewardship reporting from district commanders to ACC's, and from ACC's through to the Stewardship Statement I provide to the Department of Justice at six monthly intervals. In addition during the year, control risk self-assessment processes were carried out within Finance and Support Services and formally reviewed by Internal Audit.

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.

ARAC, which consists of non-executive members, provides me with assurance that effective risk management, governance and control arrangements are in place. ARAC receives regular risk management updates, along with reports from internal and external audit. DOJ, NIPB and NIAO have standing invitations to attend the meetings of ARAC as observers, and also contribute to the business at the committee.

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. The following list has been updated with details from the most current Corporate Risk Register:

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.

Governance Statement (continued)

Historical Cases. This continues to be a very significant area of risk for the organisation due to the public and political focus on dealing with the past. This involves several strands:

1. The review of Legacy cases, including
 - a. those left unfinished or untouched by Historic Enquiries Team (HET) and
 - b. those relating to the so-called “on the runs” and the provision of letters by the Northern Ireland Office, which was the subject of reports by Lady Justice Hallett (2014) and the NI Affairs Committee (2015).
2. Investigations into Legacy cases, arising from the reviews above, as well as from reports by Lord Saville (‘Bloody Sunday’) and legacy cases referred to PSNI by the DPP.
3. Legacy Inquests. These require extensive preparation and have been subject to Judicial Review applications. There is currently no system of prioritisation across 53 Legacy Inquests, which engenders delay and inefficient use of resources in the disclosure process.
4. Legacy litigation. Legal Services Branch is dealing with a rapidly increasing number of civil litigation cases. A huge volume of documents must be considered for disclosure against strict court time lines through Orders of the Court.
5. Legacy material. Documentation and exhibits must be maintained and managed. Related FOI and Data Protection requests made to PSNI, as well as consultation requirements with other public authorities under those Acts generate considerable work.

Northern Ireland Community Safety College (NICSC) The delivery of the Northern Ireland Community Safety College, which is overseen by the Programme Board, reporting to the Steering Group, has been directly affected by the financial climate, including the impact of the budget cuts. As a result, it was agreed that a fundamental review of the business case was required. This is constrained to the Services’ existing training estate, including Desertcreat. As the NICSC is a Programme for Government commitment, a draft Executive paper was circulated on 19th March 2015 by the Ministers of Justice and Health. Following feedback from Ministers, on 19th May 2015, DoJ and DHSSPS subsequently asked the Programme Board to develop the revised business case within three months.

Criminal Records Office Backlog. The CRO backlog currently sits at just over 1000 applications. A recovery plan has been submitted identifying a need for extra temporary staff to work solely on the backlog. This is presently under consideration. The backlog may expose the PSNI to further criticism particularly from those who are awaiting vetting in order to avail of employment opportunities.

Future Funding (Beyond 15/16). A formal funding bid for any period beyond 2015/16 is yet to be commissioned by Government. However, our most recent expenditure projections makes clear that, even assuming a flat budget, there are very significant gaps in the years ahead. PSNI will continue to drive efficiency and, for example, is committed to introducing Priority Based Budgeting (PBB) across the whole organisation to help reduce costs and prioritise resources.

Governance Statement (continued)

However, despite plans for both transactional and transformational change, the current projections present serious concerns. It is likely that decisions will be required that will have significant operational impacts in the years ahead. This highlights the criticality of work in producing a bid for the next CSR period and in how the service is recalibrated to deliver an effective policing service with an organisation that is significantly smaller. The funding arrangements for PSNI continue to be restrictive and less flexible than those in place in England and Wales. The lack of a facility to carry over in-year underspends as part of a strategic reserve hampers the ability to improve policing and invest in long term effectiveness and efficiency. The considerable financial volatility affecting both the in-year budget and forecasts for future years make strategic financial planning very challenging. A fundamental review of the funding arrangements is long overdue.

Missing Persons. Issues around compliance with the Service Procedure (SP) on Missing Persons were highlighted in a recent review by Internal Audit. This review received an ‘unacceptable’ assurance rating and emphasised the risk that we fail to effectively manage and respond to reports of missing persons. In response to the audit findings, PSNI management agreed a detailed action plan and in a follow up review, Internal Audit identified a significant improvement in compliance with the SP. This led to PSNI achieving a “satisfactory” classification on account of the results of Internal Audit’s detailed testing.

Sickness Absence. The level of sickness absence has been recognised as a significant issue for PSNI. As a result it has been declared as a “critical incident” and a Grade 7 member of Police Staff has been appointed to lead on this. Additionally, it has been added to the Corporate Risk Register. A toolkit and action plan have been issued by Human Resources Department to Chief Officers. This will assist line managers in their communications with those who are absent from work with a view to facilitating an early return to the workplace. Further work is ongoing in relation to policy and the application and review of same.

Voluntary Exit Scheme. A Voluntary Exit Scheme (VES) was launched in May 2015 for Police Staff. The Scheme will aim to reduce the pay bill and headcount, creating savings to assist in balancing the budget going forward. The VES will be managed within the existing risk management framework to ensure that the operational impact is minimised.

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 receive 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. In addition, PSNI and the Northern Ireland Office form part of a working group which has recently been established to monitor security funding on a day by day basis.

Governance Statement (continued)

A previous costing exercise reported that PSNI also spends an estimated 27% of its main grant budget dealing with the current security situation. This diverts limited resources away from day to day policing and means that any reduction in main grant funding has a potentially direct impact on national security issues. Work has been commissioned to clarify our current spend on “additional” policing which is unique to PSNI and I anticipate this information will assist me in seeking suitable financial resources in the future.

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 information assurance strategy to meet those requirements. To implement the strategy, PSNI’s Information Assurance Policy is supported by 27 detailed technical 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 constantly evolving technological environment through:

- Effective and Secure Information sharing
- Proportionate Risk Management
- Enhanced organisational Information Security 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 Security Unit led by the PSNI Accreditor and supported by the Information Assurance Manager, the IT Security Officer, and a network of Information Asset Owners who oversee all of the information assets held by PSNI. There is a Corporate Information Risk Register providing details on information risk treatment plans which are managed through the security accreditation process.

The SIRO receives monthly reports in relation to Information Risk, which are elevated to the Service Executive Board [or ServiceFirst Board] if appropriate. During 2014/15 PSNI received a high assurance report from the national technical authority for “exemplary” management of a critical information security function. PSNI continues to work towards conforming with the Cabinet Office Information Assurance Maturity Model.

Governance Statement (continued)

At 31 March 2015 PSNI can demonstrate 100% Compliance at Levels 1 and 2, and 94.5% Compliance at Level 3, in all 6 of the key risk areas of the Maturity Model. Further risk assessments conducted in collaboration with our major delivery partners and third party suppliers remain in progress. PSNI is confident in our ability to manage information risk both internally and externally across our supply chain.

Personal Data Related Incidents

As the PSNI Accounting Officer I have responsibility for ensuring the security of personal data and to respond if there has been a breach or potential breach of the Data Protection Act. Following from reporting incidents of notebook losses to the Information Commissioner's Office ('ICO') last year, further losses of notebooks have been reported to me. This year a critical incident was declared in C District following the loss of a notebook which led to a review of practices in that area. Six other losses were reported to the Data Protection Unit throughout the year, the majority of notebooks later being recovered on the police estate. Of those six incidents, PSNI is in the process of reporting to the ICO the loss of two notebooks in line with their guidance. In response to these losses the PSNI have liaised with the ICO and submitted a report through the Review of Identifiable Items Working Group which has made recommendations about notebook handling practices. We are currently in the process of implementing these recommendations and have shared this with the ICO. During 2014 PSNI were investigated by the ICO in relation to a complaint about access to the SAP HR systems by a member of staff. The ICO found PSNI was unlikely to have complied with data protection principles in regard to dealing with the individual's complaint at the time, but did not consider PSNI required to take any specific remedial action or steps. In May 2015, ICO's Head of Enforcement took up PSNI's invitation to meet to discuss further learning and joint working opportunities.

Review of Effectiveness

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

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

Significant Internal Control Issues

During the year, a number of compliance audits conducted by Internal Audit identified issues regarding operational compliance with Service Procedures (SPs). Some of the root cause of the non-compliance with these SPs is that in some instances the SPs are not dynamic enough to allow a flexible, proportionate approach to be adopted based on different levels of risk or circumstance; and / or are not achievable in light of reduced resources. In partnership with Internal Audit, and having examined the outcome of recent audits in detail, PSNI are taking steps to address these compliance issues. PSNI will aim to streamline its policies and procedures to focus on key controls and to enable proportionality to be applied (where appropriate) based on differing risk levels.

Governance Statement (continued)

A new compliance function is already under development within PSNI to address these concerns and Internal Audit will be consulted with as it evolves. PSNI are also continuing to work with Internal Audit to develop its management of risk.

Other than the issues raised by Internal Audit, I am able to report that there were no significant weaknesses in the PSNI system of internal controls in 2014/15 which affected the achievement of PSNI's key policies, aims and objectives.

Areas where Internal Audit had raised significant concerns in 2013/14, namely: Hate Crime; the Controls and Risk Self-Assessment (CRSA) process for Finance; and ICS Contract Expenditure have all shown a significant improvement in the 2014/15 financial year with all areas receiving at minimum a "satisfactory" level of assurance.

In the earlier part of the 2014/15 year, Internal Audit awarded an "unacceptable" level of assurance in respect of compliance with the Missing Persons Service Procedure. Although management were firmly of the view that any high risk Missing Person cases were being effectively managed, it was agreed that prompt action should be taken to address the administrative arrangements underpinning this work. The prompt action taken led to a more recent Internal Audit result demonstrating considerably improved compliance rates, and a "satisfactory" rating being awarded.

Internal Audit also issued a "limited" level of assurance in respect of Overtime in the earlier part of the year, however significant work was subsequently undertaken by PSNI in this area in the latter part of the year. A detailed follow up audit was undertaken towards the end of the year, including significant further substantive testing. The follow up audit yielded favourable results with a "substantial" rating awarded.

I have received assurances from individual Chief Officers in relation to their Departments, and regularly review management reports from the "Overview" system that monitors organisational progress on review recommendations accepted by management.

Internal Audit has also provided me with assurance in relation to risk management, the operational effectiveness of internal control systems, and in relation to governance arrangements, with the exception of the following specific areas of concern noted by Internal Audit in their Annual Assurance Statement:

- Social Media Governance
- Custody (overall assurance opinion not issued)
- Serious Sexual Assault
- Records Management

Governance Statement (continued)

Social Media Governance

A limited assurance opinion has been issued with respect to Social Media Governance, with a Priority 1 issue related to overall accountability and resilience. Due to the resourcing arrangements currently in place, if issues arise during “out of hours”, there is no resilience/support available to respond. This could result in specific vulnerabilities which may result in reputational damage or missed opportunities for engagement.

Records Management

A limited assurance opinion has been issued in respect of Records Management. One Priority 1 issue has been identified, with the most significant issue relating to timeliness of reviews. Where first reviews have been completed, a significant number of these have not been completed within the five year timeframe which the Service Procedure stipulates. There are also many areas across the organisation in which no records reviewer is in place, which also reflects non-compliance with the Service Procedure.

Serious Sexual Assault

A limited opinion has been issued with regard to the audit of Compliance with Service Procedure in respect of Serious Sexual Assault, with two Priority 1 issues identified. Internal Audit have reviewed instances of non-compliance and have indicated that the issue is mainly due to the nature of the SP, which is prescriptive and lacks the capacity to be dynamic enough to allow for an appropriate approach based on levels of threat, risk and harm.

Custody

This is a key project for PSNI and Internal Audit identified that while a lot of positive progress has been made, much work is still to be done. The most significant issue identified related to training, although a further range of issues related to overall accountability and governance arrangements were also identified.

Contracts

A Police investigation into the area of PSNI transport contracts was undertaken and a file was submitted to the Director of Public Prosecutions. A Procurement Review was undertaken by PriceWaterhouseCoopers and a number of recommendations have been implemented, including provision of additional ethical training for procurement panel members. Any further corrective action required to be taken will be dependent on the outcome of the Police investigation.

The Northern Ireland Audit Office has undertaken external audit work on the organisation in addition to its annual financial audit on the PSNI’s financial statements. There is one report to consider:

Continuous Improvements in Policing

The Comptroller and Auditor General (NI) audited the NIPB’s continuous improvement arrangements as required by Part V of the Police (NI) Act 2000. The report published on 17th February 2015 contains an unqualified audit opinion on the 2013-14 Performance Summary and the 2014-15 Performance Plan.

Governance Statement (continued)

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

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

Following publication of the Public Accounts Committee report on 26th March 2014, relevant recommendations were placed on the "Overview" system with 8 having been implemented in the 2014-15 financial year. Due to budget pressures, the Agency Workers contract was not renewed.

Warrant Execution by means of Fine Collection

The Assembly's Public Accounts Committee was held on the 22 October 2014 to consider the report of the Comptroller and Auditor General on his qualified opinion of the NI Courts and Tribunal Services (NICTS) Trust Statement, through which warrants are reported. The Public Accounts Committee report was released on the 21 Jan 2015, and included six recommendations to strengthen the current controls over fine collections and ensure the continued progress towards a civilian fine enforcement agency. The PSNI has worked with NICTS on the areas that it has responsibility for and agreed action plans to further enhance the current controls and mitigate the risks associated with a cash collection system as far as possible.

No ministerial directions were received during the period.

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

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

Any issues of control weaknesses, identified from reviews carried out by these independent bodies in 2014-15, have been considered and action taken with progress on actions outstanding monitored through the "Overview" system.

SEB continues to keep its internal control arrangements under review in response to internal and external developments. SEB is independently advised by ARAC which now meets five times per year, and reports through its annual report, and regular meetings between the independent Chair of ARAC and the Deputy Chief Constable. In addition the independent Chair of ARAC is now a member of SEB.

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 ARAC at each meeting.

Governance Statement (continued)

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 ARAC, and quarterly to SEB.

Accounting Officer's Statement of Assurance

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

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



George Hamilton
Chief Constable
Police Service of Northern Ireland
26 June 2015

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 2015 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the Audit of the Financial Statements

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

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

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

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 the Police Service of Northern Ireland's affairs, the PSNI Police Property Fund Account and the PSNI Police Fund Account as at 31 March 2015 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 Chief Constable's Report and Strategic Report 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
BT7 1EU
Date: 29 June 2015

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Expenditure			
Staff Costs	3	512,868	555,532
Depreciation & Amortisation	4	48,794	38,021
Other Expenditures	5	<u>184,194</u>	<u>243,005</u>
		745,856	836,558
Income			
Income from activities	6	(4,856)	(13,218)
Other Income	6	<u>(4,251)</u>	<u>(2,923)</u>
		(9,107)	(16,141)
Interest Payable/Receivable		-	-
Net Expenditure after Interest		<u>736,749</u>	<u>820,417</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs			
Net (gain)/loss on the revaluation of Property, Plant and Equipment	7	(33,629)	560
Net loss on the revaluation of Intangibles	7	-	40
Actuarial Loss	7	<u>16,990</u>	<u>40,400</u>
		(16,639)	41,000
Total Comprehensive Net Expenditure		<u>720,110</u>	<u>861,417</u>

The notes on pages 62 to 98 form part of this account

Statement of Financial Position as at 31 March 2015

	Note	2015 £000	2014 £000
Non-current assets			
Property, plant & equipment	8	594,274	577,386
Intangible assets	9	<u>5,824</u>	<u>4,277</u>
Total non-current assets		<u>600,098</u>	<u>581,663</u>
Current assets			
Assets classified as held for sale	11	1,485	2,420
Inventories	12	4,885	5,307
Trade and other receivables	13	30,398	27,639
Cash and cash equivalents	14	<u>882</u>	<u>2,685</u>
Total current assets		<u>37,650</u>	<u>38,051</u>
Total assets		<u>637,748</u>	<u>619,714</u>
Current liabilities			
Trade and other payables	15	(79,781)	(82,949)
Provisions	16	<u>(54,495)</u>	<u>(63,887)</u>
Total current liabilities		<u>(134,276)</u>	<u>(146,836)</u>
Non-current assets less net current liabilities		<u>503,472</u>	<u>472,878</u>
Non-current liabilities			
Provisions	16	(570,389)	(565,348)
Total non-current liabilities		<u>(570,389)</u>	<u>(565,348)</u>
Total assets less liabilities		<u>(66,917)</u>	<u>(92,470)</u>
Taxpayers' equity			
Revaluation Reserve		140,950	108,363
General Reserve		<u>(207,867)</u>	<u>(200,833)</u>
Total		<u>(66,917)</u>	<u>(92,470)</u>

The notes on pages 62 to 98 form part of this account.

The financial statements on pages 58 to 98 were approved and authorised by the PSNI on 26 June 2015 and were signed on its behalf by:



George Hamilton
Chief Constable
Police Service of Northern Ireland
26 June 2015

Consolidated Statement of Cash Flows for the Year Ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities:			
Net Deficit after Interest		(720,110)	(861,417)
Adjustments for non-cash transactions		52,245	113,843
Increase in trade and other receivables	13	(2,759)	(2,125)
Decrease in trade and other payables	15	(3,168)	(17,627)
Less movements in payables relating to Capital items		3,145	8,669
Decrease in Inventories	12	422	36
Use of Provisions	16	<u>(40,319)</u>	<u>(52,270)</u>
Net cash outflow from operating activities		(710,544)	(810,891)
Cash flows from investing activities:			
Purchase of property, plant & equipment		(36,927)	(54,356)
Purchase of intangible assets		(2,058)	(189)
Proceeds on Assets Held for resale		1,610	1,025
Proceeds on disposal of plant, property & equipment		<u>453</u>	<u>332</u>
Net cash outflow from investing activities		(36,922)	(53,188)
Cash flows from financing activities:			
Grant from Sponsoring department		<u>745,663</u>	<u>865,019</u>
Net financing		<u>745,663</u>	<u>865,019</u>
Net (decrease)/increase in cash and cash equivalents in the period		<u>(1,803)</u>	<u>940</u>
Cash and cash equivalents at the beginning of the period		<u>2,685</u>	<u>1,745</u>
Cash and cash equivalents at the end of period		<u>882</u>	<u>2,685</u>

The notes on pages 62 to 98 form part of this account

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2015

	General Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2013	<u>(206,683)</u>	<u>110,611</u>	<u>(96,072)</u>
Changes in Taxpayers' Equity 2013-14			
Transfers between reserves	1,648	(1,648)	-
Comprehensive Expenditure for the year	<u>(860,817)</u>	<u>(600)</u>	<u>(861,417)</u>
Total	(859,169)	(2,248)	(861,417)
Grant from Sponsoring Entity	<u>865,019</u>	<u>-</u>	<u>865,019</u>
Balance at 31 March 2014	<u>(200,833)</u>	<u>108,363</u>	<u>(92,470)</u>
Changes in Taxpayers' Equity 2014-15			
Transfers between reserves	1,042	(1,042)	-
Comprehensive Expenditure for the year	<u>(753,739)</u>	<u>33,629</u>	<u>(720,110)</u>
Total	(752,697)	32,587	(720,110)
Grant from Sponsoring Entity	<u>745,663</u>	<u>-</u>	<u>745,663</u>
Balance at 31 March 2015	<u>(207,867)</u>	<u>140,950</u>	<u>(66,917)</u>

The notes on pages 62 to 98 form part of this account

Notes to the Accounts for Year Ended 31 March 2015

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2014-15 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) and monies seized through the proceeds of crime act are also included.

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

1.3 Property, Plant and Equipment

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

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

On initial recognition assets are measured at cost including any costs required to bring them into working condition. Items classes as 'Assets in the Course of Construction' are recognised in the Statement of Financial Position, to the extent money has been paid or a liability has been recognised.

In compliance with IAS 16 Property, Plant and Equipment, Subsequent expenditure on an asset which does not meet the criteria of an enhancement or an improvement is treated as revenue.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

All Property, Plant and Equipment are reviewed annually for impairment and are carried at fair value. Fair value is usually determined from market-based evidence by appraisal undertaken by professional valuers. This appraisal is undertaken by Land & Property Services (LPS) on behalf of PSNI. LPS is an “External Valuer” as defined by the RICS Professional Valuation Standards. A complete valuation of the Police Estate is carried out by LPS every five years and was last completed in January 2015.

The basis of valuation applied is governed by the RICS Valuation standards. Due to the nature of the PSNI property portfolio the following basis of valuation are applied. Operational Specialised assets, such as Police Stations, are valued at Depreciated Replacement Cost (DRC). Operational Non-Specialised Assets, such as Offices, are valued at market value based on existing use.

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).

Non property assets are valued at fair value, using indices supplied by the Office for National Statistics.

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
Aircraft	10 to 20 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.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

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.

1.5 Intangible Assets

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

1.6 Non-Current Assets Held for Sale

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

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

1.7 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised when, and only when the entity becomes party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when and only when the contractual rights to the cash flows from the asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when it is extinguished.

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

PSNI categorises the following balances to be financial instruments:

Notes to the Accounts for Year Ended 31 March 2015 (continued)

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.

Cash and Cash Equivalents:

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

Trade and Other Payables:

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

Risk Management:

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

1.8 Pension Costs

Pension benefits are provided through the following defined benefit pension schemes. Police Staff are members of the Principal Civil Service Pension Scheme (NI), (PCSPS (NI)) which is an unfunded defined benefit scheme. The PCSPS (NI) produces its own resource accounts but PSNI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2010 and details of this valuation are available in the PCSPS (NI) Resource Accounts.

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

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

Notes to the Accounts for Year Ended 31 March 2015 (continued)

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.

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 (2014) 09. 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.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

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.

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 2014-15.

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.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

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.

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.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

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.

1.22 Police Fund

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

As from the 1 April 2005, the Police Fund has been treated as a mutual Trust and is liable for corporation tax on interest and loan investment income. Due to the limited income received by the Fund, HMRC have marked the Fund as dormant from February 2014, this status is still applicable and no corporation tax is due in the 2014-15 year. Note 25 provide details of the performance of this fund for the 2014-15 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 26 provides details of the performance of this fund for the 2014-15 financial year.

1.24 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2015

PSNI has reviewed the standards, interpretations and amendments to published standards that became effective during 2014-15 and which are relevant to its operations.

No new standards were adopted during the 2014-15 financial year.

Notes to the Accounts for Year Ended 31 March 2015 (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 28. 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) 2014-15* 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 2015 or later periods, but which the PSNI has not adopted early. Other than as outlined in the table below, the PSNI considers that these standards are not relevant to its operations.

Standard	Description of revision	Application date	Comments
IFRS 13 – Fair Value Measurement	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)	IFRS 13 will be fully implemented as part of the 2015-16 accounts.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

2. Statement of Operating Costs by Segment for the Year Ended 31 March 2015

Operating Segments 2014-15:	Territorial Policing €000's	Other Frontline Policing €000's	Infrastructure Support Costs €000's	Other Costs €000's	Total €000's
Gross expenditure	305,332	181,248	192,572	66,704	745,856
Income	<u>(701)</u>	<u>(2,589)</u>	<u>(5,817)</u>	-	<u>(9,107)</u>
Net Expenditure	<u>304,631</u>	<u>178,659</u>	<u>186,755</u>	<u>66,704</u>	<u>736,749</u>

Operating Segments 2013-14:	Territorial Policing €000's	Other Frontline Policing €000's	Infrastructure Support Costs €000's	Other Costs €000's	Total €000's
Gross expenditure	331,856	214,514	218,268	71,920	836,558
Income	<u>(765)</u>	<u>(1,520)</u>	<u>(13,856)</u>	-	<u>(16,141)</u>
Net Expenditure	<u>331,091</u>	<u>212,994</u>	<u>204,412</u>	<u>71,920</u>	<u>820,417</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 2015 (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

	2014-15 Permanently Employed Staff	2014-15 Others	2014-15 Staff Costs Total	2013-14 Staff Costs Total
	£000's	£000's	£000's	£000's
Wages & salaries	399,611	7,938	407,549	446,553
Social security costs	34,203	-	34,203	37,734
Pension Costs	<u>71,237</u>	<u>-</u>	<u>71,237</u>	<u>71,486</u>
Total staff costs	505,051	7,938	512,989	555,773
Less recoveries in respect of outward secondments	<u>(121)</u>	<u>-</u>	<u>(121)</u>	<u>(241)</u>
Total net costs	<u>504,930</u>	<u>7,938</u>	<u>512,868</u>	<u>555,532</u>

Average numbers of persons employed:

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

	Total	2014-15 Permanent Staff	2014-15 Others	2013-14 Total Staff
Directly Employed	9,429	9,429	-	9,651
Other	219	-	219	396
Staff Engaged in Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>9,648</u>	<u>9,429</u>	<u>219</u>	<u>10,047</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

Principal Civil Service Pension Scheme (NI)

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

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

The Principal Civil Service pension arrangements are unfunded multi-employer defined benefit schemes 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 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2015.

For 2014-15, employers' contributions of £11,835,599 were paid to the PCSPS (NI) (2013-14: £12,535,354) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2015-16, the new rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 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 2015 (continued)

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

No individual retired early on ill health grounds during 2014-15.

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 2015, employer's contributions of £44,744,525 have been paid at the rate of 24.2% of pensionable pay. For 2013-14, employers' contributions of £46,404,460 were paid to the PSNI PPS. In addition employers' contributions totalling £3,643,890 have been paid for the year to 31 March 2015 in respect of ill-health retirements (2013-14 £2,816,670). To qualify for an ordinary retirement pension, an officer has to complete 25 years' service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25% of the pension. Actuarial tables are used to calculate the lump sum. Members pay contributions of 11% of basic pay. Pensions increase in line with the Consumer Prices Index effective 1 April 2011 (previously Retail Prices Index). On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme.

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

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

Notes to the Accounts for Year Ended 31 March 2015 (continued)

New Police Pension Scheme (NPPS)

For the period to 31 March 2015, employer's contributions of £14,659,660 have been paid at the rate of 24.2% of pensionable pay. For 2013-14, employers' contributions of £13,244,657 were paid to the PSNI NPPS.

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

In addition to the pension a defined lump sum of four times pension is payable. Members pay contributions of 9.5% of basic pay. Pensions increase in line with the Consumer Prices Index. On 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 2014-15 (total £71,240k).

Employer pension costs disclosed on page 72 (note 3) of £71,237k 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 2015 (CONTINUED)

Reporting of Compensation and Exit Packages for all Staff 2014-15

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other departures agreed	Total number of Exit Packages by cost band
< £10,000	1	-	1
£10,000 - £25,000	-	2	2
£25,000 - £50,000	-	-	-
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
£200,000 - £250,000	-	-	-
£250,000 - £300,000	-	-	-
Total number of Exit Packages	1	2	3
Total Resource Cost (£)	9,648.56	26,166.84	35,815.40

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

Where early retirement has been agreed, the additional costs are met by the PSNI. Ill-health retirement costs are met by the pension scheme and not to be included in the above, these costs are set out on page 74.

The compulsory redundancy relates to a dismissal due to inefficiency.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

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

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

Assumptions:

Exit costs are accounted for in year of departure.

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

Ill-health retirement costs are met by the pension scheme and not to be included in the above, these costs are set out on page 74.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

	2014-15	2013-14
	£000	£000
4. Depreciation and Amortisation		
Depreciation	37,573	33,272
Impairment	<u>11,221</u>	<u>4,749</u>
	<u>48,794</u>	<u>38,021</u>
5. Other Expenditure		
Other Expenditures	40,682	46,887
Accommodation services	40,254	55,627
IT & communications	35,182	40,782
Contracted Out services	17,474	18,402
Transport	12,169	17,213
Travel, subsistence & relocation	6,714	17,605
Forensic Services	10,271	10,503
Charges for operating leases: property	543	341
Charges for operating leases: photocopiers	69	123
Hospitality	121	219
Audit fees	79	74
Non-cash items:		
Loss on disposal of Non-Current Assets	1,658	96
Cost of borrowing on provisions	22,082	18,835
Increase in Provision	4,366	23,934
Provision not utilised	<u>[7,470]</u>	<u>[7,635]</u>
Total	<u>184,194</u>	<u>243,005</u>
6. Income From Activities		
Fees for firearms certificates, permits & accident reports	1,001	950
Profit on Disposal of non-current assets	546	407
Police Transport	54	50
Asset Recovery Scheme	811	680
Refunds & Contributions	2,307	11,047
EU Income	<u>158</u>	<u>84</u>
Subtotal	<u>4,877</u>	<u>13,218</u>
Other	<u>4,230</u>	<u>2,923</u>
Total	<u>9,107</u>	<u>16,141</u>
7. Other Comprehensive Expenditure		
(Gain)/loss on the revaluation in Property, Plant and Equipment	(33,629)	560
(Gain)/loss on the revaluation in Intangibles	-	40
Actuarial Loss	<u>16,990</u>	<u>40,400</u>
Total	<u>[16,639]</u>	<u>41,000</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

8. Property, Plant and Equipment

2014-2015	Land	Buildings	IT and Comms.	Plant and Equip	Vehicles and Aircraft	Assets in Course of	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2014	59,993	508,310	120,909	14,091	132,649	40,120	876,072
Additions	119	3,958	838	108	-	28,758	33,781
Disposals	-	-	(9,650)	(726)	(11,062)	-	(21,438)
Assets Held for Sale	(325)	-	-	-	-	-	(325)
Reclassifications	-	9,851	9,294	750	10,759	(31,493)	(839)
Revaluations	(492)	39,335	(3,217)	(592)	(35,850)	-	(816)
Indexation	-	-	206	209	-	-	415
Impairments to SoCNE	<u>(1,700)</u>	<u>(10,546)</u>	<u>(55)</u>	<u>-</u>	<u>(353)</u>	<u>-</u>	<u>(12,654)</u>
At 31 March 2015	<u>57,595</u>	<u>550,908</u>	<u>118,325</u>	<u>13,840</u>	<u>96,143</u>	<u>37,385</u>	<u>874,196</u>
Depreciation:							
At 1 April 2014	-	136,462	86,476	8,183	67,565	-	298,686
Charged in Year	-	13,906	11,132	723	10,456	-	36,217
Disposals	-	-	(8,199)	(618)	(10,987)	-	(19,804)
Assets Held for Sale	-	-	-	-	-	-	-
Revaluations	-	7,615	(3,220)	(625)	(37,805)	-	(34,033)
Indexation	-	-	129	134	-	-	263
Impairments to SoCNE	<u>-</u>	<u>(1,232)</u>	<u>(45)</u>	<u>-</u>	<u>(128)</u>	<u>-</u>	<u>(1,405)</u>
At 31 March 2015	<u>-</u>	<u>156,751</u>	<u>86,273</u>	<u>7,797</u>	<u>29,101</u>	<u>-</u>	<u>279,922</u>
Carrying amount							
At 31 March 2015	<u>57,595</u>	<u>394,157</u>	<u>32,052</u>	<u>6,043</u>	<u>67,042</u>	<u>37,385</u>	<u>594,274</u>
At 31 March 2014	<u>59,993</u>	<u>371,848</u>	<u>34,433</u>	<u>5,908</u>	<u>65,084</u>	<u>40,120</u>	<u>577,386</u>
Asset Financing:							
Owned	<u>57,595</u>	<u>394,157</u>	<u>32,052</u>	<u>6,043</u>	<u>67,042</u>	<u>37,385</u>	<u>594,274</u>
Carrying Amount At 31 March 2015	<u>57,595</u>	<u>394,157</u>	<u>32,052</u>	<u>6,043</u>	<u>67,042</u>	<u>37,385</u>	<u>594,274</u>
Dwellings 14-15							
Cost or Valuation	£000						
At 1 April 2014	480						
Depreciation	(12)						
Revaluation	<u>32</u>						
At 31 March 2015	<u>500</u>						

Notes to the Accounts for Year Ended 31 March 2015 (continued)

8. Property, Plant And Equipment:

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

Dwellings 13-14

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

Notes to the Accounts for Year Ended 31 March 2015 (continued)

9. Intangible Assets:

	31 March 2015
	£000
Cost or valuation:	
At 1 April 2014	11,935
Additions	2,058
Disposals	(819)
Revaluations	(760)
Impairments	(12)
Reclassifications	<u>839</u>
at 31 March 2015	<u>13,241</u>
Amortisation:	
At 1 April 2014	7,658
Charged in year	1,357
Disposals	(757)
Revaluations	(833)
Impairments	<u>(8)</u>
at 31 March 2015	<u>7,417</u>
Net Book Value as at 31 March 2015	<u>5,824</u>

	31 March 2014
	£000
Cost or valuation:	
At 1 April 2013	14,531
Additions	189
Disposals	(2,671)
Revaluations	(1,270)
Impairments	(54)
Reclassifications	<u>1,210</u>
at 31 March 2014	<u>11,935</u>
Amortisation:	
At 1 April 2013	10,365
Charged in year	1,203
Disposals	(2,670)
Revaluations	(1,230)
Impairments	<u>(10)</u>
at 31 March 2014	<u>7,658</u>
Net Book Value as at 31 March 2014	<u>4,277</u>

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 2015 (continued)

10. Financial Impairments

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

11. Assets Classified as held for Sale

IFRS 5 requires that non-current assets classified as held for sale must be disclosed separately from other assets in the Statement of Financial Position. The value of these assets are determined as set out in note 1.6.

Land & Buildings

	£000s
Opening Balance 1 April 2014	2,420
Transferred from land & buildings	325
Disposals	(1,480)
Revaluations to market value	<u>220</u>
Closing Balance 31 March 2015	1,485

Disposal proceeds of £1,610k were received in 2014-15 (£1,025k 2013-14) in respect of assets disposed. A profit of £130k (£131k profit 2013-14) was noted due to fluctuations in the current property market.

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

Year Ended 31 March 2015

Bushmills	140	Charlotte St. Ballymoney	90
Glengormley	180	Dromore	85
Donaghadee	55	Broughshane	145
Dungiven	90	Land Rear Craigavon	225
Eglinton	80	Craigavon	325
Garvagh	70		
Total			1,485

Year Ended 31 March 2014

Keady	140	Fintona	50
Land Rear Craigavon	225	N Queen street	100
Killyleagh	70	Hillsborough	500
Bushmills	80	Dromore	60
Glengormley	100	Riddells Building (Part of Musgrave St)	500
Donaghadee	55	Portglenone	120
Dungiven	120	Broughshane	85
Eglinton	60	Charlotte St Ballymoney	75
Garvagh	80		
Total			2,420

Notes to the Accounts for Year Ended 31 March 2015 (continued)

	2014-15	2013-14
12. Inventories	£000	£000
General stores	2,992	3,034
Transport Services stores	825	849
Heating oil	463	691
Petrol and diesel	<u>605</u>	<u>733</u>
Total	<u>4,885</u>	<u>5,307</u>
13.(a) Trade and Other Receivables:	£000	£000
Prepayments and accrued income	4,058	3,953
Trade receivables	11,324	10,872
Contributions due to the Pensions Scheme	7,634	7,997
HMRC VAT Receivable	6,574	3,856
Other receivables	<u>808</u>	<u>961</u>
Total	<u>30,398</u>	<u>27,639</u>
13.(b) Intra-Government Receivable Balances	£000	£000
Balances with other central government	16,359	22,615
Balances with local authorities	160	74
Balances with public corporations and trading funds	<u>75</u>	<u>101</u>
Sub-total Intra governmental Balances	16,594	22,790
Balances with bodies external to government	<u>13,804</u>	<u>4,849</u>
Total receivables at 31 March	<u>30,398</u>	<u>27,639</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

14. Cash and Cash Equivalents	2014-15	2013-14
	£000	£000
Balance at 1 April	2,685	1,745
Net change in cash & cash equivalent balances	<u>(1,803)</u>	<u>940</u>
Balance at 31 March	<u>882</u>	<u>2,685</u>

All cash held in commercial bank accounts.

15.(a) Trade and Other Payables	£000	£000
Trade payables	5,543	2,125
Trade accruals and Deferred Income	38,554	45,166
Taxation & social security	11,124	11,559
Employee Benefit Accrual	10,318	11,063
Advance Severance Payments for Leavers	1,137	51
Payroll accrual	6,625	7,749
NI Road Safety Partnership	4,200	3,364
Other payables	<u>2,280</u>	<u>1,872</u>
Total	<u>79,781</u>	<u>82,949</u>

15. (b) Intra-Government Payable Balances	£000	£000
Balances with other central governmental bodies	16,430	18,881
Balances with local authorities	1,528	283
Balances with public corporations and trading funds	<u>121</u>	<u>312</u>
Sub-total Intra governmental Balances	18,079	19,476
Balances with bodies external to government	<u>61,702</u>	<u>63,473</u>
Total payables at 31 March	<u>79,781</u>	<u>82,949</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

16.(a) Provisions for Liabilities and Charges:

	Severance	Compensation	Injury Awards	Decommissioning Costs	Misc	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2014	1,469	77,311	549,673	549	233	629,235
Utilised in Year	(294)	(13,921)	(25,486)	(319)	(299)	(40,319)
Provision not utilised	(191)	(7,137)	-	(142)	-	(7,470)
Cost of Borrowing	(62)	(1,326)	23,470	-	-	22,082
Actuarial Loss	-	-	16,990	-	-	16,990
Increase in Provision	31	(2,156)	5,730	71	690	4,366
At 31 March 2015	<u>953</u>	<u>52,771</u>	<u>570,377</u>	<u>159</u>	<u>624</u>	<u>624,884</u>

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

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

16.(b) Analysis of Expected Timing of Discounted Flows:

2014-15	Severance	Compensation	Injury Awards	Decommissioning Costs	Misc	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Not Later than one year	448	27,915	25,800	159	173	54,495
Later than one year and not later than 5 years	505	23,934	98,560	-	438	123,437
Later than 5 years	-	922	446,017	-	13	446,952
At 31 March 2015	<u>953</u>	<u>52,771</u>	<u>570,377</u>	<u>159</u>	<u>624</u>	<u>624,884</u>

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

Notes to the Accounts for Year Ended 31 March 2015 (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 (injury & Legal). The following table shows the breakdown of the provision between these categories.

	Injury	Damage	Legal	Hearing Loss – Injury	Hearing Loss – Legal	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2014	21,292	593	16,860	19,318	19,248	77,311
Utilised in Year	(921)	(76)	(1,848)	(5,159)	(5,917)	(13,921)
Provision not utilised	(600)	-	-	(3,662)	(2,875)	(7,137)
Costs of Borrowing	(324)	(11)	(258)	(367)	(366)	(1,326)
Increase in Provision	<u>(6,191)</u>	<u>(77)</u>	<u>(2,204)</u>	<u>2,859</u>	<u>3,457</u>	<u>(2,156)</u>
At 31 March 2015	<u>13,256</u>	<u>429</u>	<u>12,550</u>	<u>12,989</u>	<u>13,547</u>	<u>52,771</u>

At 31 March 2015, there were 3,078 'live' injury or wrongful acts claims and 891 'live' damage to property claims. Associated legal fees are also provided for.

Claims have varying life spans with claims involving personal injury mostly concluded within six years of receipt and claims for damage to property usually being concluded within one or two years of receipt. In deriving the above figures, assumptions have been made relating to the number of outstanding claims likely to attract compensation, the average claim value for the different claim types and likely timing of settlement.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

The data assumes that past trends will persist with only marginal fluctuations and any deviations from this pattern may have a material impact on actual claims settled. The provision for years 1-5 have been discounted at the HM Treasury rate of (1.5%).

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 2015, 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 2015 £000's	Value at 31 March 2014 £000's
Liability in respect of		
Active Members	65,940	153,610
Pensions in payment (injury awards)	504,440	396,063
Total liability	570,380	549,673

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 3.55%pa
- A rate of long-term inflation and pensions increases of 2.20%pa

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

Expectation of life in years

At 31 March	2015	2014	2013	2012	2011
Males (45 year old future pensioner at age 65)	25.4	25.6	25.7	25.6	26.1
Females (45 year old future pensioner at age 65)	27.9	28.0	27.9	27.8	29.2

Notes to the Accounts for Year Ended 31 March 2015 (continued)

History of Experience gains and losses	Value at 31March2015	Value at 31March2014
	£000	£000
Experience losses on the scheme liabilities	(13,410)	8,470
Percentage of the liability at the end of year	(2.4%)	1.5%
Total actuarial loss	(16,990)	(40,400)
Percentage of the liability at the end of year	(3.0%)	(7.3%)

Miscellaneous:

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

	Uniform Stock	Early Retirement	Total
	£000's	£000's	£000's
At 1 April 2014	109	124	233
Utilised in Year	(233)	(66)	(299)
Cost of borrowing	-	-	-
Increase in Provision	<u>539</u>	<u>151</u>	<u>690</u>
At 31 March 2015	<u>415</u>	<u>209</u>	<u>614</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

17. Capital Commitments

Contracted capital commitments at 31 March 2015 not otherwise included in these financial statements.

	2014-15	2013-14
	£000	£000
Property Plant & Equipment	6,138	47,574
Intangible Assets	-	2,050
Total	<u>6,138</u>	<u>49,624</u>

18. Commitments Under Leases

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

Obligations under operating leases:

	2014-15	2013-14
	£000	£000
Land:		
Not later than one year	253	133
Later than one year and not later than five	366	260
Later than five years	<u>405</u>	<u>105</u>
Total	<u>1,024</u>	<u>498</u>
Buildings:		
Not later than one year	350	382
Later than one year and not later than five	423	697
Later than five years	<u>386</u>	<u>412</u>
Total	<u>1,159</u>	<u>1,491</u>
Other:		
Not later than one year	-	61
Later than one year and not later than five	-	-
Later than five years	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>61</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

19. Commitments Under Private Financing Initiatives (PFI) Contracts

The PSNI has no commitments to report under PFI contracts for the financial year 2014-15.

20. Other Financial Commitments

The PSNI has no other material financial commitments to report for financial year 2014-15. 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 2015. As the cash requirements of PSNI are met through Grant in Aid provided by Department of Justice, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with PSNI's expected purchase and usage requirements and the NDPB is therefore exposed to little credit, liquidity or market risk.

22. Contingent Liabilities (disclosed under IAS 37)

The PSNI has the following contingent liabilities:

Post-Traumatic Stress Disorder Class Action

The PSNI and the Northern Ireland Policing Board are named defendants in a class action by 5585 former and serving police officers. The hearing for this case began in November 2005 and concluded in June 2006. A judgement was delivered in June 2007 which found in favour of the PSNI under four of the five headings. The judge specifically referred to the formidable tasks individual plaintiffs may have in pursuing claims. This was confirmed by the successful defence by the PSNI in respect of the 10 lead cases. An appeal by 5 lead plaintiffs and a cross appeal by the defendants on the issue that went against them, were lodged in October 2007. The Chief Constable was largely successful in his defence of the generic issues in the 5 lead cases which were subject to appeal. A number of claimants indicated their intention to pursue their claims further as personal litigants within the relatively narrow restrictions imposed by the Court. The number of potential claimants is still unclear at this time. Some claimants have however taken steps to pursue their claims and the judge has set a timetable for management of these cases – some of these claimants are legally represented and some are acting as personal litigants. It is not possible at this time to provide a reliable estimate of any potential liability.

Notes to the Accounts for Year Ended 31 March 2015 (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 2015 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 own 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. Some of those claims were disposed of on a settlement basis but the organisation still 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. 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.

Other Legal Cases

There are a number of cases currently lodged with PSNI where it is not possible to provide a reliable estimate of the overall liability involved. These involve cases relating to injury claims that are complex in nature and dependent on the review of medical and forensic accounting details. There are currently 9 such cases lodged with PSNI and 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.

Voluntary Exit Scheme

The PSNI submitted a bid to the transformation fund on 31 March 2015 to fund a Voluntary Exit Scheme (VES) for Police staff. At the Balance Sheet date, there is a possible obligation on the PSNI which may give rise to a liability should any police staff apply and be successful. It is not possible, at the balance sheet date, to quantify what this potential liability may be.

Notes to the Accounts for Year Ended 31 March 2015 (continued)

23. Losses and Special Payments

Losses & Special Payments

Type	Description	No of Cases	£000's
Losses		6	1
Overpayments		2	1
Stores		1,971	218
Claims waived or Abandoned		269	236
Special Payments	Compensation	1,638	13,348
Ex Gratia Payments		1	1
Fruitless Payments & Constructive Losses		<u>226</u>	<u>7,956</u>
Total		<u>4,113</u>	<u>21,761</u>

During 2014-15, Special Payments (compensation) were made in relation to 1,638 cases, the total amount paid in these cases was £13,348k. No payments exceeded £250k.

In light of recent developments impairment was recognised in relation to the Northern Ireland Community Safety College totalling £7,549k. This has been disclosed above as a constructive loss.

A constructive loss of £362k was also recognised in relation to the impairment of ballistic glass purchased for an armouring project that was not completed.

24. Northern Ireland Road Safety Partnership

Within the PSNI trade and other payables there is an element that relates to funding held by PSNI on behalf of the Northern Ireland Road Safety Partnership (NIRSP) relating to speeding and red-light running detection activity. This includes monies from fixed penalties and driver awareness courses. The note below shows details of the current balance held by PSNI as well as the in- year movement.

	31 March 2014	Income received	Monies transferred to fund expenditure	31 March 2015
	£000	£000	£000	£000
Amounts held with regards NIRSP	<u>3,364</u>	<u>1,857</u>	<u>(1,021)</u>	<u>4,200</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

25. POLICE FUND

**Statement of Comprehensive Net Income
for the Year Ended 31 March 2015**

	2014-15 £000	2013-14 £000
EXPENDITURE		
Other Expenditure	12.1	10.1
INCOME		
Income from Activities	(7.5)	(6.7)
Profit on disposal of shares	(0.6)	-
Other Income	<u>(8.8)</u>	<u>(10.0)</u>
	<u>(16.9)</u>	<u>(16.7)</u>
NET INCOME	(4.8)	(6.6)
Interest payable/receivable	<u>-</u>	<u>-</u>
NET INCOME AFTER INTEREST	<u>(4.8)</u>	<u>(6.6)</u>

Statement of Financial Position 31 March 2015

	2014-15 £000	2013-14 £000
NON-CURRENT ASSETS		
Financial Assets	85.0	98.6
CURRENT ASSETS		
Trade and Other Receivables	46.1	28.3
Cash and Cash Equivalents	<u>37.2</u>	<u>36.6</u>
TOTAL CURRENT ASSETS	<u>83.3</u>	<u>64.9</u>
TOTAL ASSETS	<u>168.3</u>	<u>163.5</u>
CURRENT LIABILITIES		
Trade and Other Payables	<u>-</u>	<u>-</u>
Current Liabilities		
ASSETS LESS LIABILITIES	<u>168.3</u>	<u>163.5</u>
TAX PAYERS' EQUITY:		
General Reserve	168.3	159.9
Revaluation Reserve	<u>-</u>	<u>3.6</u>
TOTAL	<u>168.3</u>	<u>163.5</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

25. POLICE FUND (continued)

**Statement of Cash Flows
for the Year Ended 31 March 2015**

	2014-15	2013-14
	£000	£000
CASH FLOW FROM OPERATING ACTIVITIES		
Net Surplus after interest	4.8	6.6
Less non cash transaction	(0.6)	
Increase in Trade and Other Receivables	(17.8)	(5.9)
Decrease in Trade Payables	-	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>(13.6)</u>	<u>0.7</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds on disposal of shares	<u>14.2</u>	-
NET CASH INFLOW FROM INVESTING ACTIVITIES	<u>14.2</u>	<u>0.7</u>
NET FINANCING		
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>0.6</u>	<u>0.7</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>36.6</u>	<u>35.9</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>37.2</u>	<u>36.6</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

25. POLICE FUND (continued)

**Statement of Changes in Taxpayers' Equity
for the Year Ended 31 March 2015**

	General Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2013	<u>153.3</u>	<u>4.2</u>	<u>157.5</u>
Changes in Taxpayers' Equity for 2013-14			
Surplus on Revaluation of Investments	-	(0.6)	(0.6)
Net Operating Surplus	<u>6.6</u>	<u>-</u>	<u>6.6</u>
Balance at 31 March 2014	<u>159.9</u>	<u>3.6</u>	<u>163.5</u>
Changes in Taxpayers' Equity for 2014-15			
Surplus on Revaluation of Investments	3.6	(3.6)	-
Net Operating Surplus	<u>4.8</u>	<u>-</u>	<u>4.8</u>
Balance at 31 March 2015	<u>168.3</u>	<u>-</u>	<u>168.3</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

26. POLICE PROPERTY FUND

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2015**

	2014-15	2013-14
	£000	£000
EXPENDITURE		
Other Expenditure	4.4	2.0
INCOME		
Income From Activities	<u>(33.6)</u>	<u>(32.0)</u>
NET INCOME	<u>(29.2)</u>	<u>(30.0)</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015**

	2014-15	2013-14
	£000	£000
CURRENT ASSETS		
Trade and Other Receivables	122.2	93.0
CURRENT LIABILITIES		
Trade and Other Payables	—	—
ASSETS LESS LIABILITIES	<u>122.2</u>	<u>93.0</u>
TAXPAYERS' EQUITY:		
General Reserve	<u>122.2</u>	<u>93.0</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

POLICE PROPERTY FUND (CONTINUED)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015**

	2014-15 £000	2013-14 £000
CASH FLOW FROM OPERATING ACTIVITIES		
Net Surplus after interest	29.2	30.0
Increase in Trade and Other Receivables	(29.2)	(30.0)
Decrease in Trade Payables	—	—
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>—</u>	<u>—</u>
NET FINANCING		
NET INCREASE IN CASH AND CASH EQUIVALENTS IN THE PERIOD	<u>—</u>	<u>—</u>

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2015**

	Total Reserves £000
Balance at 31 March 2013	63.0
Changes in Taxpayers' Equity 2013-2014	
Net Operating Surplus	<u>30.0</u>
Balance at 31 March 2014	<u>93.0</u>
Changes in Taxpayers' Equity 2014-2015	
Net Operating Surplus	<u>29.2</u>
Balance at 31 March 2015	<u>122.2</u>

Notes to the Accounts for Year Ended 31 March 2015 (continued)

27. 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.

28. THIRD-PARTY TRANSACTIONS

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

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

THIRD PARTY ASSETS

	31 March 2014	Gross Inflows	Gross Outflows	31 March 2015
	£000	£000	£000	£000
Bank Balances and Monetary Sealed Packages held.	<u>3,363</u>	<u>193</u>	<u>(273)</u>	<u>3,283</u>

Third party assets includes £21k held in relation to EUfunded programmes.

29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since 31 March 2015, PSNI has launched a Voluntary Exit Scheme (VES) and received applications from Police staff. These applications are being processed and will be communicated and agreed with staff. This is a non-adjusting event and consequently, the 2014-15 accounts have not been adjusted. It is expected that payments will be made during the 2015-16 year.

The Annual Report and Accounts were authorised by the Chief Constable to be issued on 29 June 2015.

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