

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 2021

**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
VICE CHAIRMAN	T. Purcell
SECRETARY	L. Kelly
ASSISTANT SECRETARY	G. Jenkins
TREASURER	D. Walsh
BUSINESS, FINANCE, PAY AND PENSIONS COMMITTEE	No. 1 Board J. Johnston No. 2 Board D. McNarry No. 3 Board T. McKendry No. 4 Board J. Perry No. 5 Board A. Stevenson
TRUSTEES	M. Moore C. Shaw
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 2021

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 2021.

Statement of Financial Position

In 2021 the Fund's net assets have decreased by £117,015 to £5,998,419, due to a deficit for the year on the main Fund after tax of £205,057 and a surplus on the Lottery Fund of £88,042. Due to activities by our stockbrokers 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 increased in the year by £301,640 to £4,963,860. The market value of our investments at the year-end was £1.96 million in excess of their initial cost.

Included within Current Liabilities (Accrued Expenses) is a provision of £947,158 (2020 - £628,825) in respect of unpaid legal costs 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 £503,222 (2020 - surplus of £65,876). Investment and other income received in the period amounted to £79,043 (2020 - £84,378).

Due to a change in one of our stockbrokers and active management disposals of our investments increased in the period leading to a surplus on disposal of investments of £417,273 (2020 - deficit of £23,637). 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, there is an unrealised loss in the year of £100,088 (2020 - gain of £502,706).

As in previous years legal expenses continue to form a significant proportion of our costs. This year legal costs amounted to £1,219,690 compared to £547,491 last year and £946,994 in 2019. The increase this year is primarily due to delayed legal and discipline cases now progressing as COVID restrictions were eased. Legal fees represent 69% of members' contributions; last year this figure was 34% and in 2019 it was 62%. This continued level of legal fees has resulted in a depletion of funds held by the Federation in recent years. A breakdown of legal costs can be found on page 9 of the Financial Statements.

Administrative expenses (excluding legal fees) of the Fund have increased this year to £989,981, compared to £918,543 in 2020. Major cost increases arose from increased computer costs (related to new servers/Cloud computing) by £91,876, offset by the end of the provision of gadget cover and a fall in project costs. However, other costs increased as COVID restrictions have eased. The PSNI agreed to an annual reimbursement of costs of £45,000 in 2020 & 2021.

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 financial reporting requirements, a deferred tax provision is included and this year, due to the increased corporation tax rate of 25% from 1 April 2023, the provision has increased by £98,826 to £491,012.

A detailed comparison of the main areas of expenditure appears on page 10 of the Financial Statements with a further breakdown, in chart form on page 12.

Lottery Fund

I am pleased to report that, despite restricted activity due to Covid-19, donations have been made from the fund this year of £23,727 (2020 - £26,571) offset by a refund of previous grants made to the Voluntary Fund of £56,072. Overall, there was a surplus on the Lottery Fund for the year of £88,042 (2020 - £22,199) and at the year-end the Fund holds a total of £448,761 in the capital project account.

POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND

Treasurer's Report for 2021 (continued)

The Future

High levels of legal costs continue to put a huge burden on our finances. We continue to examine and control all areas of expenditure with a particular focus in relation to legal costs. Conference in 2020 agreed a proposal for an increase in Voluntary Fund contributions of 10% in November 2021 (to £23.70 per month) and future rises index linked going forward. The need for these increases is further highlighted with the increased costs seen in 2021 and payment of long running legal cases due in early 2022.

Budgetary pressures faced by PSNI in 2022 could see a significant reduction in officer numbers during 2022 and beyond. As such, consideration must be given to the reduction in member numbers going forward and the subsequent impact on our funds. As a result, I will submit a revised proposal to Conference conscious of the financial pressures outlined above.

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



..... D Walsh, Treasurer

10th May 2022

**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 2021, which comprise the Statement of Financial Position, the Statement of Income and Retained Earnings and the notes to the financial statements. The financial reporting framework that has been applied in their preparation are the Police Federation Regulations and Fund Rules and United Kingdom Accounting Standards, including 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 2021 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

In auditing the financial statements, we have concluded that the Business, Finance, Pay and Pensions Committee Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Business, Finance, Pay and Pensions Committee Members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

As explained more fully in the Statement of Committee Members' Responsibilities set out on page 10 the members of the Business, Finance, Pay and Pensions Committee 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.

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

Auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are detailed below.

Based on our understanding of the Scheme's operations, we identified that the principal risks of non-compliance with laws and regulations related to expenditure being made in accordance with the Police Federation Regulations and Fund Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as income tax, payroll tax and deferred tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined there were no principal risks directly impacting the Fund's revenue and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- i. Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- ii. Evaluating management's controls designed to prevent and detect irregularities; Identifying and testing transactions and balances, in particular those with unusual account combinations or with unusual descriptions; and
- iii. Challenging assumptions and judgements made by management in their critical accounting estimates.

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

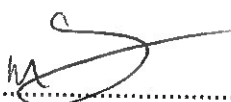
This report is made solely to the Fund's members, as a body. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume 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 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Land and Buildings	2	459,832	467,626
Office Equipment	2	43,741	11,312
Computer Equipment	2	18,465	18,062
Hume Collection	2	7,075	7,075
		-----	-----
Fixed Asset Investments	3	529,113 4,963,860	504,075 4,662,220
		-----	-----
		5,492,973	5,166,295
CURRENT ASSETS			
Debtors		77,865	28,817
Cash at Bank		1,863,109	1,958,926
Deposit held with Stockbrokers		85,018	45,320
		-----	-----
		2,025,992	2,033,063
CURRENT LIABILITIES			
Accrued Expenses		1,039,534	701,738
Corporation Tax		-	-
Deferred Tax Provision		491,012	392,186
		-----	-----
		1,530,546	1,093,924
NET CURRENT ASSETS			
		495,446	939,139
NET ASSETS			
		-----	-----
		5,988,419	6,105,434
		=====	=====
REPRESENTED BY			
Accumulated Fund	6	5,539,658	5,744,715
Lottery Fund	7	448,761	360,719
		-----	-----
		5,988,419	6,105,434
		=====	=====

Approved by the Business, Finance, Pay and Pensions Committee on 10th May 2022
and signed on its behalf by:


..... Chairman
M. Lindsay


..... Treasurer
D Walsh

POLICE FEDERATION FOR NORTHERN IRELAND
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Statement of Income and Retained Earnings
For the Year Ended 31st December 2021

	Notes	2021 £	2020 £
INCOME			
Members' Contributions		1,775,862	1,597,433
LESS: EXPENDITURE			
Premises	8	(69,413)	(65,523)
Administrative	9	(2,209,671)	(1,466,034)
TOTAL EXPENDITURE		(2,279,084)	(1,531,557)
(DEFICIT) / SURPLUS OVER MEMBERS' CONTRIBUTIONS		(503,222)	65,876
Interest and Dividends Receivable		79,043	84,378
Other Income		-	-
(DEFICIT) / SURPLUS BEFORE CAPITAL PROFITS		(424,179)	150,254
CAPITAL PROFITS			
Surplus/(Deficit) on Disposal of Investments		417,273	(23,637)
Unrealised (Losses)/Gains on Investments	3	(100,088)	502,706
		(106,994)	629,323
TAXATION			
DEFERRED TAX	4	763	706
	4	(98,826)	(95,515)
(DEFICIT) / SURPLUS FOR THE YEAR		(205,057)	534,514

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

Notes to the Financial Statements
For the Year Ended 31st December 2021

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 2021	582,585	29,158	331,303
Additions	-	43,364	6,148
Disposals	-	-	-
At 31st December 2021	582,585	72,522	337,451
Depreciation:			
At 1st January 2021	114,959	17,846	313,241
Charge for Year	7,794	10,935	5,745
Disposals	-	-	-
At 31st December 2021	122,753	28,781	318,986
Net Book Value:			
At 31st December 2021	459,832	43,741	18,465
At 31st December 2020	467,626	11,312	18,062

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 2021

3. INVESTMENTS

	2021		2020	
	Cost £	Market Value £	Cost £	Market Value £
Value at 1st January	2,598,087	4,662,220	2,611,572	4,172,999
Additions	1,743,754	1,743,754	595,538	595,538
Disposals	(1,342,026)	(1,342,026)	(609,023)	(609,023)
Market Value Adjustment	-	(100,088)	-	502,706
Value at 31st December	<u>2,999,815</u>	<u>4,963,860</u>	<u>2,598,087</u>	<u>4,662,220</u>

The Voluntary Fund's investments consist of the following:

	2021		2020	
	Cost £	Market Value £	Cost £	Market Value £
Fixed Interest Funds	631,084	803,175	452,553	649,576
UK Equities	773,608	1,284,344	629,355	1,023,890
UK Unit Trusts	552,821	770,923	542,810	562,235
USA Equities	250,228	637,824	166,082	546,645
Japanese Equities	87,000	193,460	107,322	277,830
European Equities	202,342	333,520	138,470	239,183
Other Overseas Equities	173,913	562,718	448,909	1,219,691
Other Funds	328,819	377,896	112,586	143,170
	<u>2,999,815</u>	<u>4,963,860</u>	<u>2,598,087</u>	<u>4,662,220</u>

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.

	2021 £	2020 £
General	98,689	(75,781)
Pensions	3,122	157,470
Injury Claims	506,150	470,521
Road Traffic	5,259	560
Assault	19,270	8,300
Discipline	356,412	26,896
Holiday Pay	60,226	(203,726)
ARC Legal Assistance	170,562	163,251
	<u>1,219,690</u>	<u>547,491</u>

6. ACCUMULATED FUND

	2021 £	2020 £
Accumulated Surplus at 1st January 2021	5,744,715	5,210,201
(Deficit) / Surplus for the Year	(205,057)	534,514
Accumulated Surplus at 31st December 2021	<u>5,539,658</u>	<u>5,744,715</u>

POLICE FEDERATION FOR NORTHERN IRELAND
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Notes to the Financial Statements
For the Year Ended 31st December 2021

7. LOTTERY FUND

The current lottery commenced in December 1996 and its net income, after payment of prizes, is shown below:

	2021 £	2020 £
Surplus on Lotteries	110,573	104,848
Interest Received	1,627	2,507
Expenses	(56,503)	(58,585)
Donations	(23,727)	(26,571)
Refund of Donation for Wellbeing Project	56,072	-
Surplus for the year	<u>88,042</u>	<u>22,199</u>
Surplus brought forward at 1st January 2021	360,719	338,520
Surplus carried forward at 31st December 2021	<u>448,761</u> =====	<u>360,719</u> =====

8. PREMISES EXPENSES

	2021 £	2020 £
Depreciation of Land and Buildings	7,794	7,794
Heat and Light	21,959	11,948
Insurance	2,038	2,033
Rates	28,449	29,651
Repairs to Property	9,173	14,097
	<u>69,413</u> =====	<u>65,523</u> =====

9. ADMINISTRATIVE EXPENSES

	2021 £	2020 £
Annual Conference	-	500
Audit Fee	9,990	9,700
Computer & Website Expenses	216,350	124,474
Death Grants, Wreaths and Advertisements	10,754	14,635
Depreciation - Office Equipment	16,680	19,242
Eurocop	8,629	8,400
Gadget Cover	-	48,000
Insurance	12,724	7,461
Meetings	29,831	28,920
Members' Legal Expenses (note 5)	1,219,690	547,491
Payroll Costs and Salary Contributions	438,014	426,617
Presentations & Donations (including Wellbeing refund)	57,533	5,502
Printing, Postage, Stationery and Telephone	33,379	24,540
Professional Fees	85,936	79,401
Project costs	469	60,952
Public Relations	56,609	55,989
Publications	6,441	8,000
Regional Grants	1,000	7,500
Repairs and Maintenance	8,285	9,386
Sundry Expenses	36,791	24,324
Uniforms	5,566	-
	<u>2,254,671</u>	<u>1,511,034</u>
Refund of Expenses from the Police Service of Northern Ireland	(45,000)	(45,000)
	<u>2,209,671</u> =====	<u>1,466,034</u> =====

**POLICE FEDERATION FOR NORTHERN IRELAND
VOLUNTARY FUND**

**Notes to the Financial Statements
For the Year Ended 31st December 2021**

10. STATEMENT OF COMMITTEE MEMBERS' RESPONSIBILITIES

The Business, Finance, Pay and Pensions Committee is responsible for keeping accounts showing all monies received and paid out and for preparing financial statements that fairly reflect the state of affairs of the Fund at the end of the financial year and of the results of the Fund for that period and to cause the financial statements for each year to be audited by an independent auditor. In doing so, the 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 ongoing and 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.

12. IMPACT OF CORONAVIRUS (COVID-19)

The Fund has assessed on an ongoing basis, the impact of the Covid-19 pandemic on its operations and closely monitors its finances, which have not been materially affected.

The potential for a fall in global equity markets is an event that would negatively impact on the value of the Fund's investments, but it is too early to predict whether there will be any long-term impact on the investment portfolio in the current financial year or beyond as a result of COVID-19.