

POLICE FEDERATION FOR NORTHERN IRELAND

**Police Act (Northern Ireland) 1970
Statutory Regulations 1991**

VOLUNTARY FUND

Treasurer's Report

and

Financial Statements

For the Year Ended

31st December 2018

**GEORGE HAY & COMPANY
CHARTERED ACCOUNTANTS
STATUTORY AUDITORS
83 CAMBRIDGE STREET
PIMLICO
LONDON SW1V 4PS**

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

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**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Information

| | |
|--|---|
| FEDERATION OFFICE | Federation Office, 77-79 Garnerville Road, Belfast. BT4 2NX |
| CHAIRMAN | M. Lindsay |
| SECRETARY | L. Kelly |
| ASSISTANT SECRETARY | G Jenkins |
| TREASURER | D. Walsh |
| BUSINESS, FINANCE, PAY AND PENSIONS COMMITTEE | No. 1 Board D. O'Rourke No. 2 Board G. Dodds No. 3 Board T. McKendry No. 4 Board S. Love No. 5 Board G. Jenkins |
| TRUSTEES | D. Sands T. Arnold P. Downie |
| BANKERS | Danske Bank, Belfast Finance Centre, P.O. Box 183 Donegall Square West Belfast. BT1 6JS |
| SOLICITORS | Edwards & Co., 28 Hill Street, Belfast. BT1 2LA Croasdailes LLP, 23 New Row, Coleraine, Londonderry. BT52 1AD |
| AUDITORS | George Hay & Company, Chartered Accountants, Statutory Auditors, 83 Cambridge Street, Pimlico, London. SW1V 4PS |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Treasurer's Report for 2018

I present to the members of the Police Federation for Northern Ireland my Treasurer's Report together with the annual Financial Statements of the Voluntary Fund for the year ended 31st December 2018.

Statement of Financial Position

The Financial Statements are presented in accordance with Financial Reporting Standard (FRS 102), which requires investments to be measured at market value and for deferred tax to be provided against the uplift from historic cost to market value of the investment portfolio (unrealised capital gains).

In 2018 the Fund's net assets have decreased by £1,945,536 to £6,013,406, due to a deficit for the year on the main Fund after tax of £1,904,298 and a deficit on the Lottery Fund of £41,238. Due to activities by our stock brokers in the year and movements in the stock markets, the amount at which our investments are included in the Financial Statements (at market value), has decreased in the year by £260,293 to £3,608,491. However, it is important to note that the market value of our investments at the year-end was, despite a global downturn in 2018, still circa £1million in excess of their initial cost.

Included within Current Liabilities - Accrued Expenses is a provision of £1,102,483 (2017 - £416,558) in respect of legal costs incurred but unpaid in respect of ongoing legal cases, some of which maybe recovered at a later date depending on the outcome of the cases.

Statement of Income and Retained Earnings

I can report this year that there is a deficit of subscription income over expenditure of £1,786,903 (2017 – £922,534). Investment and other income received in the period amounted to £106,063 (2017 - £135,976). Included within other income last year was the sum of £21,283 in respect of a surplus on the Members' Benefits and Critical Illness Schemes, which was donated to the Voluntary Fund – no such donation was forthcoming this year.

Our stockbrokers disposed of a number of our investments in the period resulting in a surplus on disposal of investments of £19,531 (2017 - £114,702). Under financial reporting requirements, any movement in the value of investments is reported in the Statement of Income and Retained Earnings as Unrealised Gains or Losses on Investments and in this period, due to the downturn in global markets in 2018, there is an unrealised loss over the year of £346,982 (2017 – uplift of £269,124).

As in previous years legal expenses continue to form a significant proportion of our costs and have been increasing year on year in recent accounting periods. Legal costs this year amount to £1,685,460 compared to 1,346,553 last year and £620,741 in 2016. The uplift this year is primarily due to increased costs in respect of disciplinary cases & one particular special case where costs have exceeded £500,000. In addition there are the significant legal costs of the ongoing holiday pay claim and the ARC Legal Assistance scheme is in its second year. A breakdown of legal costs appears on page 7 of the Financial Statements.

Administrative expenses (excluding legal fees) of the Fund have increased this year to £1,463,538, compared to £1,057,573 in 2017. Major cost uplifts arose from our continued funding of the media and well-being projects (up £146,016 this year to £324,974), the introduction of the gadget cover insurance (£67,200), an increase in office salary and pension costs (primarily due to a reduced recovery of costs from the Credit Union) and an uplift in professional fees this year, which are variable depending on the ongoing requirements of the Fund. Other major costs arise from our continued investment in computing including the disaster recovery plan. In addition, due to budget constraints, the PSNI has not been able to pay over reimbursable costs of £90,000 that had been provided for in earlier years, and have also reduced the annual amount of reimbursement to £36,000 this year, resulting in an adjustment of £54,000 to Administrative Expenses this year.

The Fund is liable to Corporation Tax on the excess of investment income received and chargeable gains over provident payments. This year, provident payments and tax deducted at source on investment income are projected to cover our tax liability and a small tax repayment was received in the year. Under the requirements of FRS102, a deferred tax adjustment is required and this year, due to the fall in the market value of our investment portfolio, the provision has reduced by £103,852 compared to an uplift of £45,000 in 2017. Deferred tax is an accounting provision, which is required to recognise the potential tax effect of the excess in market value of the investment portfolio over its initial cost and any potential tax liability only becomes payable in the event of the disposal of an investment.

A detailed comparison of the main areas of expenditure appears on page 8 of the Financial Statements with a further breakdown, in chart form on page 10.

Lottery Fund

I am pleased to report that donations have been made from the fund this year of £78,975 (2017 - £85,570). There was a deficit for the year of £41,238 (2017 - £33,427) and at the year-end the Lottery Fund holds a total of £381,222 in the capital project account.

The Future

Downsizing continues to put a burden on our finances and Police Officer numbers continue to fall. It will be necessary to continue to examine and control all areas of expenditure. However, I will propose at conference a freeze on subscription rates again this year.

Finally, I should like to extend thanks to our Federation staff for their assistance during the year, to the other permanent officials, to our auditors: George Hay & Company, to our solicitors: Edwards & Co. and Croasdailes LLP, and to our stockbrokers: Close Private Asset Management Limited and Campbell Financial Management, for their continued support.

..... D Walsh

Treasurer

29th April 2019

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
THE POLICE FEDERATION FOR NORTHERN IRELAND VOLUNTARY FUND**

Opinion

We have audited the financial statements of the Police Federation for Northern Ireland Voluntary Fund (the Fund) for the year ended 31st December 2018, which comprise the Statement of Financial Position, the Statement of Income and Retained Earnings and the related notes. These financial statements have been prepared under the requirements of the Police Federation Regulations and Fund Rules and adopting the measurement principles of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- fairly reflect the state of the Funds' affairs as at 31st December 2018 and of its results for the year then ended;
- have been properly prepared in accordance with the measurement principles of United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Police Federation Regulations and Fund Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Business, Finance, Pay and Pensions Committee Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Business, Finance, Pay and Pensions Committee Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Matters on which we are required to Report by Exception

In the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, we have not identified material misstatements in the Treasurer's Report.

Responsibilities of the Business, Finance, Pay and Pensions Committee Members

The Business, Finance, Pay and Pensions Committee Members are responsible for the preparation of the financial statements and for being satisfied that they fairly reflect the state of the Funds' affairs, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Business, Finance, Pay and Pensions Committee Members are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Business, Finance, Pay and Pensions Committee Members either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Our Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' report.

Use of our report

This report is made solely to the Fund's members, as a body. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Statement of Financial Position as at 31st December 2018

| | Notes | 2018 £ | 2017 £ |
|--------------------------------|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Land and Buildings | 2 | 483,214 | 491,008 |
| Office Equipment | 2 | 8,030 | 10,038 |
| Computer Equipment | 2 | 23,798 | 35,697 |
| Hume Collection | 2 | 7,075 | 7,075 |
| | | <u>522,117</u> | <u>543,818</u> |
| CURRENT ASSETS | | | |
| Investments | 3 | 3,608,491 | 3,868,784 |
| Debtors | | 424,137 | 408,810 |
| Cash at Bank | | 2,753,629 | 3,910,039 |
| Deposit held with Stockbrokers | | 87,841 | 96,834 |
| | | <u>6,874,098</u> | <u>8,284,467</u> |
| CURRENT LIABILITIES | | | |
| Accrued Expenses | | 1,211,263 | 593,945 |
| Corporation Tax | | - | - |
| Deferred Tax Provision | | 171,546 | 275,398 |
| | | <u>1,382,809</u> | <u>869,343</u> |
| NET CURRENT ASSETS | | <u>5,491,289</u> | <u>7,415,124</u> |
| NET ASSETS | | <u>6,013,406</u> | <u>7,958,942</u> |
| REPRESENTED BY | | | |
| Accumulated Fund | 6 | 5,632,184 | 7,536,482 |
| Lottery Fund | 7 | 381,222 | 422,460 |
| | | <u>6,013,406</u> | <u>7,958,942</u> |

Approved by the Business, Finance, Pay and Pensions Committee on 29th April 2019
and signed on its behalf by:

..... Chairman
M. Lindsay

..... Treasurer
D Walsh

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Statement of Income and Retained Earnings
For the Year Ended 31st December 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|---------------------------|-------------------------|
| INCOME | | | |
| Members' Contributions | | <u>1,490,928</u> | <u>1,515,205</u> |
| LESS: EXPENDITURE | | | |
| Premises | 8 | (74,833) | (78,613) |
| Administrative | 9 | <u>(3,202,998)</u> | <u>(2,359,126)</u> |
| TOTAL EXPENDITURE | | <u>(3,277,831)</u> | <u>(2,437,739)</u> |
| (DEFICIT) OVER MEMBERS' CONTRIBUTIONS | | (1,786,903) | (922,534) |
| Interest and Dividends Receivable | | 106,063 | 114,564 |
| Other Income | | - | 21,412 |
| (DEFICIT) BEFORE CAPITAL PROFITS | | <u>(1,680,840)</u> | <u>(786,558)</u> |
| CAPITAL PROFITS | | | |
| Surplus on Disposal of Investments | | 19,531 | 114,702 |
| Unrealised (Losses) / Gains on Investments | | <u>(346,982)</u> | <u>269,124</u> |
| | | (2,008,291) | (402,732) |
| TAXATION | 4 | 141 | 1,030 |
| DEFERRED TAX | 4 | <u>103,852</u> | <u>(45,000)</u> |
| (DEFICIT) FOR THE YEAR | | <u><u>(1,904,298)</u></u> | <u><u>(446,702)</u></u> |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2018

1. ACCOUNTING POLICIES

1.1 Basis of Preparing the Financial Statements

The Financial Statements have been prepared under the requirements of the Police Federation Rules and adopting the measurement principles of Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

1.2 Accounting Convention

The Financial Statements have been prepared under the historical cost convention except for investments which are stated at market value.

1.3 Depreciation

Depreciation has been calculated at rates required to write off the relevant assets over their anticipated useful lives. The following rates and methods have been used:

| | |
|--------------------------|------------------------------|
| Office Equipment | 20% on written down value |
| Computer Equipment | 20% on cost |
| Leasehold Land | over the period of the lease |
| Buildings at Garnerville | over the period of the lease |
| Hume Collection | nil |

1.4 Investments

Investments are included in the Financial Statements at market value.

1.5 Taxation

The Fund is liable to Corporation Tax on the excess of its non-contribution income, chargeable gains and investment income over provident benefit payments.

1.6 Expenditure

Expenditure is shown inclusive of Value Added Tax.

1.7 Pensions

Pension contributions are charged to the statement of income and retained earnings as incurred. These contributions are paid into money purchase schemes.

1.8 Deferred Tax

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

2. FIXED ASSETS

| | Land and Buildings Long Leaseholds | Office Equipment | Computer Equipment |
|------------------------------|---------------------------------------|---------------------|-----------------------|
| Cost: | £ | £ | £ |
| At 1st January 2018 | 582,585 | 21,442 | 308,726 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31st December 2018 | 582,585 | 21,442 | 308,726 |
| Depreciation: | | | |
| At 1st January 2018 | 91,577 | 11,404 | 273,029 |
| Charge for Year | 7,794 | 2,008 | 11,899 |
| Disposals | - | - | - |
| At 31st December 2018 | 99,371 | 13,412 | 284,928 |
| Net Book Value: | | | |
| At 31st December 2018 | 483,214 | 8,030 | 23,798 |
| At 31st December 2017 | 491,008 | 10,038 | 35,697 |

The Hume collection of police badges, purchased from Mr. Hume for £7,075, is on permanent display at the Federation offices.

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2018

3. INVESTMENTS

| | 2018 | | 2017 | |
|-------------------------|-----------|----------------------|-----------|----------------------|
| | Cost £ | Market Value £ | Cost £ | Market Value £ |
| Value at 1st January | 2,512,288 | 3,868,784 | 2,682,646 | 3,785,885 |
| Additions | 156,978 | 156,978 | 151,918 | 151,918 |
| Disposals | (70,289) | (70,289) | (338,143) | (338,143) |
| Impairment Adjustment | 419 | - | 15,867 | - |
| Market Value Adjustment | - | (346,982) | - | 269,124 |
| | ----- | ----- | ----- | ----- |
| Value at 31st December | 2,599,396 | 3,608,491 | 2,512,288 | 3,868,784 |
| | ===== | ===== | ===== | ===== |

The Voluntary Fund's investments consist of the following:

| | 2018 | | 2017 | |
|-------------------------|-----------|----------------------|-----------|----------------------|
| | Cost £ | Market Value £ | Cost £ | Market Value £ |
| Fixed Interest Funds | 452,530 | 567,355 | 452,530 | 573,945 |
| UK Equities | 676,297 | 1,050,320 | 675,527 | 1,230,205 |
| UK Unit Trusts | 730,586 | 741,280 | 707,019 | 789,714 |
| USA Equities | 165,725 | 312,702 | 100,321 | 238,593 |
| Japanese Equities | 106,933 | 208,142 | 106,710 | 242,768 |
| European Equities | 136,391 | 199,911 | 134,653 | 222,481 |
| Other Overseas Equities | 330,934 | 528,781 | 338,190 | 570,680 |
| Hedge Funds | - | - | (2,662) | 398 |
| | ----- | ----- | ----- | ----- |
| | 2,599,396 | 3,608,491 | 2,512,288 | 3,868,784 |
| | ===== | ===== | ===== | ===== |

4. TAXATION

Corporation tax is payable on the excess of interest received and chargeable gains over the amount paid out in death grants and other provident payments. A deferred tax liability is provided against unrealised capital gains on investments.

5. MEMBERS LEGAL EXPENSES

The charge in the financial statements represents expenses incurred less amounts recovered in the year.

| | 2018 £ | 2017 £ |
|----------------------|-----------|-----------|
| General | 579,884 | 416,192 |
| Pensions | 7,063 | 33,711 |
| Injury Claims | 179,668 | 201,479 |
| Road Traffic | 3,680 | 9,091 |
| Assault | 23,962 | 9,889 |
| Discipline | 343,515 | 128,659 |
| Holiday Pay | 388,568 | 416,744 |
| ARC Legal Assistance | 159,120 | 130,788 |
| | ----- | ----- |
| | 1,685,460 | 1,346,553 |
| | ===== | ===== |

6. ACCUMULATED FUND

| | 2018 £ | 2017 £ |
|---|-------------|-----------|
| Accumulated Surplus at 1st January 2018 | 7,536,482 | 7,983,184 |
| (Deficit) for the Year | (1,904,298) | (446,702) |
| | ----- | ----- |
| Accumulated Surplus at 31st December 2018 | 5,632,184 | 7,536,482 |
| | ===== | ===== |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2018

7. LOTTERY FUND

A lottery commenced on 1st January 1991 with the intention of promoting the aims and objectives of the Federation Country Club and was closed on 30th November 1996. A new lottery fund began in December 1996 and its net income, after payment of prizes, is shown below:

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Surplus on Lotteries | 84,267 | 83,747 |
| Interest Received | 2,177 | 1,382 |
| Expenses | (48,707) | (32,986) |
| Donations | (78,975) | (85,570) |
| | ----- | ----- |
| (Deficit) for the year | (41,238) | (33,427) |
| Surplus brought forward at 1st January 2018 | 422,460 | 455,887 |
| | ----- | ----- |
| Surplus carried forward at 31st December 2018 | 381,222 | 422,460 |
| | ===== | ===== |

8. PREMISES EXPENSES

| | 2018 £ | 2017 £ |
|------------------------------------|-----------|-----------|
| Depreciation of Land and Buildings | 7,794 | 7,794 |
| Heat and Light | 19,467 | 16,002 |
| Insurance | 5,658 | 4,944 |
| Rates | 33,074 | 32,518 |
| Repairs to Property | 8,840 | 17,355 |
| | ----- | ----- |
| | 74,833 | 78,613 |
| | ===== | ===== |

9. ADMINISTRATIVE EXPENSES

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Annual Conference | 50,889 | 28,231 |
| Audit Fee | 9,450 | 9,200 |
| Computer & Website Expenses | 175,076 | 169,188 |
| Contribution towards Federation Officers' Salaries | 61,185 | 43,588 |
| Death Grants, Wreaths and Advertisements | 7,297 | 6,774 |
| Depreciation - Office Equipment | 13,907 | 17,801 |
| Eurocop | 12,242 | 12,016 |
| Gadget Cover | 67,200 | - |
| Insurance | 13,989 | 11,765 |
| Meetings | 61,776 | 65,992 |
| Members' Legal Expenses (note 5) | 1,685,460 | 1,346,553 |
| Office Salaries and Pension Contributions | 354,516 | 271,086 |
| Presentations | 7,457 | 11,178 |
| Printing, Postage, Stationery and Telephone | 38,534 | 30,395 |
| Professional Fees | 135,027 | 64,162 |
| Project costs | 324,974 | 178,958 |
| Public Relations | 56,103 | 56,182 |
| Publications | 20,041 | 19,254 |
| Regional Grants | 6,937 | 4,700 |
| Repairs and Maintenance | 22,062 | 18,268 |
| Sundry Expenses | 21,101 | 28,956 |
| Uniforms | 3,775 | 9,879 |
| | ----- | ----- |
| Refund of Expenses to/(from) the Police Service of Northern Ireland | 54,000 | (45,000) |
| | ----- | ----- |
| | 3,202,998 | 2,359,126 |
| | ===== | ===== |

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2018

10. STATEMENT OF RESPONSIBILITIES

The Business, Finance, Pay and Pensions Committee is responsible for keeping financial statements showing all monies received and paid out and for causing the financial statements for each year to be audited by an independent auditor. In causing the financial statements to be prepared, the Business, Finance, Pay and Pensions Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Fund will continue to operate.

The Business, Finance, Pay and Pensions Committee is responsible for keeping proper accounting records and is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

11. CONTINGENT LIABILITIES

There are a number of legal cases pending, which could result in charges to the Fund. It is impossible at this stage to assess the outcome of these cases and therefore the potential charge cannot be quantified.