



POLICE FEDERATION JOINT FUND
(Established 1st November 1955)
(Police Act 1964)
The Police Federation Regulations 1969, Part III
The Police Federation (Amendment) Regulations 2015

Treasurer's Annual Report

and

Financial Statements

For the Year Ended

31st December 2016

The Police Federation of England & Wales
Federation House
Highbury Drive
Leatherhead
Surrey KT22 7UY

POLICE FEDERATION JOINT FUND
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INFORMATION

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TREASURER'S REPORT

It is my pleasure, on behalf of the Joint Central Committee, to present my eighth report as Treasurer of the Police Federation Joint Fund, together with the Financial Statements for the year ended 31st December 2016.

It has been another challenging year for the Federation having to deal with a number of important policing issues, the matters arising from the Independent Review and the continuing complexities of legal matters on behalf of our members.

Even though the Federation has continued to manage its finances prudently and control expenditure more effectively under my direction, due to dealing with the above challenges in the year, the Federation had a deficit of expenditure over subscription income amounting to £6,039,616, which gives me grave concern. Part of the reason for the increased deficit in expenditure is due to changes in the legal aid scheme whereby there is no longer any reimbursement for criminal cases privately funded, together with the increased number of historical cases being re-opened, along with a considerable increase in Court fees.

Income from investments totalled £354,622 (2015: £543,170) and other income amounted to £14,371 (2015: £15,885). After accounting for the above, the deficit before gains was £5,670,623 compared to a deficit of £5,308,913 last year.

Federation Investments held by our Brokers now stand at a cost value of £21,291,738 (Market Value £20,835,807) compared to the previous year's cost value of £11,933,133 (Market Value £15,563,171). Although various investments have been disposed during the year, the transfer of Central Committees portfolios to the JCC for the sum of £12,175,925 has resulted in an overall increase in the JCC portfolio.

The retained deficit for the year amounted to £4,572,627 (2015: £5,912,415).

STATEMENT OF FINANCIAL POSITION

Page 6 details the Federation's assets and liabilities and I am pleased to say that the net assets now total £38,743,679 (2015: £31,140,381). Our fixed assets now stand at £49,125,269 (2015: £44,144,641) after depreciation. The market value of funds held in investments were £20,835,807 (2015: £15,563,171).

In current assets, loans to Joint Branch Boards have decreased to £80,563 compared to £109,895 last year. No new loans were granted in the year.

The deposits held by the Stockbroker have increased to £160,501 compared to £194,859 in 2015. The surplus will be invested in the stock markets and securities by the broker.

Included in the Federation's liabilities is an amount of £5,590,000 (2015: £8,465,467) being a provision for the liabilities in respect of members legal cases that are currently being resolved; this is further detailed in note 21 to the financial statements.

INCOME

Subscription income has increased. Investment income from securities amounted to £320,027 (2015: £511,660), deposit and other interest amounted to £34,595 (2015: £31,510), which includes income from Government securities and bank deposits.

EXPENDITURE

This year includes an increase of members' legal fees due to the continued reopening of historic cases and further associated costs connected to the Independent Review.

At the year end there was a deficit on the defined benefit pension scheme of £2,564,000 compared to £3,041,000 at the end of 2015.

THE FUTURE

At the time of writing this report, we are still awaiting the new Regulations and the impact that they will have on PFEW, therefore it is difficult at this stage to predict the future challenges.

CONCLUSION

May I express my thanks to Geoff Stuttaford, the Deputy Treasurer, for his support during the year, as well as all our staff in the Finance and Treasury Departments, without whom I would find it very difficult to perform my function as Treasurer. They all deal with an enormous workload in a very efficient manner and no Treasurer could operate without them.



Martyn Mordecai - Treasurer

Date: 27/4/17

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF POLICE FEDERATION JOINT FUND

We have audited the financial statements of Police Federation Joint Fund for the year ended 31st December 2016 on pages 4 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Police Federation Regulations and Fund Rules.

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.

Respective responsibilities of members and auditors

As explained more fully in the Statement of Committee's Responsibilities set out in the notes to the financial statements, the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Treasurer's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view and fairly reflect the state of the Fund's affairs as at 31st December 2016 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and with the Police Federation Regulations and Fund Rules; and
- fairly reflect the information contained in the Treasurer's Report as being consistent with the financial statements.

George Hay & Company
Chartered Accountants &
Statutory Auditors
83 Cambridge Street
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London
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Date: 27th April 2017

INCOME STATEMENT

	Note	2016	2015
		£	£
Income			
Subscription income	6	20,859,680	19,909,843
Expenditure			
Members legal fees	15	(16,454,119)	(17,012,593)
Federation expenditure	16	(10,440,216)	(8,796,353)
Federation House net (deficit) / surplus	17	(4,961)	31,135
Deficit of subscription income over expenditure		(6,039,616)	(5,867,968)
Income from Investments		354,622	543,170
Other income		14,371	15,885
Deficit before gains		(5,670,623)	(5,308,913)
Gains for the year		1,185,693	961,813
Deficit before tax and exceptional items		(4,484,930)	(4,347,100)
Taxation	9	10,378	-
Deficit for the financial year		(4,474,552)	(4,347,100)

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2016 £	2015 £
Deficit for the financial year		(4,474,552)	(4,347,100)
Fair Value revaluation (loss) / gain		(455,931)	17,470
Actuarial gain / (loss) on pension scheme valuation		477,000	(1,580,020)
Deferred tax (loss)	9	<u>(119,144)</u>	<u>(2,765)</u>
Total comprehensive deficit for the financial year		<u>(4,572,627)</u>	<u>(5,912,415)</u>

STATEMENT OF FINANCIAL POSITION

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	10	28,289,462	28,581,470
Investments	11	20,835,807	15,563,171
		49,125,269	44,144,641
Current assets			
Stocks	12	40,200	50,670
Debtors	13	3,284,236	5,948,584
Cash at bank and in hand		617,363	1,069,146
		3,941,799	7,068,400
Creditors: amounts falling due within one year	14	(4,476,817)	(7,536,175)
Net current liabilities		(535,018)	(467,775)
Total assets less current liabilities		48,590,253	43,676,866
Creditors: amounts falling due after more than one year			
Provisions for liabilities	21	(9,846,572)	(12,536,485)
Net assets		38,743,679	31,140,381
Accumulated reserves		38,743,679	31,140,381

The financial statements were approved by the Executive Committee on^{264/17}.....

Signed on behalf of the Joint Central Committee by



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Steve White Chairman



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Martyn Mordecai Treasurer

STATEMENT OF CASH FLOWS

	2016 £	2015 £
Cash flows from operating activities		
Deficit for the financial year	(4,572,627)	(5,912,415)
Adjustments for:		
Amortisation of intangible assets	13,157	13,155
Depreciation of tangible assets	1,042,171	900,087
Investment income	(34,595)	(31,510)
Dividend income	(320,027)	(511,660)
(Profit)/Loss on disposal of fixed assets	26,703	-
Profit on disposal of securities	(1,212,396)	(961,813)
Decrease/(increase) in trade and other debtors	2,797,797	(3,696,587)
Increase in amounts due from Branch Boards	(153,841)	(1,039,328)
(Increase)/decrease in amounts due from Central Committees	(8,940)	626,664
(Decrease)/increase in amounts due to Central Committees	(561,069)	561,069
Decrease in loans	29,332	28,396
Decrease/(increase) in stocks	10,470	(1,475)
(Decrease) / increase in trade creditors	(2,498,289)	2,356,463
(Decrease) / increase in provisions	(2,689,913)	3,081,288
Cash from operations	<u>(3,559,440)</u>	<u>1,324,749</u>
Net cash used in operating activities	(8,132,067)	(4,587,666)
Cash flows from investing activities		
Proceeds from sale of tangible assets	16,000	-
Purchases of tangible assets	(806,023)	(1,687,471)
Fair value adjustment to fixed assets	455,931	(17,470)
Purchases of securities	(1,793,690)	(987,367)
Accumulation investment	(29,218)	(39,763)
Sale of securities	9,453,330	6,359,470
Dividend income	320,027	511,660
Interest received	34,595	31,510
Net cash from investing activities	7,650,952	4,170,569
Cash flows from financing activities		
Issue of loan	-	-
Repayment of loans	29,332	28,396
Net cash from financing activities	29,332	28,396
Net decrease in cash and cash equivalents	(451,783)	(388,701)
Cash and cash equivalents at the beginning of year	1,069,146	1,457,847
Cash and cash equivalents at end of year	<u>617,363</u>	<u>1,069,146</u>

STATEMENT OF CHANGES IN EQUITY

	Accumulated reserves	Fair Value Transition Reserve	Total
	£	£	£
At 1 January 2015	34,038,151	3,014,645	37,052,796
Deficit and total comprehensive income for year	(5,912,415)	-	(5,912,415)
At 31 December 2015	28,125,736	3,014,645	31,140,381
Deficit and total comprehensive income for current year	(4,572,627)	-	(4,572,627)
Investment portfolio transferred to the fund prior to completion of merger	12,175,925	-	12,175,925
At 31 December 2016	35,729,034	3,014,645	38,743,679

NOTES TO THE FINANCIAL STATEMENTS

1. Information

Police Federation Joint Fund is a staffing association domiciled in England and Wales. The offices are at Federation House, Highbury Drive, Leatherhead, Surrey, KT22 7UY.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and the Police Federation Regulations and Fund Rules. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

Going concern

After reviewing the Federation's forecasts and projections, the Joint Central Committee has a reasonable expectation that the Federation has adequate resources to continue in operational existence for the foreseeable future. The Federation therefore continues to adopt the going concern basis in preparing its financial statements.

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

- (a) Provisions for legal and other cases; and
- (b) Their carrying amount as at the end of the reporting period.

In respect of these assets and liabilities, the notes to the financial statements will provide information about these items.

It is of concern that the expenditure is significantly above the subscription income which needs to be addressed.

4. Principal accounting policies

4.1 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives. The purchase of assets under £2,000 are generally not capitalised. The rates applicable are:

Plant & machinery	15 years straight line basis
Computer & equipment	3 years straight line basis
Furniture & fittings	8 years straight line basis
Motor vehicles	25% reducing balance basis
Leasehold premises	Term of lease
Freehold land & buildings	Not depreciated

No depreciation has been charged on freehold land and buildings, as it is the Committee's policy to maintain the buildings in a continual state of sound repair. The Committee considers that the lives of these assets are so long and the residual values so high that depreciation is not material.

NOTES TO THE FINANCIAL STATEMENTS

4.2 Investments

This comprises of investments in quoted equity instruments, fixed interest government funds and other fixed interest funds which are measured at market value. Changes in market value are recognised in the statement of other comprehensive income.

4.3 Stocks

Stocks are stated at the lower of cost or net realisable value.

4.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

4.5 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.6 Provisions for liabilities

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in income statement in the period it arises.

The Federation recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

4.7 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantially enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expenses (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the fund has a legally enforceable right to set off current tax assets against current tax liabilities, and

NOTES TO THE FINANCIAL STATEMENTS

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle; and
- current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.8 Income

Income is measured at the fair value of the consideration received or receivable. Income is derived from subscriptions collected from the Fund's members. Expenditure is shown inclusive of irrecoverable Value Added Tax, where applicable, and is reported as part of the expenditure to which it relates. Other income sources include donations and investment income.

Other income includes revenue earned from the sale of goods and services. Other income from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point that the customer has agreed for the purchase of the goods.

4.9 Employee benefits

The Fund operates both a defined benefits pension scheme and a defined contribution pension scheme. The assets of the schemes are held separately from those of the Fund in independently administered funds. The pension contributions represent amounts payable by the Fund and are recognised as an expense in the year in which they are incurred. Any unpaid contributions are included in creditors.

4.10 Foreign currency translation

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and position of the fund are presented in Sterling (£).

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances at the year-end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

4.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the fund. All other leases are classified as operating leases.

Property, plant and equipment acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the lease. The benefits of lease incentives are recognised in the income statement over the lease period.

5. Statement of Committee's Responsibilities

Regulation 18(2) of the Police Federation Regulations requires the Police Federation Joint Fund, in relation to the Federation funds held by it to keep financial statements showing all monies received or paid out and to cause the financial statements for each year to be audited by an independent auditor. In causing the financial statements to be prepared, the Committee is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Ensure that the financial statements are prepared on the going concern basis unless it is appropriate to assume otherwise.

NOTES TO THE FINANCIAL STATEMENTS

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

6. Income

Income is derived solely from the UK, analysed by category, as follows:

	2016 £	2015 £
Subscription income receivable from Central Committees:		
Constables	16,339,713	15,496,242
Sergeants	3,273,133	3,143,198
Inspectors	1,246,834	1,270,403
	<u>20,859,680</u>	<u>19,909,843</u>

7. Deficit on ordinary activities before taxation

The deficit on ordinary activities before taxation is stated after:

	2016 £	2015 £
Auditor's remuneration:		
Fees payable to the Fund's auditor for the audit of the Fund's annual accounts	31,780	26,000
Fees payable to the Fund's auditor for the audit of the Federation House accounts	5,108	4,250

8. Clerical assistance

Staff costs during the year were as follows:

	2016 £	2015 £
Wages and salaries	2,585,346	2,177,234
Social security costs	243,385	207,023
Other pension costs	594,765	519,060
	<u>3,423,496</u>	<u>2,903,317</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Clerical assistance (continued)

The fund operates a stakeholder defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £165,645 (2015: £136,740).

The Federation continued to fund the defined benefits scheme as advised by the actuary. The Federation paid in the year a total of £429,120 (2015: £382,320) towards the members' benefits.

The average number of employees during the year was:

	2016	2015
Federation staff	69	62
Hotel and administration	32	43
	<u>101</u>	<u>105</u>

9. Tax on profit on ordinary activities

	2016	2015
	£	£
Charge for the year	-	-
Prior year adjustment	<u>10,378</u>	<u>-</u>
	<u>10,378</u>	<u>-</u>
Deferred tax movement	<u>119,144</u>	<u>2,765</u>
	<u>119,144</u>	<u>2,765</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Tangible fixed assets

	Freehold Land and Buildings £	Plant and Machinery £	Furniture and Fittings £	Leasehold Premises £	Computer and Equipment £	Motor Vehicles £	Total £
Cost							
At 1 January 2016	23,604,439	3,002,922	1,454,050	1,659,687	3,687,942	32,032	33,441,072
Additions	-	50,324	-	-	755,699	-	806,023
Disposals	-	(88,862)	-	-	-	-	(88,862)
At 31 December 2016	23,604,439	2,964,384	1,454,050	1,659,687	4,443,641	32,032	34,158,233
Depreciation							
At 1 January 2016	-	1,514,451	1,380,446	129,334	1,808,855	26,516	4,859,602
Provided in the year	-	205,057	73,604	13,157	757,994	5,516	1,055,328
Disposals	-	(46,159)	-	-	-	-	(46,159)
At 31 December 2016	-	1,673,349	1,454,050	142,491	2,566,849	32,032	5,868,771
Net Book Value							
At 31 December 2016	23,604,439	1,291,035	-	1,517,196	1,876,792	-	28,289,462
At 31 December 2015	23,604,439	1,488,471	73,604	1,530,353	1,879,087	5,516	28,581,470

Included within freehold land and buildings is land of £5,060,219 (2015: £5,060,219), which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

11. Investments

Total fixed asset investments comprise:

	Market Value 2016 £	Market Value 2015 £
Fixed interest government funds	1,091,511	481,957
Other fixed interest funds	1,125,070	665,799
Listed shares and unit trusts	<u>18,619,226</u>	<u>14,415,415</u>
	<u>20,835,807</u>	<u>15,563,171</u>

The total of £20,835,807 includes the transfer of investments from the Central Committees for the sum of £12,175,925 (CCC: £9,888,875 SCC: £1,755,439 and ICC: £531,610) on 5 October 2016.

12. Stocks

	2016 £	2015 £
Consumables	<u>40,200</u>	<u>50,670</u>

13. Debtors

	2016 £	2015 £
Trade debtors	122,490	394,843
Amounts owed by Central Committees	35,603	26,663
Amounts owed by Joint Branch Boards	1,193,169	1,039,328
Loans	80,563	109,895
Corporation tax	-	8,826
Other debtors	139,755	179,382
Prepayments	1,712,656	1,109,983
Accrued income	-	3,079,664
	<u>3,284,236</u>	<u>5,948,584</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	2,883,280	2,636,002
Amounts owed to Central Committees	-	561,069
Other creditors and accruals	1,593,537	4,339,104
	<u>4,476,817</u>	<u>7,536,175</u>

15. Members legal fees

	2016 £	2015 £
CICA claims	162,327	459,994
Civil claims	4,875,100	1,887,372
Criminal cases	4,247,001	1,370,812
Defamation	232,915	(470,380)
Discipline	3,227,825	2,513,799
Employment tribunals	2,587,752	3,372,743
Professional indemnity	55,134	56,866
Inquests	159,713	1,792,912
Judicial reviews	294,469	220,241
General legal fees	3,346,923	5,823,584
CCFA provision	(19,290)	(15,350)
Contribution towards legal costs from separate committees	(2,715,750)	-
	<u>16,454,119</u>	<u>17,012,593</u>

See note 21 for details of provision of legal fees.

NOTES TO THE FINANCIAL STATEMENTS

16. Federation expenditure

	Note	2016 £	2015 £
Audit fee		31,780	26,000
Bank charges		3,362	2,855
Clerical assistance	8	3,423,496	2,903,317
Communications		-	677
Computer costs		999,374	1,002,368
Consultancy		170,304	39,902
Death benefits		134,000	234,500
Depreciation:	10		
Computer & office equipment		757,994	516,297
Furniture, fittings & soft furnishings		73,604	181,757
Motor vehicles		5,516	1,838
Plant & equipment		205,057	200,195
Elected officers' taxable expenses made good		260,065	182,009
Elected officers enhancements	22	126,844	116,560
Federation training		142,840	279,917
Hospitality		44,139	39,840
INB salaries		139,110	193,880
Insurances		104,454	90,863
Leasehold amortisation		13,157	13,155
Meetings	18	1,063,431	915,737
Motor expenses		1,063	978
National Police Memorial upkeep		27,856	27,856
POLICE magazine		60,804	118,632
Premises expenses		697,622	739,742
Presentations and donations		24,266	21,572
Printing costs		21,986	-18,359
Professional fees		1,735,415	741,050
Publicity and promotion		57,920	71,566
Research and publications		84,975	120,354
Stationery and postage		29,782	31,295
		<u>10,440,216</u>	<u>8,796,353</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Federation House income statement

	2016 £	2015 £
Turnover	745,927	734,073
Value of services provided to the Federation	304,017	389,631
Cost of sales	(273,196)	(294,012)
Gross profit	<u>776,748</u>	<u>829,692</u>
Less: Administration expenses		
Advertising and marketing	210	206
Audit fee	5,108	4,250
Bank and credit card charges	17,943	19,443
Agency staff	41,183	4,262
Cleaning	795	4,468
Equipment hire	666	2,536
Laundry	30,163	33,493
Pension	41,599	43,678
Stationery and postage	5	996
Professional fees	545	544
Repairs and maintenance to plant & equipment	20	3,261
Salaries	618,199	658,987
Staff costs	24,146	20,979
Security	1,127	1,079
Travel and subsistence	-	375
	<u>781,709</u>	<u>798,557</u>
Net (deficit)/surplus for the year	<u>(4,961)</u>	<u>31,135</u>

18. Meetings (statutory and non statutory)

	2016 £	2015 £
Annual conference	394,307	245,335
Statutory meetings	-	92,635
Police Negotiating Board	-	-
Non Statutory:		
Interim National Board	590,534	398,678
Interim National Committee	78,590	179,089
	<u>1,063,431</u>	<u>915,737</u>

19. Reserve

The reserves consist of the accumulated surplus, current year's deficit and adjustments to fair value and transfer of Investment portfolio to the fund ahead of new regulations.

NOTES TO THE FINANCIAL STATEMENTS

20. Contingent liabilities

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

21. Provisions for liabilities

The Federation makes full provisions for liabilities for substantial legal cases against its members. Other provisions mainly comprise of costs in relation to members' interests. The total provisions for liabilities for the year were £9,846,572 (2015: £12,536,485), which are detailed below:

Legal fee provisions of £5,590,000 (2015: £8,465,467) are included in the financial statements, the breakdown of the amount for each case are as follows: (Case details are not disclosed due to confidentiality).

Case 2: Provision of £nil (2015: £800,000)	Case 18: Provision of £1,100,000 (2015: £1,100,000)
Case 6: Provision of £2,200,000 (2015: £3,500,000)	Case 24: Provision of £1,400,000 (2015: £nil)
Case 7: Provision of £50,000 (2015: £50,000)	Case 25: Provision of £75,000 (2015: £nil)
Case 9: Provision of £nil (2015: £2,515,467)	Case 26: Provision of £175,000 (2015: £nil)
Case 10: Provision of £nil (2015: £90,000)	Case 27: Provision of £200,000 (2015: £nil)
Case 16: Provision of £nil (2015: £200,000)	Case 28: Provision of £150,000 (2015: £nil)
Case 17: Provision of £210,000 (2015: £210,000)	Case 29: Provision of £30,000 (2015: £nil)

The actuary completed the scheme funding report for the Police Federation of England & Wales Retirement Benefit Scheme. A decrease in the technical provision of £477,000 (2015: increase £1,580,020) has been provided for against the current pension deficit and the total actuarial loss in respect of pension scheme now stands at £2,564,000 (2015: £3,041,000). The methods used to calculate the provision by the actuary were on a 'Projected Unit' method in this funding assessment. The conversion principles of data and demographic were used as assumptions and the financial assumptions used were investment returns, retail price inflation, pension increases and deferred pension revaluation.

A provision for deferred tax is included amounting to £685,297 (2015: £566,153).

22. Elected officer enhancements

By virtue of Regulation 15(b) of the Police Federation Regulation 1969, and as agreed by the 1990 Conference Study Group the Joint Officers are paid an enhanced salary and allowances for additional responsibility, additional hours worked and the time spent away from home. For Chairman and Treasurer the enhanced salary and allowances are met by the Common Police Services Fund and the Police Federation in the proportion 85:15 respectively. For General Secretary total salary and all allowances paid are met by Common Police Services Fund and the Police Federation in the proportion of 85:15 respectively up until 31st August 2014 the amounts paid net of contributions are as follows:

	2016	2015
	£	£
Chairman	23,462	21,963
General Secretary	28,181	26,997
Treasurer	35,810	35,456
Vice Chairman	18,675	27,411
Deputy General Secretary	22,561	22,338
Deputy Treasurer	13,781	13,647
Ex-Member	(15,626)	(31,252)
	<u>126,844</u>	<u>116,560</u>

NOTES TO THE FINANCIAL STATEMENTS

23. Pension

The Federation has a defined benefit pension plan. The Federation provides certain post-employment benefits to employees.

The Federation defined benefit pension plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund.

This plan is governed by the employment laws of UK, which require final salary payments to be adjusted for the consumer price index upon payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age.

The fund has the legal form of a foundation and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy. Each year, the Board of Trustees reviews the level of funding in the pension plan as required by employment legislation. Such a review includes the asset-liability matching strategy and investment risk management policy.

This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Employment legislation requires the Group to clear any plan deficit (based on a valuation performed in accordance with the regulations in UK) over a period of no more than five years after the period in which the deficit arises.

The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed in accordance with the regulations in UK) will arise. Since the pension liability is adjusted to the consumer price index, the pension plan is exposed to Euroland's inflation, interest rate risks and changes in the life expectancy for pensioners.

As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer products sector, the Federation is also exposed to equity market risk arising in the manufacturing and consumer products sector.

Investments:

The pension scheme holds investments in a range of international equity markets, bonds issued in the United Kingdom and abroad as well as property and cash.

Sensitivity Analysis of assumptions:

The plan assets will vary in line with the performance of the underlying assets. Consequently the current volatility in financial markets will affect the actual performance of the scheme and will vary against the Actuary assumptions.

Key Assumption:

Improvements to life expectancy are estimated to be improving at 1.5% per annum for males and 1.0% for females.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial risk management

The Federation has an exposure to one main area of risk – liquidity risk. The Federation also has an exposure to foreign currency but this is considered minimal in terms of risk.

Liquidity risk

The objective of the Federation in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Federation expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Federation has credit facilities and reserves available.

25. TRUSTEES

The Trustees for the year ended 31 December 2016 were:

Constable J. Nott

Sergeant M. Nurthen

Inspector S. Roberts from May 2016 (Inspector J. Ainsworth was a trustee up to May 2016)