

**POLICE SERVICE OF
NORTHERN IRELAND**

**Annual Report and Accounts
For the year ended 31 March 2012**



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

On

04 July 2012

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

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INTRODUCTION BY CHIEF CONSTABLE

As required by Section 58 of the Police (Northern Ireland) Act 2000, I have pleasure in submitting my third annual report as Chief Constable of the Police Service of Northern Ireland (PSNI). This relates to the financial year 2011-2012. The report will consist of a short synopsis of how our budget was used to deliver an impartial policing service to everyone in Northern Ireland, and our annually published statistics.

I am very pleased to report that Northern Ireland has enjoyed its lowest level of crime in fourteen years and lowest level of antisocial behaviour in six years.

Crime across Northern Ireland has dropped by 1.6 per cent, falling by 1,651 incidents, from 105,040 offences in 2010/11 to 103,389 offences in 2011/12. It is particularly encouraging to see levels of the most serious crimes such as burglary and hate crime reducing dramatically.

Antisocial behaviour has dropped by 12,763 incidents in the last year, the lowest level of antisocial behaviour recorded by the PSNI since this method of recording was introduced nationally in 2006/7. Importantly, the percentage of people who perceive levels of antisocial behaviour to be high has also dropped by a statistically significant margin. This suggests that not only are people less likely to experience antisocial behaviour but crucially they also feel that there is less of it occurring.

Road deaths are at their lowest level since 1931 with 53 fatalities occurring on our roads during the reporting period. Whilst this is to be welcomed every fatality is a tragedy and we will continue our efforts with key partners to find ways to reduce that number even further.

Taken together these statistics paint a very positive picture of steadily reducing harm across Northern Ireland.

Confidence in policing continues to grow. There is an undoubted thirst for local policing and over the last year confidence in the PSNI has risen across a range of surveys. This is a clear sign that communities want the PSNI to work with them to reduce crime and disorder. We also recognise that there remain areas where, for some, turning to the PSNI for support is a difficult choice. We shall continue to work tirelessly to build trust in our Service through demonstrating our unwavering commitment towards improving the safety and life opportunities of all.

Our focus on reducing the serious harm caused by organised crime groups remains. This year has seen a number of high profile operations intended to rescue women from the misery of human trafficking. In total 33 potential victims of human trafficking were recovered within Northern Ireland, which is an increase from 23 in the previous year. The majority of victims recovered are females who were being exploited sexually, primarily within prostitution. During March '12 we were successful in obtaining the first conviction in Northern Ireland for Human Trafficking.

Misuse of drugs, both legal and illegal, remain a source of harm and concern to communities. This year we have made in the region of 3920 seizures of drugs with an approximate street value of £11,535,685. This is an increase on both the amount of seizures and value of seizures from the previous year. 2543 persons have been

INTRODUCTION BY CHIEF CONSTABLE (CONTINUED)

arrested for drugs offences, which is also an increase on the numbers arrested in the previous year.

The security situation continues to provide a dangerous environment for officers as they work to make Northern Ireland safer for all. In last years report I wrote about the provision of £245m by the Treasury and the Northern Ireland Executive. This financial support has been an essential part of our operational response to the security threat and a readjustment following the downsizing of the PSNI in the expectation that terrorism would cease. There is no doubt that it remains the murderous intent of some to take Northern Ireland back towards a dark past to which the vast majority have no wish to go. This will not dissuade us from being a highly visible presence supporting the most vulnerable neighbourhoods across the country.

I firmly believe that those of us in public service have a duty to stand up for the vulnerable. That starts by focussing our efforts upon improving people's life chances within those most disadvantaged neighbourhoods across Northern Ireland. By doing so, we will start to make a real impact upon those incredibly damaging issues of drug misuse, domestic violence, paramilitary attacks and hate crime. This is not simply a question of greater use of resources but one of ever better collaboration across the public sector. I have publically called for the development of coherent long term joint plans which are individually created for those areas most in need. I believe that by so doing we stand the best chance of supporting the aspiration of those communities who most need our help.

The varied policing challenges I have outlined must be met in the face of a diminishing and uncertain financial future. Like all public services we are facing significant budgetary pressure. For PSNI this means that it will be necessary to find in the region of £135m savings over the current spending review period. Our goal is to meet these without diminishing our front line, locally focussed resources. This requires a constant examination of how and where we are spending money, when and where we deploy staff and greater cost saving collaboration across the justice sector in particular.

Over the past year our efficiency efforts have been supported by the introduction of technology, streamlining and speeding up of justice and reduction in bureaucracy. This year compared to last police officers are spending on average approximately ninety minutes more per shift out of the office and in local neighbourhoods. Over the coming years we have detailed plans to realise further opportunities to reduce cost whilst protect the front line service.

Good policing is essential to everyone's future because safety and confidence helps employment, tourism and peace building. We remain steadfastly committed to provide policing for everyone, whatever the problem, because that is what the people of Northern Ireland expect.



Matt Baggott
Chief Constable
Police Service of Northern Ireland

FOREWORD

Background Information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year 2011-12 to which they relate as the Department of Justice may determine. This is to allow the Policing Board to meet its own specific requirements under Section 12(1)(a) of the Act.

Principal Activities

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

Accounts Direction

The Annual Report and Accounts for 2011-12 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.

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

As such 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 2012, will be laid in the Northern Ireland Assembly.

FOREWORD (CONTINUED)

Chief Officers

The Chief Officers who served throughout the 2011-12 year were as follows:

Chief Constable

Matt Baggott

Deputy Chief Constable

Judith Gillespie

Assistant Chief Constable Crime Operations

Drew Harris

Assistant Chief Constable Operational Support*

Alistair Finlay

Assistant Chief Constable Criminal Justice

George Hamilton (appointed 5 December 2011)

Assistant Chief Constable Rural Region

David Jones

Assistant Chief Constable Urban Region

William Kerr

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart

Further details are provided in the Remuneration Report section on page 20.

*During the period 1 April - 2 October 2011 Chief Superintendent Gary White acted as Assistant Chief Constable Operational Support.

FOREWORD (CONTINUED)

Corporate Governance

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

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

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

The Risk, Demand and Resourcing Committee (RDR) supports SEB by making strategic decision on resourcing the organisational priorities, in line with the tone and direction set by SEB.

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

Beneath this structure are five programme boards:

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

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

Company directorships

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

Non current assets

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

FOREWORD (CONTINUED)

Research and development

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

Interest rate and currency risk

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

Future developments

The Northern Ireland Policing Board, in conjunction with the PSNI, published a Policing Plan covering the period 2012-2015 on 29 March 2012. The Policing Plan sets out performance indicators and measures by which the organisation will be held to account.

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

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

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

or the PSNI website:

www.psnipolice.uk.

The PSNI will continue to work to reduce crime and increase the quality of service provided to the public. The types of crime that cause most concern to the community include anti-social behaviour, violent crime and burglary. However, policing is not solely concerned with reducing and preventing crime and through consultation with the public we know that there is a demand for a responsive, visible and effective service. We also know that communities want more engagement with the police service locally. We have therefore focused our policing plan on the following outcomes:

- Reduced crime
- Reduced antisocial behaviour
- Reduced deaths and serious injuries on our roads
- Improved confidence in the police and satisfaction with the service we provide to the public
- Protection for vulnerable people

FOREWORD (CONTINUED)

We will also continue to implement the Policing with the Community 2020 Strategy, developed in partnership with the Northern Ireland Policing Board. This will contribute to building confidence in communities through partnership working, engagement and the delivery of an excellent policing service. In 2011 we have introduced our Policing Commitments. These commitments set out the standards of service the public should expect from the police service. We will continue to develop and refine these commitments in support of the delivery of personal, professional and protective policing.

Our Programme Boards will manage continuous improvement in service delivery via various projects including initiatives in the following areas; Custody provision, reducing offending, tackling crime committed on the internet and tackling human exploitation.

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

Charitable donations

PSNI made five charitable and no political donations during the year. The Charities concerned were St Vincent de Paul and Salvation Army, each receiving a donation £100 in December 2011. £100 was paid to the Felix fund in August 2011, while £50 was paid to the Fishermans mission in December 2011 and Cancer Research in March 2012.

Disabled persons

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

Employee involvement

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

Health and safety

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

FOREWORD (CONTINUED)

Payment of suppliers

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

During the 2011-12 financial year, average overall performance showed 89.1% (89.5% 2010-11) of all invoice were paid within 10 days. At the year end the proportion of amounts owed to trade creditors in relation to the amounts invoiced by suppliers during the year equated to 9.6 creditor days.

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 20 and note 3 to the Accounts.)

Audit services

The Financial statements for 2011-12 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 37 to 39.

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 £76,000 (2010-11 £78,000). This includes the audit fees in respect of the Main Police Account (£56,000), the Police Pension Scheme Accounts (£15,000) the Police Fund (£2,500) the Police Property Fund (£2,500).

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 audits have been commenced in respect of Estate Utilisation and Associate Staff.

The Accounts of the PSNI for 2011-12 are required to be audited by the Comptroller and Auditor General who is responsible for laying the accounts before the Northern Ireland Assembly. The Department of Justice will lay the accounts on behalf of the C&AG.

FOREWORD (CONTINUED)

Chief Constable's Annual Report

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

Police Pension Scheme Accounts, Police Fund and Police Property Fund

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

MANAGEMENT COMMENTARY

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

The Management Commentary discusses the following main areas:

Nature of the business

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

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

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

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

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

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

MANAGEMENT COMMENTARY (CONTINUED)

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

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

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

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

Review of performance and future developments

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

After the end of the financial year 2011-12, the Chief Constable submits this Annual Report to the Policing Board. This report is sent to the Minister of Justice who lays it before the Northern Ireland Assembly. A copy of this report for 2011-12 is available on the PSNI website www.psni.police.uk, as well as being available in a number of other formats.

The Policing Board must also produce a report on the extent to which the targets set in the annual Policing Plan have been met and this information is set out in the Board's Annual Report and Statement of Accounts 2011-12, available online at www.nipolicingboard.org.uk.

During 2011-12, the overall level of recorded crime fell by 1,651 offences, a decrease of 1.6% to 103,389. This is the lowest level recorded in Northern Ireland since the Home Office Counting Rules were introduced in April 1998. Crime decreased in six of the ten main offence categories. For example, recorded offences of Burglary fell by 1,269, a decrease of 10.7%, offences against vehicles fell by 916, a decrease of

MANAGEMENT COMMENTARY (CONTINUED)

13.2%, Sexual offences fell by 97, a decrease of 5% and Robbery fell by 85 offences, a decrease of 6.5%.

The detection rate for recorded crimes was 26.3%, a decrease of 1.0% point on the previous year. This decrease is likely to be due to the increased use of discretionary disposals during this period, which do not count as detections. 5698 discretionary disposals were used for crime and antisocial behaviour during 2011-12. Crime detection rates increased in 5 of the 10 main offence classes and decreased in the other 5. For example, there were increases in the detection rate for Sexual offences, Robbery and Burglary, whereas the detection rate for Theft, Violence against the person and Fraud and Forgery dropped slightly.

With regard to Violent Crime, the overall level increased by 1128, an increase of 3.8% with the detection rate falling from 39.2% to 36.2%. Within this category, there were 16 murders during 2011-12.

Sexual offences fell by 97, a decrease of 5% from 1,933 to 1,836. The detection rate also increased by 5%. Rape offences (including attempts) rose by 3, an increase of 0.5% from 550 to 553, while most serious sexual offences fell by 31, a decrease of 1.9% from 1605 to 1,574.

Overall, the total number of burglary offences decreased by 1,269, a reduction of 10.7%. Domestic burglary fell by 431, a reduction of 6.1% and non-domestic burglary decreased by 838, a reduction of 17.6%. The detection rate for domestic burglary increased from 9.7% to 12%, while the detection rate for non-domestic burglary rose from 13.2% to 13.7%. The overall detection rate for burglary increased by 1.5% points from 11.1% to 12.6%.

There was a decrease in the number of bombing incidents from 99 in 2010-11 to 56 in 2011-12. There was also a decrease in the number of shooting incidents from 72 in 2010-11 to 67 in 2011-12. There was one death resulting from the security situation recorded during 2011-12.

In 2011-12, a total of 159 people were arrested under section 41 of the Terrorism Act (an 18.5% decrease from the 195 recorded last year). Thirty nine people were subsequently charged.

A total of 3,920 drug seizure incidents were recorded in 2011-12, an increase of 10% on 2010-11. As in previous years cannabis was the drug most commonly seized. The number of people arrested for drug related offences increased by 4.4% from 2,435 in 2010-11 to 2,543 in 2011-12.

There were 52 fatalities on Northern Ireland's roads during 2011-12, including 1 child aged under 16. This was a reduction on 2010-11 (58 fatalities) and is the lowest recorded for any financial or calendar year since records began in 1931.

MANAGEMENT COMMENTARY (CONTINUED)

The PSNI continued to proactively deal with antisocial behaviour, a major concern to local communities. There were 12,763 fewer incidents of antisocial behaviour recorded during 2011-12, a decrease of 16.6%. A total number of 64,184 incidents were recorded in 2011-12 and this is the lowest level of antisocial behaviour recorded since this method of recording antisocial behaviour was introduced nationally 6 years ago in 2006/07.

Table 1: Police and Criminal Evidence (PACE) Order – Article 5 Persons and Vehicles Searched 2011/12

	Stolen Property		Drugs		Firearms		Offensive Weapon		Going Equipped		Others		Totals	
	Search	Arrest	Search	Arrest	Search	Arrest	Search	Arrest	Search	Arrest	Search	Arrest	Search	Arrest
April	178	27	1074	37	19	1	83	12	330	19	153	13	1,837	109
May	208	27	994	60	22	2	133	22	327	23	146	12	1,830	146
June	154	26	881	41	12	2	100	11	315	31	108	13	1,570	124
July	111	22	853	36	9	1	99	18	263	21	127	10	1,462	108
August	155	16	831	51	18	0	74	7	368	33	167	14	1,613	121
September	180	22	1002	64	28	4	94	8	289	23	179	9	1,772	130
October	232	28	1146	59	39	2	159	18	345	10	598	10	2,519	127
November	235	20	1081	56	27	2	110	13	323	17	204	18	1,980	126
December	249	31	916	39	23	2	78	17	384	18	103	16	1,753	123
January	230	20	1058	55	27	5	116	18	370	12	155	18	1,956	128
February	255	37	1032	71	19	0	102	19	438	19	153	19	1,999	165
March	216	22	1208	76	30	3	117	26	338	18	172	18	2,081	163
TOTAL	2,403	298	12,076	645	273	24	1,265	189	4,090	244	2,265	170	22,372	1,570

Note: Arrests are as a result of search.

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

There were 43 road checks authorised in 2011/12, 36 of which were for the purpose of ascertaining whether a vehicle was carrying a witness to an indictable offence. The remaining 7 were for the purpose of ascertaining whether a vehicle was carrying someone reasonably suspected or intending to commit an indictable offence.

MANAGEMENT COMMENTARY (CONTINUED)

Table 2: Police and Criminal Evidence (PACE) Order – Detention Statistics 2011/12

	Arrests Under PACE			Requests	
	Totals	Gender		Friend/ Relative etc	Solicitor
		Male	Female		
Quarter 1 April-June	6,760	5,877	881	1,634	3,473
Quarter 2 July-September	6,952	5,977	975	1,612	3,576
Quarter 3 October-December	6,732	5,783	948	1,521	3,367
Quarter 4 January-March	6,460	5,513	947	1,477	3,509
TOTAL	26,904	23,150	3,751	6,244	13,925

Note: There were 3 persons detained under PACE in 2011/12 whose gender was recorded as 'Transgendered'.

Extended Detention: During 2011/12 there were 53 persons who were detained in police custody for more than 24 hours and released without charge.

Magistrate's Warrants: There were 30 applications to Magistrates Courts for warrants of further detention, all of which were granted. Eight of these applications were for 24 hours or less, 2 were for 30 hours and the other 20 were for a period of 36 hours. Of the 23 persons subject to a warrant of further detention, 7 spent less than 24 hours under its authority while 9 spent between 24 hours and 36 hours. The remaining 7 persons had a second extension granted and as a result were detained over 36 hours under the authority of these warrants. 23 persons were subsequently charged.

Intimate Searches: There was one intimate search carried out by a suitably qualified person during 2011/12. This was a drugs offence search.

X-rays & ultrasound scans: During 2011/12 there were:

- (a) Four x-rays authorised (3 negative results and 1 positive).
- (b) No ultrasound scans authorised.

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

MANAGEMENT COMMENTARY (CONTINUED)

Risks and uncertainties

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

The key risk priorities detailed in the Corporate Risk Register, which are currently facing the organisation are in the areas of Recruitment and Retention of Staff for Crime Investigations, Terrorist Attack, Implementation of the four-year efficiency plan, Legacy Issues, Confidence in Policing, lengthy Procurement Approval processes and Back Record conversion issues.

Review of financial position and resources

Results for the year

The Statement of Comprehensive Net Expenditure is set out on page 40 and shows a deficit for the year of £761.3m (£813.9m in 2010-11).

The total cost of policing

The total Resource DEL budget allocation (excluding costs of the Police Pension Scheme and AME impairments) available for 2011-12 was £849.2m. The DEL expenditure against this budget during the year was £836.5m, resulting in an overall surplus of £12.7m.

The total AME (annually Managed Expenditure) 2011-12 budget allocation (including Pension Scheme, AME impairments, Release and Movements to Provisions) was £382.6m. The AME expenditure against this budget during the year was £353.4m, resulting in an overall surplus of £29.1m.

This gives a total resource spend of £1,189.9m. The costs of pensions are reported separately through the PSNI Pension Scheme Accounts, and do not form part of the Statement of Comprehensive Net Expenditure in these financial statements.

The Capital budget was £51.8m and a surplus of £4.6m was reported.

The overall performance in 2011-12 reflects the continued success of the devolved budgeting/financial management framework within the organisation and local empowerment of Districts and Headquarter Departments.

Four Year Efficiency Plan

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

MANAGEMENT COMMENTARY (CONTINUED)

Under the Budget 2010 settlement PSNI must deliver net baseline savings of £135m. In order to meet this funding gap PSNI has established a four year efficiency programme. To date net efficiencies of £112m have either been secured or identified to contribute to the target reduction, with work ongoing to close the remaining gap. For the 2011-12 financial year, the target efficiency savings of £19.6m have been delivered.

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 2011-12 with the emphasis on carbon emission reductions, waste management and recycling, use of sustainable energy resources and overall management of utilities.

In addition, low carbon design is being implemented in relation to significant building projects (new builds and maintenance refurbishments) and innovative concepts such as the use of ground water for building cooling are being developed with the Carbon Trust. PSNI has achieved the 2011-12 objectives in relation to reductions in energy reduction, carbon emission reductions and water usage reduction established in the 2011-12 Estates Annual Business Plan.

Employees

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

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

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

Social and community issues

The tradition of generous charitable giving by officers and staff of the Police Service has continued. In addition to the continued support through pay roll giving, this year the Police Service nominated the RUCGC - PSNI Benevolent Fund as it's charity of the year for 2011-12.

MANAGEMENT COMMENTARY (CONTINUED)

Going concern

The Statement of Financial Position at 31 March 2012 shows net current liabilities of £61,505k. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from Grants of Supply approved annually by the Northern Ireland Assembly, to meet the net cash requirement of the Department of Justice which funds the PSNI. Under the Government Resources (NI) Act 2001, no money may be drawn from the Fund by the Department of Justice other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the PSNI's liabilities is accordingly to be met by future Grants of Supply to the Department of Justice and the application of future income, both to be approved annually by the Northern Ireland Assembly. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the PSNI's financial statements for 2011-12.

Sickness absence data

The reported average number of working days lost due to sickness for 2011-12 were:

	Average Working Days Lost 2011-12	Average Working Days Lost 2010-11
Police Officers	9.25	7.93
Police Staff	7.71	9.13

Personal data related incidents

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

A file was sent to a number of officers containing personal details of other officers. At no time did the file leave the PSNI network nor was it accessed by anyone other than a PSNI officer/staff. It was reported to the ICO as one officer has made a formal complaint to the Police Federation.

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.

All remuneration decisions will be ratified by the PSNI Resourcing Forum with all final reports through the Resource, Demand and Risk Committee.

Service contracts

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

Chief Constable & Deputy Chief Constable

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

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

REMUNERATION REPORT (CONTINUED)

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

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

Assistant Chief Constables

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

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

Drew Harris	13 March 2006
Alistair Finlay	28 August 2006
David Jones	8 September 2008
William Kerr	16 August 2009
George Hamilton	5 December 2011

Civilian Chief Officers

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

David Best	1 October 1999
Joe Stewart	3 September 2001

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

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

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

REMUNERATION REPORT (CONTINUED)

Salary and pension entitlement (Audited Information)

Remuneration and pension information for the year ended 31 March 2012 is provided for Chief Officers of the PSNI as follows:

	Salary 2011-12 £'000	Bonus 2011-12 £'000	Benefits In Kind 2011-12 £'000	Salary 2010-11 £'000	Bonus 2010-11 £'000	Benefits In Kind 2010-11 £'000
Chief Constable Matt Baggott	190-195	NIL	NIL	190-195	NIL	NIL
Deputy Chief Constable Judith Gillespie	170-175	NIL	NIL	170-175	NIL	NIL
Assistant Chief Constable Criminal Justice George Hamilton Full Year Equivalent	35-40 (120-125)	NIL	NIL	-	NIL	NIL
Assistant Chief Constable Urban Region William Kerr	115-120	NIL	NIL	110-115	NIL	NIL
Assistant Chief Constable Crime Operations Drew Harris	120-125	NIL	NIL	120-125	NIL	NIL
Assistant Chief Constable Operational Support Alistair Finlay	120-125	NIL	NIL	115-120	NIL	NIL
Assistant Chief Constable Rural Region David Jones	115-120	NIL	NIL	115-120	NIL	NIL
Director of Finance & Support Services David Best	115-120	NIL	NIL	115-120	NIL	NIL
Director of Human Resources Joe Stewart	115-120	NIL	NIL	115-120	NIL	NIL

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

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

Bonuses are based on performance levels attained and are made as part of the appraisal process. No bonuses were paid in 2011-12 (None 2010-11)

REMUNERATION REPORT (CONTINUED)

Salary and pension entitlement: Pay Multiples (Audited information)

2011/2012	£ '000's	2010/2011	£ '000's
Organisation Total		Organisation Total	
Remuneration of Highest Paid all Employees		Remuneration of Highest Paid all Employees	
Total Remuneration	190-195	Total Remuneration	190-195
Median Total Remuneration	34.62	Median Total Remuneration	29.92
Ratio	5.56	Ratio	6.43
Police		Police	
Remuneration of Highest Paid Police Officer's		Remuneration of Highest Paid Police Officer's	
Total Remuneration	190-195	Total Remuneration	190-195
Median Total Remuneration	38.75	Median Total Remuneration	37.25
Ratio	4.96	Ratio	5.17
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	22.75	Median Total Remuneration	23.41
Ratio	5.16	Ratio	5.02

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

The banded remuneration of the highest paid Chief Officer in the PSNI in the financial year 2011-12 was £190,000-195,000 (2010-11 £190,000-195,000). This was 5.56 times (2010-11 6.43) the median remuneration of the workforce, which was £34,620 (2010-11 £29,921).

No employees in 2011-12 or 2010-11 received remuneration in excess of the highest paid Chief Officer.

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

The ratio of the highest paid Chief Officer has fallen from 6.43 times the median in 2010-11 to 5.56 in 2011-12. A freeze to the highest paid Chief Officer's remuneration has contributed to a fall in the ratio. As PSNI has two distinct pay structures one for police and one for police staff the median and pay multiples for each of these two pay structures has also been provided above.

REMUNERATION REPORT (CONTINUED)

Chief Officer Pension Benefits (Audited Information)

	Accrued pension as at 31 March 2012 or Date of Leaving and related lump sum £000	Real increase in pension and related lump sum at 31 March 2012 or Date of Leaving £000	CETV at 31 March 2012 or Date of Leaving £000	CETV at 31 March 2011 recalculated ² £000	Real increase in CETV £000
Matt Baggott ¹	125-130	(5-7.5)	2,964	2,971	(143)
Judith Gillespie ¹	100-105	0-2.5	2,511	2,264	33
George Hamilton ¹	55-60	2.5-5	1,144	1,001	46
William Kerr ¹	45-50	0-2.5	639	568	14
Drew Harris ¹	60-65	2.5-5	1,380	1,217	47
Alistair Finlay ¹	65-70	0-2.5	1,174	1,495	26
David Jones ¹	35-40	0-2.5	856	747	33
David Best	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	1,037	956	(12)
Joe Stewart	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	457	413	8

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. CETV at 31 March 2011 has been restated to reflect change in factors for the cash equivalent transfer values as published by the Government Actuaries Department.

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

REMUNERATION REPORT (CONTINUED)

PRINCIPAL CIVIL SERVICE PENSION SCHEME (NI)

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

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

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

For 2011-12, employers' contributions of £11,771,495 were paid to the PCSPS (NI) (2010-11: £12,414,871) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

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

REMUNERATION REPORT (CONTINUED)

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

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

Police Pension Schemes

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

Police Pension Scheme (PPS)

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

For the year to 31 March 2012, employer’s contributions of £49,791,075 have been paid at the rate of 24.2% of pensionable pay. For 2010-11, employers’ contributions of £52,699,821 were paid to the PSNI PPS. In addition employers’ contributions totalling £1,798,502 have been paid for the year to 31 March 2012 in respect of early retirements (2010-11 £1,036,234). 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 $\frac{1}{60}^{\text{th}}$ of APP for each year of service up to 20 years, and $\frac{2}{60}^{\text{th}}$ for each year thereafter, up to a maximum of $\frac{40}{60}^{\text{th}}$ 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.

REMUNERATION REPORT (CONTINUED)

New Police Pension Scheme (NPPS)

For the period to 31 March 2012, employer's contributions of £12,430,262 have been paid at the rate of 24.2% of pensionable pay. For 2010-11, employers' contributions of £10,621,781 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 $1/70^{\text{th}}$ of APP for each year of service up to a maximum of $35/70^{\text{th}}$ 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.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCS (NI) or PSNI Police Pension Scheme arrangements and for which a transfer payment has been received, commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. The factors for calculating CETVs changed from 26 October 2011 under advice from the Government Actuaries Department. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to

REMUNERATION REPORT (CONTINUED)

benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The actuarial factors that are used in the CETV calculation were changed during 2011, due to changes in demographic assumptions and discount rates. This means that the CETV in this years report for 31 March 2011 will not be the same as the corresponding figure shown in last years report.

Real increase in CETV

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

A handwritten signature in black ink that reads "Matt Baggott". The signature is written in a cursive, slightly informal style.

Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2012

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.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

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

In respect of the reporting period, I am directly accountable to the Accounting Officer of the Department of Justice and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money (NI) published by the Department of Finance and Personnel Northern Ireland (DFP) and the Framework Document for Governance of PSNI.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Capacity to handle risk

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

The risk and control framework

The PSNI capacity to manage risk is established through the risk and control framework and the increasing experience of the Senior Executive Team and staff in risk management. To ensure that the risk management process is continuously refined and approved the PSNI has a Risk Management Policy that is kept under review. This document, which was published organisation wide explains the underlying approach to risk management and describes the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it includes details of the monitoring and reporting of risk management arrangements.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Risk Management is fully embedded into the organisation with each Department and District actively managing their individual Risk Registers that are linked to the Policing Plan objectives. Most Branches also have Risk Registers. Each register is monitored electronically on the PRiDE (Performance and Risk in Delivering Excellence) system. All control actions are time bound and the PRiDE system automatically generates reminders to risk action owners when an update is required. Further assurance was derived from the District and Department 'Control Risk Self Assessment' (CRSA) process that was conducted at the end of 2011, and which is endorsed by Internal Audit.

The Corporate Risk Manager monitors the effectiveness of the risk management processes and reports findings on a six monthly basis to the Risk Demand and Resourcing Committee (RDR) and to the Deputy Chief Constable to assist the Chief Officers' Annual Performance Appraisal process.

A Corporate Risk Register is actively managed by the Corporate Risk Manager that is designed to capture significant strategic risks facing the organisation during 2011/12. Chief Officers review the Corporate Risk Register on a bi monthly basis at the RDR Committee.

The key risks identified on the PSNI Corporate Risk Register at 31 March 2012 include:

1. Crime Investigations – recruitment and retention of staff
2. Terrorist Attack – unable to deliver a normal policing service
3. Four Year Efficiency Plan – if the targets are not met the funding provided to the PSNI over that period may not be sufficient
4. Legacy Issues – adverse affect on public confidence and strain on finances to resource enquiries
5. Confidence in Policing – maintaining public confidence through the roll out of the four year efficiency plan
6. Procurement Approval – lengthy processes involved
7. Back Record Conversation – backlog of paper based records to be back recorded to core PSNI systems
8. Associate and Contract Staff – adverse affect on public confidence and operational capability

The Corporate Risk Manager provides written reports to RDR to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the RDR on emerging risks and significant risks arising from Districts and/or Departments. The decision to add or remove a corporate risk is approved by the Service Executive Board (SEB).

Stewardship reporting is a key assurance control ensuring accountability, ownership and management of risks throughout the Service. All Chief Officers and Senior

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Managers sign a Stewardship Statement on a six monthly basis confirming that over the preceding six month period they have reviewed the risk register for their respective areas of responsibility and assessed the management of the risks identified. Stewardship reporting provides assurance that key risks are being managed across the organisation.

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

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

Overview

The Overview database is now firmly embedded into the organisation which further enhances the overall governance arrangements. The database is used to assign, track and manage the implementation of recommendations arising from third party reports. The SEB received reports on the quality and timeliness of the implementation of recommendations throughout the year. Audit and Risk Committee received update reports on each priority one and two Internal Audit recommendations at each of its meetings and also receives an annual report on the overall governance of Overview.

Information Assurance

PSNI developed a new Information Assurance Strategy to define the direction for managing and further reducing its information risks until 2014. It was approved by the Information Management Committee in December 2011 and endorsed by the Risk, Demand and Resource Committee in January 2012. The Strategy is fully compliant with the Cabinet Office Security Policy Framework. It builds on the considerable achievements over the past number of years in facilitating safe and secure transformational services, information sharing in partnership with other bodies and recognising the increasing threat to our assets in an ever changing technological environment.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

The key tenets of the Strategy are:

- Effective and Secure Information Sharing
- Proportionate Risk Management and Accreditation
- Improved Risk Management Communications
- Enhanced Organisational Information Assurance Awareness
- Increased Innovation Empathy
- Alignment with National Obligations

These outcomes map directly to the Strategic Principles in the PSNI Policing Plan 2011-14.

In support of the Partnership Strategic Principle, PSNI will share information with others within the constraints of Human Rights and legal obligations, and the relevant codes of practice.

The Information Assurance Strategy is owned by the Senior Information Risk Owner (SIRO) at Assistant Chief Constable rank and progress towards implementation is managed by a dedicated Information Assurance Unit within Operational Support Department.

To support the Strategy PSNI continues to work towards implementing the controls detailed in the Cabinet Office Information Assurance Maturity Model. At 31 March 2012 PSNI can demonstrate 100% compliance at Level 1 in five of the six key risks areas with only one action outstanding to achieve full compliance in the remaining area. This demonstrates our proactive approach and represents a significant advance in evidencing our ability to manage information risk.

An information governance structure is well established with a hierarchy of Strategic and Operational Business Owners taking responsibility for effectively managing information risk for their respective lines of business. The Corporate Information Risk Register is maintained by the Information Assurance Unit and detailed Risk Treatment Plans are managed through the security accreditation process involving Operational Business Owners.

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

Internal breach of procedure - a file was sent to a number of officers containing personal details of other officers. At no time did the file leave the PSNI network nor was it accessed by anyone other than a PSNI officer/staff. It was reported to the ICO as one officer has made a formal complaint to the Police Federation.

The PSNI Information Assurance Policy, supported by twenty-seven detailed information security standards, was revised and updated during 2011 to reflect changes in national policy and enhanced technological threats.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

At 31 March 2012 forty-nine operational information systems were accredited and forty-four were in the accreditation process. Twelve major projects in development are subject to on going information assurance support.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their Report to those charged with Governance and other reports. I am also informed by the work of an increasing range of external stakeholders including the Northern Ireland Policing Board, Department of Justice, Northern Ireland Office, Department of Finance & Personnel, Her Majesty's Treasury, Her Majesty's Inspectorate of Constabulary's and Criminal Justice Inspectorate for Northern Ireland etc, all of which provide an important challenge function. The Chief Officers and the Audit and Risk Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control. Based upon the work Internal Audit have undertaken during the year, they have provided the Chief constable with a satisfactory level of assurance in relation to risk management, internal control and governance with the exception of a number of specific areas. Firm action has been taken by PSNI to address issues where 'Limited' assurance levels on individual reviews were identified.

The PSNI has identified a number of areas of significant concern or risk that could impact on the delivery of policing. These include:

- Dissident Republican terrorists remain the most significant threat to national security in Northern Ireland. The threat level to PSNI remains severe. Although Government has provided additional funding for this spending period, the threat continues to affect conventional policing methods. This inevitably impacts on the quality of service provided by PSNI and a reduction in the level of resources available to other core areas of policing. This may have a negative impact on public confidence.

PSNI faces significant challenges in the future to remain within spending targets, primarily due to the spending constraints resulting from the Budget 2011-15 and a savings programme across four years of £135m, of which approximately £23m remains to be identified. The primary influencing factors are, the costs of legacy

STATEMENT ON INTERNAL CONTROL (CONTINUED)

- issues (including historical enquires, legacy inquests, equal pay claims, legal costs and compensation claims, etc), a dependency on other parts in the Criminal Justice Sector and the current level of Dissident Republican threat. The high volume of historical/legacy issues, impact upon expertise available within the PSNI, and its ability to deliver on the objectives of the Policing Plan.
- PSNI has concerns regarding the potential level of bureaucracy within the financial control framework which operates in the environment of devolved Justice. For example, the protracted process for procurement. This has the potential to impair the organisation's ability to manage new and emerging risks, move expeditiously in reacting to rapidly changing operational and security circumstances including Article 2 and 3 of the Human Rights legislation, develop long term capability and address the obligations placed upon the PSNI with regard to the safeguarding of the Public and Staff.
- The human resource challenges facing the PSNI during 2012-13 include the ongoing delivery of the Workforce Modernisation, the engagement of Associate Staff and future public confidence in the employment practices within PSNI.
- There has been an increased focus on the areas of procurement and contract management during the year, and indeed DFP designated £2.1m as irregular for which PSNI provided full and justified explanation. In order to ensure PSNI is fully compliant with the increased DFP guidance, a range of training has been provided to staff in relation to procurement and contract management policies and procedures. New arrangements are also being put in place to allow for better financial monitoring of contracts and supplier spend going forward. This area will be kept under review to ensure that procurement and contract management best practice is embedded within the organisation.
- PSNI are aware of some concerns regarding the retention of Human Tissue as reported in the media. This issue was the subject of a PSNI audit, which identified cases where human tissue or body parts were retained following a suspicious death or murder. Family liaison officers have visited families across Northern Ireland and a dedicated enquiry line has been set up to deal with related calls. PSNI will provide all the support we can to assist affected families through this difficult time. Since September 2006 it has been normal practice to inform next of kin when samples have been taken and retained, and involve them in any decisions regarding retention or disposal. PSNI firmly believed it is right that families are given the choice to be involved in the decisions that are being made today.

Significant Internal Control Issues

The following areas of concern have been noted by Internal Audit in their Annual Assurance Statement.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Compliance with Operational Policy/Service Directives

Internal Audit, through the district CRSA process, have noted weaknesses in compliance with operational policy/service directives in the areas of managing sex offenders, missing persons and property.

In order to address these issues a number of actions are planned for the coming year. The CRSA process will be further embedded within Districts through District Commanders and local Quality Service Champions. Also, a project aimed at refreshing the strategic policy framework is ongoing. The purpose of the project is to ensure that the detail contained within PSNI policy and service procedures is appropriate and not overly prescriptive resulting in non compliance issues.

Lack of progress in addressing a number of Internal Audit recommendations

Internal Audit has previously noted contract management issues in relation to specific areas (FMOs and Interpreters).

Work is ongoing in these areas to redesign supplier relationships and processes and embed new financial management procedures. These areas will continue to be kept under review in the coming year.

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



Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2012

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

I certify that I have audited the financial statements of the Police Service of Northern Ireland for the year ended 31 March 2012 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the 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 examine, certify and report on the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Police Service of Northern Ireland's affairs as at 31 March 2012 and of its net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

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

Report

I have no observations to make on these financial statements, however I plan to publish my report, PSNI: Use of Agency Staff, in September 2012. My report will examine the processes adopted by PSNI for the recruitment of temporary staff against acknowledged good practice, focussing on value for money, accountability and governance.



**Kieran J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
04 July 2012**

POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 MARCH 2012

STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Year Ended 31 March 2012 £000's	Restated Year Ended 31 March 2011 £000's
Expenditure:			
Staff Costs	3	529,505	526,971
Depreciation	4	30,701	30,916
Other Expenditures	5	<u>206,568</u>	<u>261,848</u>
		766,774	819,735
Income:			
Income from activities	6	(1,237)	(1,046)
Other Income	6	<u>(7,704)</u>	<u>(6,699)</u>
		(8,941)	(7,745)
Net Expenditure		<u>757,833</u>	<u>811,990</u>
Other Comprehensive Expenditure:			
Net loss on the revaluation of Property, Plant and Equipment	7	3,433	1,905
Net (gain)/loss on the revaluation of Intangibles	7	<u>(10)</u>	<u>3</u>
		3,423	1,908
Total Comprehensive Expenditure for year ended 31 March		<u>761,256</u>	<u>813,898</u>

The notes on pages 44 to 73 form part of this account

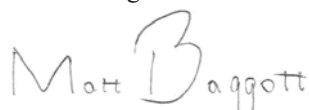
POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 MARCH 2012

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Notes	2012 £000's	Restated 2011 £000's	Restated 1 April 2010 £000's
Non-current assets				
Property, plant & equipment	8	559,465	544,524	559,438
Intangible assets	9	<u>3,210</u>	<u>3,224</u>	<u>3,327</u>
Total non-current assets		<u>562,675</u>	<u>547,748</u>	<u>562,765</u>
Current assets				
Assets classified as held for sale	11	2,460	3,075	3,821
Inventories	12	5,630	5,353	4,635
Trade and other receivables	13	22,948	47,134	35,422
Cash and cash equivalents	14	<u>2,870</u>	<u>47,280</u>	<u>19,570</u>
Total current assets		<u>33,908</u>	<u>102,842</u>	<u>63,448</u>
Total assets		<u>596,583</u>	<u>650,590</u>	<u>626,213</u>
Current liabilities				
Trade and other payables	15	<u>(95,413)</u>	<u>(119,030)</u>	<u>(94,016)</u>
Total current liabilities		<u>(95,413)</u>	<u>(119,030)</u>	<u>(94,016)</u>
Non current assets less net current liabilities		<u>501,170</u>	<u>531,560</u>	<u>532,197</u>
Non-current liabilities				
Provisions	16	597,673	607,152	650,671
Total non-current liabilities		<u>597,673</u>	<u>607,152</u>	<u>650,671</u>
Assets less liabilities		<u>(96,503)</u>	<u>(75,592)</u>	<u>(118,474)</u>
Taxpayers' equity				
Revaluation Reserve		121,387	121,718	147,174
General Reserve		<u>(217,890)</u>	<u>(197,310)</u>	<u>(265,648)</u>
Total		<u>(96,503)</u>	<u>(75,592)</u>	<u>(118,474)</u>

The notes on pages 44 to 73 form part of this account.

The financial statements on pages 40 to 73 were approved and authorised by the PSNI on 22 June 2012 and were signed on its behalf by:



Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2012

POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 MARCH 2012

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 MARCH 2012**

	Notes	Year ended 2011-12 £000's	Restated Year ended 2010-11 £000's
Cash flows from operating activities:			
Net Cost		(761,256)	(813,898)
Adjustments for non-cash transactions	4,5,6,7	65,738	98,890
Decrease in trade and other receivables	13	24,186	(11,712)
Decrease in trade and other payables	15	(24,749)	17,497
Increase in Inventories	12	(277)	(718)
Use of Provisions	16	(104,594)	(111,251)
Less movements in payables relating to items not passing through the Net Expenditure account		-	-
Net cash outflow from operating activities		(800,952)	(821,192)
Cash flows from investing activities:			
Purchase of property, plant & equipment		(47,144)	(34,697)
Purchase of intangible assets		(1,148)	(2,864)
Proceeds on Assets Held for Sale		1,431	2,573
Proceeds on disposal of plant, property & equipment		103	63
Net cash outflow from investing activities		(46,758)	(34,925)
Cash flows from financing activities:			
Grant from Sponsoring department		803,300	883,827
Net financing		803,300	883,827
Net increase in cash and cash equivalents in the period			
		(44,410)	27,710
Cash and cash equivalents at the beginning of the period			
		47,280	19,570
Cash and cash equivalents at the end of period			
		2,870	47,280

The notes on pages 44 to 73 form part of this account

POLICE SERVICE OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 MARCH 2012

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	General Reserve £000's	Revaluation Reserve £000's	Total Reserves £000's
Balance at 31 March 2010 Restated	(265,648)	147,174	(118,474)
Changes in Taxpayers' Equity 2010-11 Restated			
Net gain on revaluation of property, plant and equipment		(25,297)	(25,297)
Transfers between reserves	159	(159)	-
Actuarial Loss	(1,750)	-	(1,750)
Comprehensive Expenditure for the year	<u>(813,898)</u>	<u>-</u>	<u>(813,898)</u>
Total	(815,489)	(25,456)	(840,945)
Grant from Sponsoring Entity	<u>883,827</u>	<u>-</u>	<u>883,827</u>
Balance at April 2011	<u>(197,310)</u>	<u>121,718</u>	<u>(75,592)</u>
Changes in Taxpayers' Equity 2011-12			
Net gain on revaluation of property, plant and equipment	-	455	455
Transfers between reserves	786	(786)	-
Actuarial Loss	(63,410)	-	(63,410)
Comprehensive Expenditure for the year	<u>(761,256)</u>	<u>-</u>	<u>(761,256)</u>
Total	(823,880)	(331)	(824,211)
Grant from Sponsoring Entity	<u>803,300</u>	<u>-</u>	<u>803,300</u>
Balance at 31 March 2012	<u>(217,890)</u>	<u>121,387</u>	<u>(96,503)</u>

The notes on pages 44 to 73 form part of this account.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2011-12 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 operating activities of the organisation. Operating Income is earned principally from the issue of Fire-Arms Licenses, Refunds & Contributions, Rental Income, Income earned from the Barracuda system and for the Safety Camera scheme. It is prepared on an Accrual basis, in accordance with FReM and is stated net of VAT.

1.3 Property, Plant and Equipment

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

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

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

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

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012 (CONTINUED)

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

Properties under construction are carried at cost, less any impairment loss. Cost includes professional fees and other directly attributable costs necessary to bring the asset into use. Completed building projects are capitalised but not depreciated until brought into use.

1.4 Depreciation

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

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

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

1.5 Intangible Assets

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

1.6 Non-Current Assets Held for Sale

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

Such assets classified as Held for Sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation is not charged once an asset has been classified as Held for Sale.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)

1.7 Financial Instruments

In accordance with IAS 39 Financial Instruments, the PSNI has no financial instruments to report during the financial year 2011-12. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public Body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. As such, it is exposed to little liquidity, currency or market risks. The PSNI does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

1.8 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 2012 and details of this valuation are available in the PCSPS (NI) Resource Accounts.

Police officers are members of the existing PSNI Police Pension Scheme or the New Police Pension Scheme, introduced from 6 April 2006.

PSNI contributes a percentage of pensionable earnings towards its employees superannuation, at the Accruing Superannuation Liability Charge (ASLC) rates, determined by the Government Actuary's Department and advised by HM Treasury.

1.9 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 Provision for Severance Programmes

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

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)

1.12 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.

1.13 Provision for Injury Awards

Provision is made for the costs of providing injury awards to Police Officers based on the current number of injury awards, and also on estimated life expectancy of these pensioners. The liability is measured on an actuarial basis by the Government Actuary's Department (GAD). This year the injury awards were valued under International Accounting Standard (IAS) 19 Employee Benefits by GAD, IAS 19 requires the employer to value the expected injury awards (long term disability benefits) for active members, who are currently uninjured but who may become injured in the future, and include the value in the Statement of Accounts. This amounts to a change in accounting policy. Therefore, the closing balance of the Injury Awards liability and the General Reserve has been restated from the earliest opportunity 1 April 2010.

1.14 Provision for Decommissioning Costs on Assets Held for Sale

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

1.15 Provision for Uniform Contract

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

1.16 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.

1.17 Employee Benefits and Staff Costs

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

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012 (CONTINUED)

1.18 Accounting Estimates

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

1.19 Third Party Assets

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

1.20 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2012

PSNI has reviewed the standards, interpretations and amendments to published standards that became effective during 2011-12 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the financial position or results of the PSNI.

Chapter in FReM 2011-12	Area affected	Description of Revision	Comments
5	Related Party Disclosures - Revised definition of related parties	The amendments: - clarify the definition of a related party; and - simplify the disclosure requirements that are controlled, jointly controlled or significantly influenced by a government. The FReM interpretation of IAS 24 (Chapter 5) covers the areas amended by IASB and applicable to the public sector, from 1 January 2011.	Applied during the 2010-11 year. No impact on the PSNI other than disclosure.

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

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

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2012 or later periods, but which the PSNI has not adopted early.

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

Other than as outlined in the table below, the PSNI considers that these standards are not relevant to its operations.

Standard	Description of revision	Application date	Comments
IAS 1 – Presentation of financial statements (Other Comprehensive Income (OCI))	Requiring items of OCI to be grouped on the basis of whether they might at some point be reclassified ('recycled') from OCI to profit (e.g. cash flow hedges) or where they will not (e.g. gains on property revaluation). This will make it clearer to users what their potential effect on profit or loss will be in future periods, notably in light of improved disclosure of financial instruments and pensions, and where there will be no impact. Amendments also allow simplified reporting for discontinued operations and OCI tax grouping.	1 June 2012 (not EU adopted yet)	The application of the IAS 1 amendment is subject to further review by HM Treasury and the other Relevant Authorities before due process consultation. The FReM interprets IAS 1 disclosure already, notably to ensure consistent reporting across departments. Application will be considered where this enhances public sector reporting.
IFRS 7 - Financial Instruments: Disclosures (annual improvements)	Increased disclosure requirements for transfers of financial assets. Where entities have transferred financial assets outside of the legal body, disclosures are required to reflect the impact of this, particularly where the entity retains some form of interest in those assets.	1 July 2011	The FReM applies IFRS 7 in full, and the expectation is that it will continue to do so. This will incorporate these increased disclosures.
IFRS 13 – Fair Value Measurement	IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise): The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements.	1 January 2013 (not yet EU adopted)	The application of IFRS 13 is subject to further review by HM Treasury and the other Relevant Authorities before due process consultation.

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

1.22 Prior Year Adjustments

This year the injury awards were valued under IAS 19 Employee Benefits. IAS 19 requires the employer to value the expected injury awards (long term disability benefits) for active members, who are currently uninjured but who may become injured in the future, and include the value in the Statement of Accounts. This amounts to a change in accounting policy. Therefore, the closing balance of the Injury Awards liability and the General Reserve has been restated from the earliest opportunity 1 April 2010. Refer to notes 5 and 16 of these financial statements.

Adjustment for IAS 19 valuation of Injury Awards

	2010-11	
	£000's	
Statement of Comprehensive Expenditure	833,328	
Decrease in provision	<u>(19,430)</u>	
Restated Statement of Comprehensive Expenditure	<u>813,898</u>	
	2010-11	1 April 2010
	£000's	£000's
Statement of Financial Position		
Assets less liabilities	20,828	6,376
Increase in provision	<u>(96,420)</u>	<u>(124,850)</u>
Restated Assets less liabilities	<u>(75,592)</u>	<u>(118,474)</u>

2. STATEMENT OF OPERATING COSTS BY SEGMENT FOR THE YEAR ENDED 31 MARCH 2012

Operating Segments

2011-12:	Territorial	Other Frontline	Infrastructure		
	Policing	Policing	Support Costs	Other Costs	Total
	£000's	£000's	£000's	£000's	£000's
Gross expenditure	317,314	194,522	193,295	61,643	766,774
Income	<u>(882)</u>	<u>(1,813)</u>	<u>(6,246)</u>	-	<u>(8,941)</u>
Net Expenditure	<u>316,432</u>	<u>192,709</u>	<u>187,049</u>	<u>61,643</u>	<u>757,833</u>

Operating Segments

2010-11: (Restated)	Territorial	Other Frontline	Infrastructure	Other Costs	Total
		Policing	Support Costs		
	£000's	£000's	£000's	£000's	£000's
Gross expenditure	309,049	199,447	203,216	108,023	819,735
Income	<u>(863)</u>	<u>(882)</u>	<u>(6,000)</u>	-	<u>(7,745)</u>
Net Expenditure	<u>308,186</u>	<u>198,565</u>	<u>197,216</u>	<u>108,023</u>	<u>811,990</u>

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

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

Territorial Policing:

This segment combines the directly attributable costs of both Urban and Rural Regions. It delivers a significant portion of operational policing services within Northern Ireland and is comprised of the geographically diverse eight District Command Units. Income for this segment relates to recoupment of costs in relation to the provision of special police services.

Other Front-line Policing:

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

Infrastructure Support Costs:

This segment combines the costs of the main departments and branches which support Front-line and Operational/Territorial Policing services. They include Finance & Support/Corporate Services, Human Resources, Legal and Criminal Justice, Crime Support, Command Secretariat, Police Senior Management, Professional Standards and Out-sourced Contracts. Income is derived from Firearms Licences, Accident Fees, rental income and charging for use of the Barracuda system.

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 any major customers.

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

3. STAFF NUMBERS AND RELATED COSTS

	2011-12	2011-12	2011-12	2010-11
	Staff Costs	Permanently Employed Staff	Others	
	Total	Staff		
	£000's	£000's	£000's	£000's
Wages & salaries	422,346	409,313	13,033	420,725
Social security costs	35,176	35,176	-	33,577
Pension Costs	<u>72,702</u>	<u>72,702</u>	<u>-</u>	<u>73,941</u>
Total staff costs	530,224	517,191	13,033	528,243
Less recoveries in respect of outward secondments	<u>(719)</u>	<u>(719)</u>	<u>-</u>	<u>(1,272)</u>
Total net costs	<u>529,505</u>	<u>516,472</u>	<u>13,033</u>	<u>526,971</u>

Average numbers of persons employed:

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

	Total	2011-12 Permanent Staff	2011-12 Others	2010-11 Total Staff
Directly Employed	10,348	10,348	-	10,624
Other	501	-	501	703
Staff Engaged in Capital Projects	<u>4</u>	<u>-</u>	<u>4</u>	<u>5</u>
Total	<u>10,853</u>	<u>10,348</u>	<u>505</u>	<u>11,332</u>

For the 2011-12 year, the costs of the 4 agency staff engaged in capital projects have been capitalised.

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)

PRINCIPAL CIVIL SERVICE PENSION SCHEME (NI)

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

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

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

For 2011-12, employers' contributions of £11,771,495 were paid to the PCSPS (NI) (2010-11: £12,414,871) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

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

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

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

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

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 2012, employer’s contributions of £49,791,074 have been paid at the rate of 24.2% of pensionable pay. For 2010-11, employers’ contributions of £52,699,821 were paid to the PSNI PPS. In addition employers’ contributions totalling £1,798,502 have been paid for the year to 31 March 2012 in respect of early retirements (2010-11: £1,036,234). 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 $\frac{1}{60}^{\text{th}}$ of APP for each year of service up to 20 years, and $\frac{2}{60}^{\text{th}}$ for each year thereafter, up to a maximum of $\frac{40}{60}^{\text{th}}$ 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 2012 (previously Retail Prices Index). On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme.

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

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

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)

New Police Pension Scheme (NPPS)

For the period to 31 March 2012, employer's contributions of £12,430,262 have been paid at the rate of 24.2% of pensionable pay. For 2010-11, employers' contributions of £10,621,781 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 five times pensionable pay is payable, subject to scheme conditions. There is a two tier medical retirement pension for officers with over two years service. If an officer is permanently disabled for the ordinary duties of a member of PSNI a standard ill health pension is awarded. If an officer is disabled from the ordinary duties of a member of PSNI and permanently disabled for any regular employment an enhanced top-up ill health pension could be awarded.

EMPLOYER PENSION COSTS

Employer pension costs disclosed on page 52 (note 3) of £72,702k 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 2012
(CONTINUED)**

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

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other departures agreed	Total number of Exit Packages by cost band
< £10,000	3	2	5
£10,000 - £25,000	5	2	7
£25,000 - £50,000	0	2	2
£50,000 - £100,000	26	51	77
£100,000 - £150,000	192	24	216
£150,000 - £200,000	3	9	12
£200,000 - £250,000	0	6	6
£250,000 - £300,000	0	2	2
Total number of Exit Packages	229	98	327
Total Resource Cost (£)	24,762,322	11,126,010	35,888,332

The Compulsory Redundancies detailed for 2010-2011 (146) and 2011-2012 (229) are in respect of Full Time Reserve Police Officers who were paid an award under The Police Service of Northern Ireland Reserve (Full-time) Severance Regulations 2006. All Full Time Reserve Officers were required to leave by 31 December 2011.

The other departures detailed in 2010-2011 (335) and 2011-2012 (96) are in respect of Police Officers who were paid an award under The Police Service of Northern Ireland and Police Service of Northern Ireland Reserve (Full-time) (Severance) Regulations 2003 (2010-2011; 335 police officers, 2011-2012; 94 police officers) and Police Support Staff paid under the Approved Early Retirement Scheme (2010-2011; NIL, 2011-2012; 2 Police Support Staff). All staff leaving did so voluntarily and with the approval of The Police Service of Northern Ireland. There were 2 payments made to Civilian Support Staff in 2011-2012 following dismissal.

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

Reporting of Compensation and Exit Packages for all Staff 2010-11

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other departures agreed	Total number of Exit Packages by cost band
< £10,000	1	8	9
£10,000 - £25,000	2	0	2
£25,000 - £50,000	0	2	2
£50,000 - £100,000	21	214	235
£100,000 - £150,000	120	62	182
£150,000 - £200,000	2	36	38
£200,000 - £250,000	0	13	13
Total number of Exit Packages	146	335	481
Total Resource Cost (£)	15,595,872	35,799,215	51,395,087

Assumptions:

Exit costs are accounted for in year of departure.

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

Ill-health retirement costs are met by the pension scheme and not to be included in the above.

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

4. DEPRECIATION AND AMORTISATION

	2011-12	2010-11
	£000's	£000's
Depreciation and Amortisation	<u>30,701</u>	<u>30,916</u>

5. OTHER EXPENDITURES

	2011-12	Restated 2010-11
	£000's	£000's
General expenses	63,701	69,989
Accommodation services	43,743	47,255
IT & communications	40,255	52,230
Transport	16,469	15,877
Travel, subsistence & relocation	9,313	9,549
Charges for operating leases: property	972	634
Charges for operating leases: photocopiers	141	21
Hospitality	185	166
Audit fees	84	70
Reclassification of capital expenditure	-	-
Non cash items:		
Unwind of discount on provisions	27,967	18,557
Net Increase in Provisions	3,738	47,425
Residual costs of Assets Held for Sale	-	75
Total	<u>206,568</u>	<u>261,848</u>

6. INCOME FROM ACTIVITIES

	2011-12	2010-11
	£000's	£000's
Fees for firearms certificates, permits & accident reports	1,092	1,024
Profit/ (Loss) on Disposal of non-current assets	92	(11)
Police Transport	53	33
Other	<u>7,704</u>	<u>6,699</u>
Total	<u>8,941</u>	<u>7,745</u>

7. OTHER COMPREHENSIVE EXPENDITURE

	2011-12	2010-11
	£000's	£000's
Revaluation in Property Plant and Equipment	3,433	1,905
Downward/ (Upwards) revaluation in Intangibles	<u>(10)</u>	<u>3</u>
	<u>3,423</u>	<u>1,908</u>

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NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT:

2011-2012	Land	Buildings	IT and Comms	Plant and Equip	Vehicles and Aircraft	Assets in Course of Construction	Total
Cost or Valuation:	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2011	138,100	404,500	110,565	12,528	80,932	41,095	787,720
Additions	-	21,011	11,313	2,301	13,758	-	48,383
Disposals	-	-	(3,747)	(262)	(1,369)	-	(5,378)
Revaluation on Disposal	-	-	-	-	-	-	-
Assets Held for Sale	(1,890)	(65)	-	-	-	-	(1,955)
Transfers	-	(5,872)	2,101	317	(835)	3,975	(314)
Impairment	-	-	-	-	-	-	-
Revaluation below Historical Cost	(623)	(1,625)	(7)	(84)	(199)	-	(2,538)
Indexation	-	-	333	323	337	-	993
Write off from AICC	-	-	-	-	-	679	679
At 31 March 2012	<u>135,587</u>	<u>417,949</u>	<u>120,558</u>	<u>15,123</u>	<u>92,624</u>	<u>45,749</u>	<u>827,590</u>
Depreciation:							
At 1 April 2011	-	104,032	71,185	8,217	59,762	-	243,196
Charged in Year	-	12,057	11,643	642	3,378	-	27,720
Disposals	-	-	(3,724)	(244)	(1,346)	-	(5,314)
Assets Held for Sale	-	(60)	-	-	-	-	(60)
Revaluation below Historical Cost	-	-	197	126	(411)	-	(88)
Revaluation/ Indexation	-	909	129	38	22	-	1,098
Depreciation w/o	-	-	1,489	-	84	-	1,573
At 31 March 2012	<u>-</u>	<u>116,938</u>	<u>80,919</u>	<u>8,779</u>	<u>61,489</u>	<u>-</u>	<u>268,125</u>
Net Book Value							
At 31 March 2012	<u>135,587</u>	<u>301,011</u>	<u>39,639</u>	<u>6,344</u>	<u>31,135</u>	<u>45,749</u>	<u>559,465</u>
At 31 March 2011	<u>138,100</u>	<u>300,468</u>	<u>39,380</u>	<u>4,311</u>	<u>21,170</u>	<u>41,095</u>	<u>544,524</u>
Asset Financing:							
Owned	<u>135,587</u>	<u>301,011</u>	<u>39,639</u>	<u>6,344</u>	<u>31,135</u>	<u>45,749</u>	<u>559,465</u>
Net Book Value at 31 March 2012	<u>135,587</u>	<u>301,011</u>	<u>39,639</u>	<u>6,344</u>	<u>31,135</u>	<u>45,749</u>	<u>559,465</u>

Dwellings 11-12

Cost or Valuation	£000
At 1 April 2011	550
Depreciation	(10)
Disposals	-
Revaluation	(20)
At 31 March 2012	<u>520</u>

PSNI secured an independent and professional valuation from Land & Property Services for the Land and Property assets. Separate valuations were secured for the two helicopters in March 2012 from Euro-copter and Plant and Equipment were valued monthly using independent indices. Separate disclosure is included for Dwellings (under Land & Buildings).

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

8. PROPERTY, PLANT AND EQUIPMENT:

2010-2011	Land	Buildings	IT and Comms	Plant and Equip	Vehicles and Aircraft	Assets in Course of Construction	Total
Cost or Valuation:	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2010	144,068	406,201	102,892	11,022	67,161	41,451	772,795
Additions	-	3,475	1,792	988	5,770	30,232	42,257
Disposals	-	-	(5,365)	(61)	(941)	-	(6,367)
Revaluation on Disposal	-	-	-	-	-	-	-
Assets Held for Sale	(1,140)	(744)	-	-	-	-	(1,884)
Transfers	-	8,171	13,557	-	7,972	(29,700)	-
Transfer from IT to Software	-	-	-	-	-	(888) ¹	(888)
Impairment	-	-	-	-	-	-	-
Revaluation below Historical Cost	(4,828)	(12,603)	(1,561)	(4)	(491)	-	(19,487)
Indexation	-	-	310	589	1,116	-	2,015
Permanent Diminution	-	-	(1,060)	(6)	345	-	(721)
At 31 March 2011	<u>138,100</u>	<u>404,500</u>	<u>110,565</u>	<u>12,528</u>	<u>80,932</u>	<u>41,095</u>	<u>787,720</u>
Depreciation:							
At 1 April 2010	-	84,384	66,267	7,348	55,358	-	213,357
Charged in Year	-	11,395	9,951	528	4,339	-	26,213
Disposals	-	-	(4,825)	(51)	(920)	-	(5,796)
Assets Held for Sale	-	(678)	-	-	-	-	(678)
Revaluation below Historical Cost	-	-	(1,273)	(4)	(204)	-	(1,481)
Revaluation/ Indexation	-	8,931	226	396	1,031	-	10,584
Depreciation w/o	-	-	839	-	158	-	997
At 31 March 2011	<u>-</u>	<u>104,032</u>	<u>71,185</u>	<u>8,217</u>	<u>59,762</u>	<u>-</u>	<u>243,196</u>
Net Book Value							
At 31 March 2011	<u>138,100</u>	<u>300,468</u>	<u>39,380</u>	<u>4,311</u>	<u>21,170</u>	<u>41,095</u>	<u>544,524</u>
At 31 March 2010	<u>144,068</u>	<u>321,817</u>	<u>36,625</u>	<u>3,674</u>	<u>11,803</u>	<u>41,451</u>	<u>559,438</u>
Asset Financing:							
Owned	<u>138,100</u>	<u>300,468</u>	<u>39,380</u>	<u>4,311</u>	<u>21,170</u>	<u>41,095</u>	<u>544,524</u>
Net Book Value at 31 March 2011	<u>138,100</u>	<u>300,468</u>	<u>39,380</u>	<u>4,311</u>	<u>21,170</u>	<u>41,095</u>	<u>544,524</u>

Dwellings 10-11

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

¹ The classification of transfers to software licences has been restated as this was under Assets in the course of construction in the 2010-11 Financial Statements.

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

9. INTANGIBLE ASSETS:

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

	2010-11
	£000's
Cost:	
At 1 April 2010	13,239
Additions	2,822
Disposals	(89)
Revaluation	(607)
Devaluation	(3)
Transfers	888
	<u>16,250</u>
Amortisation:	
At 1 April 2010	9,912
Charged in year	3,670
Disposals	(89)
Write Backs	38
Revaluation below Historical Cost	(505)
	<u>13,026</u>
Net Book Value as at 31 March 2011	<u>3,224</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 2012 (CONTINUED)

10. FINANCIAL IMPAIRMENTS

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

11. ASSETS HELD FOR SALE

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

Assets Classified as Held for sale:	Land and buildings	
	£000's 2011-12	£000's 2010-11
Opening Balance 1 April	3,075	3,821
Disposals	(1,380)	(2,076)
Proceeds in Excess of valuation	-	528
Transferred from Land and Buildings	765	550
Decommissioning Costs	-	780
Revaluation Adjustment	<u>-</u>	<u>(528)</u>
Closing Balance 31 March	<u>2,460</u>	<u>3,075</u>

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

As at 31 March 2012			
	£000's		£000's
Keady	70	Carryduff	150
Belcoo	110	Crumlin	100
Bellaghy	385	Oldpark	100
Newtownbutler	200	Rathfriland	65
Newtownstewart	400	Prince William Road Lisburn	200
Pomeroy	180	Land Rear Craigavon	500
		Total	2,460
As at 31 March 2011			
Keady	70	Markethill	90
Gilford	100	Newtownbutler	200
Belcoo	110	Newtownstewart	400
Bellaghy	385	Pomeroy	180
Belleek	130	Portstewart	110
Claudy	180	Templepatrick	140
Coagh	120	Kells	100
Donemana	110	Mountpottinger	100
Fivemiletown	110	Carryduff	150
Greyabbey	90	Crumlin	100
		Oldpark	100
		Total	3,075

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(CONTINUED)

	2011-12	2010-11	1 April 2010
	£000's	£000's	£000's
12. INVENTORIES			
General stores	3,048	2,645	2,122
Transport Services stores	930	1,379	1,306
Heating oil	891	638	574
Petrol and diesel	<u>761</u>	<u>691</u>	<u>633</u>
Total	<u>5,630</u>	<u>5,353</u>	<u>4,635</u>

	2011-12	2010-11	1 April 2010
	£000's	£000's	£000's
13. (A) TRADE AND OTHER RECEIVABLES			
Prepayments and accrued income	4,790	3,455	2,261
Trade receivables	1,372	1,305	2,331
Advance Severance Payments for Leavers	-	11,427	5,571
Pension & Commutation Pending Payment for Leavers	6,502	18,935	14,647
Receivables due from HMRC	7,781	8,798	9,032
Other receivables	<u>2,503</u>	<u>3,214</u>	<u>1,580</u>
Total	<u>22,948</u>	<u>47,134</u>	<u>35,422</u>

	2011-12	2010-11	1 April 2010
	£000's	£000's	£000's
13. (B) INTRA GOVERNMENT RECEIVABLE BALANCES			
Amounts falling due within 1 year:			
Balances with DOJ Core, its agencies & NDPBs	2,022	33,772	21,461
Balances with other central government bodies	15,202	9,027	10,521
Balances with local authorities	14	24	213
Balances with NHS Trusts and Public Bodies	151	3	-
Balances with bodies external to government	<u>5,559</u>	<u>4,308</u>	<u>3,227</u>
Total	<u>22,948</u>	<u>47,134</u>	<u>35,422</u>

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

	2011-12	2010-11
14. CASH AND CASH EQUIVALENTS		
	£000's	£000's
Balance at 1 April	47,280	19,570
Changes in cash and cash equivalent balances	(44,410)	27,710
Balance at 31 March	<u>2,870</u>	<u>47,280</u>

All cash held in commercial bank accounts.

	2011-12	2010-11	1 April 2010
15. (A) TRADE AND OTHER PAYABLES	£000's	£000's	£000's
Trade payables	9,047	29,498	14,258
Trade accruals	48,963	49,378	35,072
Taxation & social security	12,564	14,327	13,434
Payroll accrual	11,738	12,160	13,162
Advance Severance Payments for Leavers	13	-	-
Other payables	<u>13,088</u>	<u>13,667</u>	<u>18,090</u>
Total	<u>95,413</u>	<u>119,030</u>	<u>94,016</u>

	2011-12	2010-11	1-April 2010
15. (B) INTRA GOVERNMENT CREDITOR BALANCES	£000's	£000's	£000's
Amounts falling due within 1 year:			
Balances with DOJ Core, its agencies & NDPBs	1,324	2,530	2,922
Balances with other central government bodies	15,228	16,665	18,558
Balances with local authorities	1,783	1,440	854
Balances with NHS Trusts and Public Bodies	273	-	-
Balances with bodies external to government	<u>76,805</u>	<u>98,395</u>	<u>71,682</u>
Total	<u>95,413</u>	<u>119,030</u>	<u>94,016</u>

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

16a. PROVISIONS FOR LIABILITIES AND CHARGES:

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

PROVISIONS FOR LIABILITIES AND CHARGES:

	Voluntary and FTR Severance	Compensation/ Hearing Loss	Restated Injury Awards	Uniform Stock	Equal Pay	Buildings Decommissioning Costs	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2010	84,130	104,971	425,097	290	36,183	-	650,671
Utilised in Year	(62,243)	(25,102)	(18,630)	(107)	(5,169)	-	(111,251)
Provision not utilised	-	(2,009)	-	-	(5,706)	-	(7,715)
Cost of Borrowing	-	3,674	17,730	3	-	-	21,407
Actuarial Loss	-	-	1,750	-	-	-	1,750
Increase in Provision	<u>11,100</u>	<u>76,332</u>	<u>(37,730)</u>	<u>7</u>	<u>1,269</u>	<u>1,312</u>	<u>52,290</u>
At 31 March 2011	<u>32,987</u>	<u>157,866</u>	<u>388,217</u>	<u>193</u>	<u>26,577</u>	<u>1,312</u>	<u>607,152</u>

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

**16b. ANALYSIS OF EXPECTED TIMING OF DISCOUNTED
FLOWS:**

	Voluntary and FTR Severance	Compensation/ Hearing Loss	Injury Awards	Uniform Stock	Equal Pay	Buildings Decommissioning Costs	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Not Later than one year	2,807	50,042	19,000	168	26,577	750	99,344
Later than one year and not later than five years	711	60,102	70,000	-	-	-	130,813
Later than five years	<u>-</u>	<u>-</u>	<u>367,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,516</u>
	<u>3,518</u>	<u>110,144</u>	<u>456,516</u>	<u>168</u>	<u>26,577</u>	<u>750</u>	<u>597,673</u>

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

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

Voluntary Severance Programme

The Secretary of State for Northern Ireland established a Voluntary Severance Scheme for PSNI Regular and FTR Officers in July 2000. 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. 230 officers left the Service during the year.

Equal Pay

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

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

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

Compensation Claims

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

	Injury Claims	Damage Claims	Legal	Hearing Loss - Injury	Hearing Loss - Legal	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2011	22,648	334	16,729	57,006	61,151	157,867
Utilised in Year	(2,613)	(231)	(2,381)	(17,591)	(15,716)	(38,532)
Provision not utilised	(525)	-	-	(7,698)	(11,412)	(19,635)
Borrowing Costs	767	12	561	1,996	2,141	5,477
Increase in Provision	<u>2,145</u>	<u>2,213</u>	<u>2,159</u>	<u>2,850</u>	<u>(4,400)</u>	<u>4,967</u>
At 31 March 2012	<u>22,422</u>	<u>2,328</u>	<u>17,068</u>	<u>36,563</u>	<u>31,763</u>	<u>110,144</u>

At 31 March 2012, there were 3,092 'live' injury or wrongful acts claims and 740 'live' damage to property claims. Associated legal fees are also provided for.

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

Injury Awards

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 2012, and the current Injury on Duty (IOD) provision reflects this position. The provision has been restated due to a change in accounting policy, Injury awards are now 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 2012 £000's	Value at 31 March 2011 £000's	Value at 1 April 2011 £000's
Liability in respect of			
Active Members	107,030	96,420	124,850
Pensions in payment (injury awards)	349,486	291,797	300,247
Total liability	456,516	388,217	425,097

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

Liabilities for Injury awards are valued on an actuarial basis using the Projected Unit Credit Method.

Uniform Contract

PSNI entered into a managed service contract for the ordering, supply, handling and accounting of uniform related items. The contractor purchased the total amount of uniforms held by PSNI during the financial year. However as part of the contract, PSNI has agreed to purchase any uniforms in possession of the contractor at the end of the contract in 2013. It has been estimated, based on usage levels of the uniforms transferred, that £168k of uniforms initially transferred may not be issued by the end of the contract, and therefore this amount has been provided for in full.

Decommissioning Costs – Assets Held for Sale

PSNI makes provision for the estimated decommissioning costs associated with Assets Held for Sale. This provision will be utilised on disposal of these assets.

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)**

17. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2012 not otherwise included in these financial statements.

	2011-12	2010-11
	£000's	£000's
Property Plant & Equipment	24,081	24,937
Intangible Assets	<u>2,751</u>	<u>2,747</u>
Total	<u>26,832</u>	<u>27,684</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:

	2011-12	2010-2011
	£000's	£000's
Land:		
Not later than one year	140	823
Later than one year and not later than five	234	1,046
Later than five years	<u>20</u>	<u>1,721</u>
Total	<u>394</u>	<u>3,590</u>

Buildings:

Not later than one year	390	232
Later than one year and not later than five	731	307
Later than five years	<u>153</u>	<u>481</u>
Total	<u>1,274</u>	<u>1,020</u>

Other:

Not later than one year	48	147
Later than one year and not later than five	46	39
Later than five years	<u>-</u>	<u>2</u>
Total	<u>94</u>	<u>188</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)

19. COMMITMENTS UNDER PRIVATE FINANCING INITIATIVES (PFI) CONTRACTS

The PSNI has no commitments to report under PFI contracts for the financial year 2011-12.

20. OTHER FINANCIAL COMMITMENTS

The PSNI has no other material financial commitments to report for financial year 2011-12. 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 2012. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. As such, it is exposed to little liquidity, currency or market risks.

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

22. CONTINGENT LIABILITIES (disclosed under IAS 37)

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

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012 (CONTINUED)

provide a reliable estimate of any potential liability. It should be noted that £2 million has been included in provision to cover the costs of the original action and subsequent appeal.

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 2012 are reflected in the compensation provision (note 16). Claims have also been received from members/ex-members of the Northern Ireland Prison Service who received firearms training from the RUC/PSNI. However, the number of claims likely to be received in the future is uncertain and cannot be reliably estimated. Each case will be considered on its merits and any settlement based on the severity of hearing loss.

Part Time Reserve Equal Treatment

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

Due to the unusual nature of the 3 sets of claims outlined above, it is still not possible to identify from previous statistics, a scientific assessment of the likely settlement rates or an average figure for settlement of each case.

23. LOSSES AND SPECIAL PAYMENTS

Losses & Special Payments

<u>Type</u>	Description	No of Cases	£000's
Overpayments		5	10
Stores		2,124	343
Claims waived or Abandoned		482	368
Special Payments	Compensation	2,657	20,458
Fruitless Payments & Constructive Losses		<u>551</u>	<u>48</u>
Total		<u>5,819</u>	<u>21,627</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012 (CONTINUED)

During 2011-12, compensation payments were made in relation to 2,657 cases, the total amount paid in these cases was £20,858k. Four payments exceeded £250k. A compensation payment was made for £425k in January 2012. The plaintiff, the widow of a deceased officer, claimed damages and loss of dependency following the death of her husband in a road traffic collision. A payment of £360k was made in April 2011. The Plaintiffs husband was killed in a fatal road traffic accident.

A payment of £300k was made in March 2012. The plaintiff had been the driver of a police landrover in the middle of a serious public order incident. A payment of £300k was made in May 2011. The plaintiff was a passenger in a police vehicle that was involved in road traffic accident. Appropriate authorisation for payment was granted by the Northern Ireland Policing Board, Department of Justice and Department of Finance and Personnel prior to awarding this plaintiff the damages.

24. RELATED-PARTY TRANSACTIONS

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

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

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

25. THIRD-PARTY TRANSACTIONS

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

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

	2010-11	Gross Inflows	Gross Outflows	2011-12
	£000's	£000's	£000's	£000's
Bank Balances and Monetary				
Sealed Packages Held:	<u>3,746</u>	<u>394</u>	<u>(191)</u>	<u>3,949</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2012
(CONTINUED)

26. EVENTS OCCURING AFTER THE REPORTING PERIOD

There is one event to report after the reporting period. This is the legal settlement secured in relation to the FTR equal treatment case. An additional provision has now been recognised and included in note 16 and in the Statement of Financial Position.

The Annual Report and Accounts were authorised by the Chief Constable to be issued on 04 July 2012.



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