



THE POLICE FEDERATION OF ENGLAND AND WALES

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2022



**THE POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022**

GENERAL INFORMATION

NATIONAL CHAIR	Mr Ché Donald Mr Steve Hartshorn	(Appointed 21/12/2021 and resigned 31/3/2022) (Appointed 1/4/2022)
DEPUTY NATIONAL CHAIR	Ms Tiffany Lynch	(Appointed 1/6/2022)
NATIONAL SECRETARY	Mr Alex Duncan Mr Calum Macleod	(Resigned 30/6/2022) (Appointed 1/7/2022)
NATIONAL TREASURER	Mr Simon Kempton	
NATIONAL TRUSTEES	Mr Jon Nott Mr Ollie Abercrombie Ms Sam Chughtai	
REGISTERED OFFICE	Federation House Highbury Drive LEATHERHEAD Surrey KT22 7UY	
BANKER	National Westminster Bank Plc 1000 Cathedral Square Cathedral Hill Guildford GU2 7YL	
INVESTMENT MANAGER	Rathbone Brothers Plc 28 St Andrew Square Edinburgh EH2 1AF	
AUDITOR	KPMG LLP 15 Canada Square London E14 5GL	
SOLICITOR	Slater & Gordon 50 – 52 Chancery Lane London WC2A 1HL	

**POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022**

REPORT OF THE NATIONAL TREASURER

On behalf of the Police Federation of England and Wales ('PFEW'), I am pleased to present the Financial Statements, prepared as required under the 2017 Police Federation Regulations ('PFR2017').

The PFEW represents the interests of police officers below the rank of Superintendent (Constables, Sergeants, Inspectors and Chief Inspectors). The PFEW was established by the Police Act 1919 to represent officers, reflecting the fact that police officers are members of a disciplined service with an obligation to protect the public and, as such, are prohibited from joining a trade union or taking industrial action. Its current legal basis is found in the Police Act 1996.

Consolidated financial statements

These Financial Statements represent the consolidated view of the financial position and operating activities for all branches of the PFEW. These financial statements present the PFEW as a single legal entity and, as such, the PFEW is not required to prepare financial statements on a group basis.

Since 2017 the PFEW has undertaken significant changes resulting in organisational restructuring, process harmonisation and financial consolidation. Details of these activities are set out in the 2017 Financial Statements, available at <https://www.polfed.org/resources/reports-accounts/accounts/>

Significant events

These financial statements have been prepared on a going concern basis. The National Treasurer has a reasonable expectation that the PFEW will continue in operational existence for at least twelve months from the date of the approval of these financial statements. Cashflow forecasts have been prepared to cover that period, taking into consideration the potential risks, assumptions, and uncertainties, including those arising from the pensions claim.

Principal event : Pension Claim

There are no significant events in 2022 however subsequently on the 6th of June 2023, Police Federation of England and Wales (PFEW) received the Employment Tribunal's judgment of the police pension discrimination claim, brought against PFEW. The Tribunal ruled in favour of the claimants on a number of claims and in July 2023, PFEW decided not to pursue an appeal against the judgment issued.

Remedy and management plans

PFEW proceeded to enter into negotiation with the claimants' to determine the remedy. We have reached the final stages of the settlement agreement. Note that the settlement itself has not been recognised as a provision in these financial statements, as the conditions specified within the recognition criteria set out in FRS 102 were not met as at 31 December 2022. The remedy will entail a material reduction of our investments and cash reserves coupled with disposal of our tangible assets, resulting in a significant reduction of our balance sheet.

This extraordinary depletion of our cash reserves, reduces the organisation's resilience against future events. The organisation would find it hard placed to survive another unexpected loss of similar magnitude. None the less, we have prepared these financial statements under the going concern assumption. We have to a large degree, ring-fenced the remedy to reserves and assets that were accumulated during the time the failures that lead to this occurred. This enables us to largely focus incoming subscriptions to the continual support of our full membership base whilst retaining relevant functions of the organisation. Our 43 branches across England and Wales will also remain fully operational.

As an improvement to the organisation, to limit the potential of such events recurring, we have embarked on a journey to improving the management structure and culture within the organisation. The aim is to increase professionalism, accountability and transparency in all areas, resulting in savings from our current operations in the coming year, which will be directed to this remedy as well.

We have prepared financial projections over the next 12 months reflecting the effects of the remedy, and expected cash requirements from ongoing operations and these indicate that we are able to meet our obligations as they come due given no further unexpected material incidences. Although the judgement constitutes a significant event, we remain confident in our ability to continue as a going concern.

**POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022**

REPORT OF THE NATIONAL TREASURER (continued)

Financial Activities

Total members' subscriptions income in 2022 was £37,247k (2021: £33,350k). The resulting increase was due to a combination of the following factors;

- (i) In July 2022 PFEW opened its membership to all serving special constables after a decades long campaign to have this possibility written into legislation. This increased our membership numbers and is a welcome additional source of income.
- (ii) In August 2022 following a detailed discussion, the National Board agreed to the lowest average increase of 3.1 per cent to the PFEW membership subscription rate. This works out at 58 pence per month net for basic rate taxpayers.
- (iii) There was organic growth in membership numbers resulting from an increase in officers across the country.

Total expenditure in 2022 was £45,324k (2021: £42,512k), comprising of members' legal fees of £12,982k (2021: £13,643k), other National Board expenditure of £21,926k (2021: £21,292k), and Branch expenditure of £10,416k (2022: £7,577k). The legal team has worked tirelessly in their efforts to recover costs where possible and this has yielded significant benefits changing previous year trajectory of ever increasing fees to a 5% decrease from 2021.

National Board expenditure has remained relatively flat with an increase of 3% from 2021. The main driver of the increase is the continued investment in our people who serve the members.

2022 was a difficult year on our National Reserve fund as our investments across the organisation took a hit and we thereby recorded a fair value loss of £2,8 million compared to a good gain experienced in 2021 (£2,4 million). This was due to the global downturn on all stock markets following the COVID-19 pandemic. This resulted in a significant deficit for the year before tax of £7,880k (2022: deficit £3,494k). We are positive this position will overturn in the coming year as markets recover. Total investments held as at 31 December 2022 were £21,560k down from £25,274k of which the National Board held £6,914k (2021: £8,177k) and the Branches held £14,646k (2021: £17,097k).

On 31 December 2022 the PFEW held cash and equivalents of £7,129k (2021: £7,051k), showing a slight improvement from prior year. We are confident the organisation is able to meet its obligations in the future. Robust plans are in place to meet future liabilities in the context also meeting the legal claim costs.

The Financial Statements and Balance Sheet, together with the Notes to the Financial Statements set out on pages 13–31, present the overall financial performance of the PFEW and provide an analysis of the resources arising and used in the performance of the PFEW's objectives. In addition, information is provided on the movements in the PFEW's cash and investments.



Simon Kempton
National Treasurer - PFEW
17 January 2025

**POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022**

STATEMENT OF THE NATIONAL TREASURER'S RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The National Treasurer is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Police Federation (England and Wales) Regulations 2017 (PFR2017) requires the National Treasurer to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In preparing these financial statements, the National Treasurer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable UK accounting standards have been followed; subject to any material departures being disclosed and explained in the financial statements;
- assessed the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the Federation or to cease operations or have no realistic alternative but to do so.

The National Treasurer is responsible for keeping adequate accounting records that are sufficient to show and explain the Federation's transactions and disclose with reasonable accuracy at any time the financial position of the Federation and enable them to ensure that the financial statements comply with the PFR2017. They are responsible 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Federation and to prevent and detect fraud and other irregularities.

The National Treasurer is responsible for the maintenance and integrity of the corporate and financial information included on the Federation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Simon Kempton
National Treasurer - PFEW
17 January 2025

**POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022
INDEPENDENT AUDITOR'S REPORT TO THE POLICE FEDERATION OF ENGLAND AND WALES**

Opinion

We have audited the financial statements of the Police Federation of England and Wales (“the Federation”) for the year ended 31 December 2022 which comprise the Statement of Financial Activities, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Federation’s affairs as at 31 December 2022 and of its deficit for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Federation in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1b to the financial statements which indicates that the Federation was unsuccessful in defending an employment tribunal claim and is now required to make a financial settlement to remedy the claim. The Federation intends to fund the required cash outflow through a variety of means, including but not limited to, the use of the Federation’s investments and cash balances. The extent to which investments and cash balances will be depleted means the Federation will be less able to respond to future economic shocks and uncertainties. These events and conditions, along with the other matters explained in note 1b, constitute a material uncertainty that may cast significant doubt on the Federation’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The National Treasurer of the Federation (“the National Treasurer”) has prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the National Treasurer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the National Treasurer, other members of management, internal audit and inspection of policy documentation as to the Federation’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Federation’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading National Board and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our own forensic professionals regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved discussion between the engagement partner and the forensic professionals.

POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022
INDEPENDENT AUDITOR'S REPORT TO THE POLICE FEDERATION OF ENGLAND AND WALES (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as provisions for legal claims and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is simple in nature, with few judgmental areas of accounting, and limited incentive to fraudulently manipulate revenue. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries affecting cash with descriptions containing certain items.

- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the National Treasurer and other management (as required by auditing standards), and discussed with the National Treasurer and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Federation is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including PFR2017), tax legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Federation is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection, employment law, and Police Federation of England and Wales regulations recognising the nature of the Federation's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the National Treasurer and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**POLICE FEDERATION OF ENGLAND AND WALES
FOR THE YEAR ENDED 31 DECEMBER 2022
INDEPENDENT AUDITOR'S REPORT TO THE POLICE FEDERATION OF ENGLAND AND WALES (continued)**

Other Information

The National Treasurer is responsible for the other information, which comprises the Report of the National Treasurer. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Responsibilities of the National Treasurer

As explained more fully in the statement set out on page 5, the National Treasurer is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Federation'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 they either intend to liquidate the Federation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our report has been prepared solely for the Federation in accordance with Regulation 21(2)(c) of the Police Federation (England and Wales) Regulations 2017 and the terms of our engagement. Our audit work has been undertaken so that we might state to the Federation those matters we are required to state to it in an auditor's 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 Federation for our audit work, for this report, or for the opinions we have formed.

Our report has been prepared solely for the Federation in accordance with Regulation 21(2)(c) of the Police Federation (England and Wales) Regulations 2017 and the terms of our engagement. Our audit work has been undertaken so that we might state to the Federation those matters we are required to state to it in an auditor's 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 Federation for our audit work, for this report, or for the opinions we have formed.



Joanne Lees
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

21 January 2025

**POLICE FEDERATION OF ENGLAND AND WALES
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £ '000	2021 £ '000
INCOME			
Subscription Income	3	37,247	33,550
EXPENDITURE			
Members' Legal Fees	4	(12,982)	(13,643)
National Board Expenditure	5	(21,926)	(21,292)
Branch Expenditure	6	<u>(10,416)</u>	<u>(7,577)</u>
Deficit of subscription income over expenditure		(8,077)	(8,962)
Income from Investments		(3,232)	2,369
Other Income		<u>3,429</u>	<u>3,099</u>
Deficit before tax		(7,880)	(3,494)
Taxation	7	<u>0</u>	<u>(154)</u>
Deficit for the financial year		<u>(7,880)</u>	<u>(3,648)</u>

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2022 £ '000	2021 £ '000
Deficit for the financial year		(7,880)	(3,648)
Actuarial (deficit)/uplift on pension scheme in the year	15	(324)	2,252
Total comprehensive deficit for the financial year		<u>(8,204)</u>	<u>(1,396)</u>

The accompanying notes form part of these financial statements.

POLICE FEDERATION OF ENGLAND AND WALES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022 £ '000	31 December 2021 £ '000
Non current			
Tangible assets	8	38,149	40,713
Net defined benefit asset	15	1,569	1,429
Investments	9	21,560	25,274
Investment Properties	10	2,115	2,116
		63,393	69,532
Current assets			
Cash and cash equivalents	11	7,129	7,051
Debtors and prepayments	12	1,290	1,115
Other		56	55
		8,475	8,221
Creditors: amounts falling due within one year	13	(8,430)	(6,235)
Net current assets		45	1,986
Total assets less current liabilities		63,438	71,518
Creditors: amounts falling due after more than one year			
Provisions for liabilities	14	(3,223)	(3,167)
Net defined benefit liability	15	-	-
Other		-	-
		(3,223)	(3,167)
Net assets		60,215	68,351
Accumulated reserves at 31 December 2021		68,351	70,071
Deficit for the year		(7,880)	(3,648)
Actuarial uplift / (deficit) on pension scheme valuation		(324)	2,252
Adjustment to Branch Bank Asset Balances		68	(324)
Accumulated reserves at 31 December 2022		60,215	68,351

The accompanying notes form part of these financial statements.

The Financial Statements were approved by the Audit Committee on 17 January 2025.

Signed on behalf of the PFEW by:



PFEW Deputy National Chair



PFEW National Treasurer

POLICE FEDERATION OF ENGLAND AND WALES
STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2022

	Note	2022 £ '000	2021 £ '000
Cash flows from Operating Activities			
Deficit income for the financial year		(8,204)	(1,396)
Adjustments for:			
Depreciation	8	3,430	3,929
Loss/(Gain) in fair value of Investments		3,383	(2,432)
Actuarial uplift on pension scheme valuation	15	(140)	(2,670)
Loss in fair value of Investment Properties		-	-
		6,673	(1,173)
Increase in Provisions		56	1,200
(Decrease)/Increase in Trade Creditors		1,868	(50)
Increase/(Decrease) in Accruals		792	(3,636)
(Increase)/Decrease in Debtors		(315)	993
Increase in Other Creditors		25	455
Decrease in Prepayments and other assets		155	1,829
		2,581	791
Tax expense		(16)	201
Net cash used in Operating Activities		1,034	(1,577)
Cash flows from investment Activities			
Increase in Property Investments		1	(36)
Acquisition of tangible assets	8	(866)	(2,280)
Sale of investments		-	-
Purchase of investments		331	2,327
Net cash used in Investment Activities		(534)	11
Cash flows from Financing Activities			
Increase in Branch equity		68	(324)
(Repayment of overdraft) /Proceeds from overdraft		(490)	490
Net cash used in Financing Activities		(422)	166
Net decrease in cash and cash equivalents		78	(1,400)
Opening Balance cash and cash equivalents		7,051	8,451
Closing balance cash and cash equivalents		7,129	7,051

The accompanying notes form part of these financial statements.

**POLICE FEDERATION OF ENGLAND AND WALES
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Accumulated Reserves	Total
	£ '000	£ '000
At 31 December 2021	68,351	68,351
Deficit for the year ended 31 December 2022	(7,880)	(7,880)
Other comprehensive income:		
Actuarial uplift/gain on pension scheme valuation	324	324
Adjustment to Branch Bank Account Balances	68	68
At 31 December 2022	60,863	60,863

The accompanying notes form part of these financial statements.

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1 GENERAL INFORMATION

The PFEW is the statutory staff association representing 139,000 rank and file police officers (Constables, Sergeants, Inspectors and Chief Inspectors) in the forty-three territorial police forces in England and Wales (the 'Forces'). Under UK labour law, the police are prohibited from joining ordinary trade unions to defend pay and working conditions (Police Act 1996) because of the view that a police strike would pose an exceptional public safety risk. The PFEW was originally established by the Police Act 1919, as an alternative system, which would serve to represent staff, and where disputes could be resolved through arbitration so long as the government continued to bargain in good faith.

1(a) Basis of Preparation

These Financial Statements have been prepared in accordance with Financial Reporting Standard applicable in the United Kingdom (FRS 102), PFR2017 and the PFEW 2018 Fund Rules.

In preparing the Financial Statements, the PFEW has met the following statutory requirements set out in PFR2017:

- 21.2(b) prepare annual accounts for the Federation ("Federation accounts") recording –
 - (i) the income, and expenditure of the Federation (including the income and expenditure of the Federation branches), for each financial year; and
 - (ii) the assets and liabilities of the Federation (including the assets and liabilities of the branches of the Federation) at the end of the financial year; and
- 21.2(c) arrange for the Federation accounts for each year to be audited by a (qualifying) auditor.

The Financial Statements include the income, expenditure, assets and liabilities of all PFEW entities as set out in the PFR2017. These include the National Board (comprising the entities formerly known as the Joint Central Committee, Inspectors Central Committee, Sergeants Central Committee, Constables Central Committee) and forty-three Branch Boards.

The principal trading entity is the National Board which operates the head office, the hotel and conferencing facilities at Federation House. The forty-three Branches operated during the accounting period, principally as the first point of contact for local members.

The Financial Statements have been prepared under the historical cost convention, except for a modification to include certain assets at fair value as specified in the accounting policies below.

1(b) Going concern

A significant post-balance sheet event occurred as noted within the National Treasurer's report on pages 3 - 5 that will impact the organisation's financial position materially.

Principal event and risk

The Employment Tribunal ruled in favour of the Claimants concerning the Police Pension Discrimination Claim against PFEW on the 6th of June 2023. The claim requires remedy and is affecting approximately 10,000 members.

Mitigation

The claim remedy will be financed largely from existing investments, cash reserves and assets that are not essential in the operations of PFEW and that do not hinder current support to our full membership.

These include;

- (a) Financial investments
- (b) Existing cash reserves
- (c) Disposal of property held at the Head Quarters, namely 11 Flats and the Head office building all located in Leatherhead.

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1(b) Going concern (continued)

Significant judgements from Management

We have developed a financial projection of our cash flows over the next 12 months from date of approval of these financial statements, to factor in the various instalments combined with the organisation's daily operations. The projections reflect that we are able to honour the instalments faithfully and also continue operations.

In terms of availability of the liquidity for instalments, the financial investments are in a highly liquid state together with the cash reserves. Regarding the disposal of property at held at Head Quarters in Leatherhead, we have performed a feasibility analysis with the assistance of reputable estate agents concerning the market value and potential timing of completion for disposal of these assets.

In the unlikely situation of the following downside risks materialising;

- (a) a negative change to market value or
- (b) timing of disposal of these assets

This will not impact PFEW honouring the instalments but rather will be managed through the collective responsibility of the Head office and Branches as there remains reserves that can underwrite the remaining instalments in the extremely unlikely scenario in order for this to be settled and for the Federation to move past this.

Other factors

Other considerations have been considered within the cashflows as follows:

- The level of member subscriptions remains constant with no material delays or problems concerning collection,
- The process for members to access support services such as legal advice or representation, based on the incumbent arrangements remains robust with a panel of reputable solicitors and legal experts in place.
- The PFEW remains in a position to represent members' interest with stakeholders such as the Home Office
- The PFEW implemented several cost saving initiatives in response to the uncertainties surrounding the rise of inflation and interest rates;

The PFEW's National Board and National Council continue to meet on a regular basis, These meetings encompass all aspects of the regular business including reviewing the PFEW's financials including cashflow forecasts.

Based on the above, the National Treasurer believes it remains appropriate to prepare the financial statements on a going concern basis. However, the significant depletion of our reserves will leave the organisation far less resilient in response to any future uncertainties. This matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the PFEW's ability to continue as a going concern and, therefore, that the PFEW may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2 Accounting policies

The following accounting policies have been adopted for material items:

2(a) Income

Income is shown within three main categories in the Financial Statements:

- Income from member subscriptions;
- Income from investments; and
- Income from other trading activities.

The following specific policies apply to categories of income:

- a) Income categorised as member subscriptions is recognised at the fair value of the consideration on an accrual basis. Income is derived from subscriptions collected from PFEW's members. During the accounting period income was shared between the National Board and Branch Boards. The Financial Statements present total income collected from members;
- b) Income categorised as investment income, excluding interest from bank deposit accounts, is recognised on an accrual basis;
- c) Income categorised as other trading activities, such as hotel, conferencing, and hospitality, is accounted for by the point of the event; and
- d) Income categorised as other trading activities, such as rental income, is accounted for on an accrual basis.

Any income restricted to a future accounting period is deferred and recognised in those accounting periods.

2(b) Expenditure

Expenditure for the National Board and all forty-three Branches has been prepared and is reported on an accrual basis.

Expenditure is shown inclusive of irrecoverable Value Added Tax. The PFEW operates with a partial exemption special method ('PESM'), agreed with HMRC in 2015.

All expenditure is categorised as:

- Members' legal fees
- National Board expenditure
- Branch expenditure

Members' legal fees represents expenditure incurred in the provision of support for members' claims.

National Board expenditure represents costs incurred at the head office based at Federation House, including personnel, office and premises, administration, financial management, human resources, communications, information technology, travel and subsistence, Federation officials' honoraria and insurance. Hosting events such as the annual conference are also categorised as National Board costs.

Branch expenditure represents costs incurred by forty-three Branches in the running of the Branch offices, including personnel (Branch staff), travel and subsistence, office, and premises costs.

**POLICE FEDERATION OF ENGLAND AND WALES
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FOR THE YEAR ENDED 31 DECEMBER 2022**

2(c) Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The purchase of assets under £10,000 are not capitalised. Assets under construction are not depreciated until they are brought into use.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, including freehold property (excluding land) and leasehold property, over their expected useful lives.

The applicable rates in the Financial Statements 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 – 33 years
- Freehold buildings (excluding land) – 33 years
- Freehold land – not depreciated

In these financial statements the PFEW has reconsidered the useful life of buildings. In previous financial statements buildings were considered to have an indefinite useful life. This policy has been revised to apply a useful life of 33 years. This policy aligns to FRS102 Section 17 paragraph 19. In accordance with FRS 102 section 10 paragraph 16, changes to accounting estimates are applied prospectively in the period of the change and future periods, and therefore is not adjusted retrospectively.

2(d) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase price plus labour, appropriate overhead expenses and materials used in bringing the stocks to their present location and condition.

2(e) Impairments

The carrying values of the PFEW's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of fair value less costs to sell the asset, and its value in use. If the assets recoverable value falls below its book value an impairment charge is recognised to bring its book value down to the recoverable amount.

2(f) Basic Financial Instruments

Investments

Investments in equity instruments includes quoted equity instruments, fixed interest government funds and other fixed interest funds. Investments are initially measured at fair value, which is normally the transaction price. Any changes in fair values are recognised in the Financial Statements as other comprehensive income.

**POLICE FEDERATION OF ENGLAND AND WALES
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2(f) Basic Financial Instruments (continued)

Investment Properties

Investment properties are properties which are held principally for members' use, with occasional rental income. Investment properties are recognised initially at cost. Investment properties are measured at the fair value. Any changes in fair values are recognised in the Financial Statements as other comprehensive income. There were no changes in fair value of investment properties during the accounting period.

Trade and other debtors

Trade and other debtors are recognised at the settlement amount due, less any provision for bad or doubtful amounts. Any such provisions are specific and applied in a consistent manner based on a debt's ageing and any other factors affecting potential recoverability. Loan receivables 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.

Cash and cash equivalents

Cash, for the purpose of the Statement of cash flows, represents balances on hand, and those on deposit with a maturity up to 3 months. Such balances are subject to insignificant risk of changes in value and are readily convertible.

Creditors

Trade and other creditors are recognised at the transaction price due, after allowing for any trade discounts. 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.

Other Financial Instruments

The PFEW has considered FRS102 sections 11 and 12 - identifying and classifying financial instruments as either 'basic' and 'other'. The PFEW holds financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors, are initially recognised at the transaction value, and subsequently measured at their settlement value.

Provisions for liabilities

Provisions are recognised when a present obligation arises (legal or constructive) because of a past event, it is probable that the obligation will be required to be settled, 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 (considering any 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 the income statement in the period it arises.

Contingencies and commitments

The disclosure of contingencies and commitments represents the nature and estimate of any financial effect, including an indication of any uncertainties relating to timing or amounts, and the possibility of reimbursement unless the possibility of any outflow of resources is considered remote. The PFEW does not have any undeclared, known commitments, guarantees or contingencies entered either by the National Board nor any Branch.

POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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2(f) Basic Financial Instruments (continued)

Employee benefits

The PFEW operates both a defined benefits pension scheme ('DB Scheme') and a defined contribution pension scheme ('DC Scheme'). The assets of the schemes are held separately from those of the PFEW, in independently administered funds.

Defined Benefit Scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. A company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. A company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising because of contributions and benefit payments. In respect of the DB Scheme, all assets are measured using market value except annuities which are measured at the same value as the corresponding pension obligation.

A valuation is performed tri-annually by a qualified actuary using the projected unit credit method. A company recognises net defined benefit plan assets to the extent that it can recover the surplus either through reduced contributions in the future or through refunds from the plan. Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the income statement. Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

The DB Scheme was established on 1 January 1980, set up under trust, to provide retirement benefits to the employees of the PFEW. The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The DB Scheme is an exempt approved scheme. The DB Scheme was closed to new entrants in May 2010. The Scheme is managed by a sole Trustee appointed by the Federation. The Trustee has responsibility for obtaining valuations of the Scheme, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to their professional advisers where appropriate

Defined Contribution Scheme

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The PFEW operates a DC Scheme for employees under an opt-in basis. Contributions to the DC Scheme are recognised in the income statement under Administrative Expenses.

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 PFEW. 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. Any related obligations, net of future finance charges, are included in creditors.

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

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2(f) Basic Financial Instruments (continued)

Foreign currency

The Financial Statements are presented in pound sterling. Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities at the year-end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

2(g) Taxation

Current tax is recognised as 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 at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax is calculated using the tax rates and laws that have been enacted at the reporting date that are expected to apply to the reversal of the timing difference. Except for changes arising on the initial recognition of a business combination, the tax expenses (income) are 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 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 assets and deferred tax liabilities are offset only if:

- There is a legally enforceable right to set off current tax assets against current tax liabilities;
- 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.

2(h) Related parties

The PFEW comprises approximately 1,200 representatives, elected from the police service.

The roles vary, including:

- a) full time officials based at Federation House;
- b) full time officials working in either Federation House, Branch offices, or remotely;
- c) full time officials based at Branch offices;
- d) part time officials working in a combination of Branch and Police Force locations.

All elected representatives are serving police officers and are employed by one of forty-three police forces throughout England and Wales. The role and tenure of each elected representative role is defined in PFR2017.

The PFEW has a small number of related party transactions. These principally relate to invoices received from police forces which recharge the PFEW for 100% of salary costs of their representatives in categories a) and b) above. Separately, the PFEW recharges all police forces (pro-rata, based on share of membership) for 50% the total recharge received.

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2(h) Related parties (continued)

The Police Firearms Officers Association ('PFOA') is a registered charity (no.1139247) that has a limited relationship with PFEW. There are instances of members of PFEW that are also members of the PFOA – in these cases there is a requirement for PFEW members to declare any potential / conflicts of interest in any meeting where PFOA matters are discussed. During the year the PFEW did not incur any costs with the PFOA (2021: £Nil).

The police forces, considered related parties, have no interest, controlling or otherwise, in the PFEW.

2(i) Transactions With Group Insurance Schemes, Benevolent Fund and Charities

Historically, policing-related entities have been established for the purpose of operating insurance schemes for personal insurance purposes. PFEW's Branches support these entities by facilitating presentations to PFEW members, whilst also providing administrative support. Any expenses incurred by PFEW Branches are reimbursed through an Administration Fee via a recharge. The PFEW Branches have no claim to any financial assets, nor subject to any financial liabilities such entities, including benevolent funds and charities.

2(j) Subsequent events

Subsequent events to the balance sheet date were reported in note 18.

2(k) Significant judgements and key sources of estimation uncertainty

In the application of the accounting policies, the PFEW is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue Recognition

Income from members' subscriptions is recognised in the income statement in the period the benefit was accrued by the PFEW, and therefore requires management judgement for the applicable period.

Provision for Liabilities

Management has considered each element that makes up the total provision balance as at the year end and decided that assumptions used to estimate these elements is sound, and there are no considerations that would materially change the provision balance. In addition, PFEW uses external legal advisors to inform the provision for outstanding claims.

Useful life of assets

The PFEW reviews the estimated useful lives of its assets annually at the end of each reporting period. During the year the PFEW assessed the useful lives of its assets and concluded that the period adopted in prior years reasonably represents the average useful life of the PFEW's assets and should be maintained for its equipment in 2022.

Investment properties

The PFEW reviews the fair value of its investment properties annually at the end of each reporting period. During the year the PFEW assessed the fair values and concluded that the amount recorded reasonably represents the fair value.

POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3 INCOME

Income is derived from members' subscriptions, shared between the National Board and Branches.

	2022	2021
	£ '000	£ '000
Retained by the National Board	31,276	28,503
Retained by the Branch Boards	5,971	5,047
	37,247	33,550

4 MEMBERS' LEGAL FEES

	2022	2021
	£ '000	£ '000
Cica claims	126	107
Civil claims	51	2,540
Criminal cases	2,724	2,139
Defamation	153	(298)
Discipline	3,303	2,713
Employment tribunals	2,503	2,259
Professional indemnity	486	623
Inquests	421	401
Judicial reviews	285	449
Other costs	2,930	2,710
	12,982	13,643

5 NATIONAL BOARD EXPENDITURE

	2022	2021
	£ '000	£ '000
Payroll Costs	7,539	6,578
IT Support Contracts, Hardware and Accessories	3,724	4,487
Professional Fees	2,275	1,986
Depreciation	3,157	3,632
Travel & Subsistence Costs	221	102
Communications & Events	990	576
National Board Salaries and ARP	1,215	830
Premises Costs	662	611
Federation House Costs	1,302	945
Insurance Costs	784	599
Death benefits paid to Members	305	310
Audit Fee*	174	125
Other Costs	(422)	511
	21,926	21,292

*Audit Fees are payable to the organisation's auditor for the audit of the organisation's annual accounts.

POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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6 BRANCH EXPENDITURE

	2022	2021
	£ '000	£ '000
AVON & SOMERSET	193	150
BEDFORDSHIRE	103	94
CAMBRIDGESHIRE	193	157
CHESHIRE	274	178
CITY OF LONDON	22	15
CLEVELAND	173	125
CUMBRIA	120	70
DERBYSHIRE	143	109
DEVON & CORNWALL	272	234
DORSET	160	101
DURHAM	154	114
DYFED POWYS	86	89
ESSEX	218	198
GLOUCESTERSHIRE	107	79
GREATER MANCHESTER	393	311
GWENT	113	59
HAMPSHIRE	381	285
HERTFORDSHIRE	168	107
HUMBERSIDE	130	75
KENT	264	203
LANCASHIRE	508	256
LEICESTERSHIRE	222	136
LINCOLNSHIRE	103	79
MERSEYSIDE	463	449
METROPOLITAN	1,449	808
NORFOLK	233	175
NORTH WALES	118	48
NORTH YORKSHIRE	140	99
NORTHAMPTONSHIRE	118	77
NORTHUMBRIA	259	265
NOTTINGHAMSHIRE	190	120
SOUTH WALES	301	173
SOUTH YORKSHIRE	227	226
STAFFORDSHIRE	178	101
SUFFOLK	152	112
SURREY	181	130
SUSSEX	204	162
THAMES VALLEY	372	334
WARWICKSHIRE	94	79
WEST MERCIA	116	113
WEST MIDLANDS	514	479
WEST YORKSHIRE	563	333
WILTSHIRE	44	70
TOTAL	<u>10,416</u>	<u>7,577</u>

POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2022	2021
	£ '000	£ '000
Current tax:		
Charge for the Year	-	15
Prior year adjustments	-	186
	<u>-</u>	<u>201</u>
Deferred tax movement	-	(47)
	<u>-</u>	<u>154</u>
Reconciliation of tax recognised in profit and loss		
Loss on ordinary activities before taxation	<u>(7,880)</u>	<u>(3,494)</u>
Tax at 19%	(1,497)	(664)
Effects of :		
Expenses not deductible for tax purposes	755	428
Prior year adjustment	-	186
Provident benefits	742	204
	<u>-</u>	<u>154</u>

8 TANGIBLE ASSETS

	Freehold Property £ '000	Leasehold Property £ '000	Plant & Machinery £ '000	Furniture & Fittings £ '000	Computer & Equipment £ '000	Motor Vehicles £ '000	Total £ '000
Cost							
At 31 December 2021	35,198	3,593	3,079	4,610	16,697	91	63,268
Additions	629	0	0	20	91	126	866
At 31 December 2022	<u>35,827</u>	<u>3,593</u>	<u>3,079</u>	<u>4,630</u>	<u>16,788</u>	<u>217</u>	<u>64,134</u>
Depreciation							
At 31 December 2021	(2,686)	(500)	(2,729)	(3,599)	(13,001)	(40)	(22,555)
Provided in the year	(578)	(108)	(206)	(177)	(2,331)	(30)	(3,430)
At 31 December 2022	<u>(3,264)</u>	<u>(608)</u>	<u>(2,935)</u>	<u>(3,776)</u>	<u>(15,332)</u>	<u>(70)</u>	<u>(25,985)</u>
Net Book Value							
At 31 December 2021	32,512	3,093	350	1,011	3,696	51	40,713
At 31 December 2022	32,563	2,985	144	854	1,456	147	38,149

POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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9 INVESTMENTS

ENTITY	2021 Market Value	Net Deposits / (Withdraw)	Return on investments	2022 Market Value
	£ '000	£ '000	£ '000	£ '000
NATIONAL BOARD	8,177	0	(1,263)	6,914
AVON & SOMERSET	249	0	-	249
BEDFORDSHIRE	-	-	-	-
CAMBRIDGESHIRE	233	3	(42)	194
CHESHIRE	-	-	-	-
CITY OF LONDON	-	-	-	-
CLEVELAND	-	-	-	-
CUMBRIA	-	-	-	-
DERBYSHIRE	62	-	(9)	53
DEVON & CORNWALL	-	-	-	-
DORSET	-	-	-	-
DURHAM	-	-	-	-
DYFED POWYS	-	-	-	-
ESSEX	331	-	(39)	292
GLOUCESTERSHIRE	187	-	(20)	167
GREATER MANCHESTER	724	-	(26)	698
GWENT	0	-	0	0
HAMPSHIRE	597	-	(44)	553
HERTFORDSHIRE	410	117	(35)	258
HUMBERSIDE	-	-	-	-
KENT	-	-	-	-
LANCASHIRE	944	(50)	(101)	793
LEICESTERSHIRE	346	0	(33)	313
LINCOLNSHIRE	128	25	(21)	132
MERSEYSIDE	394	-	(20)	374
METROPOLITAN	6,510	-	(949)	5,561
NORFOLK	-	-	-	-
NORTH WALES	864	-	(57)	807
NORTH YORKSHIRE	-	60	(3)	57
NORTHAMPTONSHIRE	-	-	-	-
NORTHUMBRIA	-	-	-	-
NOTTINGHAMSHIRE	-	-	-	-
SOUTH WALES	-	-	-	-
SOUTH YORKSHIRE	163	-	0	163
STAFFORDSHIRE	-	-	-	-
SUFFOLK	254	-	(22)	232
SURREY	388	-	(1)	387
SUSSEX	146	(138)	(7)	1
THAMES VALLEY	-	-	-	-
WARWICKSHIRE	-	-	-	-
WEST MERCIA	298	(50)	(28)	220
WEST MIDLANDS	2,681	-	(399)	2,282
WEST YORKSHIRE	831	(60)	(165)	606
WILTSHIRE	357	(70)	(33)	254
TOTAL	25,274	(397)	(3,317)	21,560

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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10 INVESTMENT PROPERTIES

ENTITY	2021 Market Value	Additions /Disposals	Fair value	2022 Market Value
	£ '000	£ '000	£ '000	£ '000
CAMBRIDGESHIRE	64	-	(12)	52
DEVON & CORNWALL	76	-	34	110
ESSEX	87	-	(24)	63
HAMPSHIRE	290	(228)	(62)	-
HERTFORDSHIRE	31	115	(1)	145
MERSEYSIDE	700	-	0	700
SOUTH YORKSHIRE	166	-	90	256
SURREY	36	-	(2)	34
SUSSEX	168	-	(38)	130
THAMES VALLEY	450	168	(25)	593
WEST YORKSHIRE	48	-	(16)	32
TOTAL	<u>2,116</u>	<u>55</u>	<u>(56)</u>	<u>2,115</u>

Investment properties comprise a number of holiday homes and caravans that are let out to members earning rental income. Changes in fair values are recognised as gains in profit or loss. All gains are unrealised.

Fair value hierarchy and valuation technique

The fair value of investment property was determined by observing completed sales of similar properties in the market. The fair value measurement for all the investment properties has been categorised as Level 2 fair value based on the inputs to the valuation technique used.

POLICE FEDERATION OF ENGLAND AND WALES
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11 CASH AND CASH EQUIVALENTS

ENTITY	2021 £ '000	Movement £ '000	2022 £ '000
NATIONAL BOARD	187	287	474
AVON & SOMERSET	153	7	160
BEDFORDSHIRE	23	17	40
CAMBRIDGESHIRE	65	23	88
CHESHIRE	76	(18)	58
CITY OF LONDON	107	0	107
CLEVELAND	106	15	121
CUMBRIA	38	2	40
DERBYSHIRE	134	(58)	76
DEVON & CORNWALL	581	(16)	565
DORSET	84	(41)	43
DURHAM	11	30	41
DYFED POWYS	210	(44)	166
ESSEX	65	10	75
GLOUCESTERSHIRE	63	7	70
GREATER MANCHESTER	385	(56)	329
GWENT	67	17	84
HAMPSHIRE	174	187	361
HERTFORDSHIRE	64	(5)	59
HUMBERSIDE	25	4	29
KENT	78	33	111
LANCASHIRE	43	(24)	19
LEICESTERSHIRE	35	2	37
LINCOLNSHIRE	56	(24)	32
MERSEYSIDE	116	(14)	102
METROPOLITAN	1,379	(325)	1,054
NORFOLK	143	32	175
NORTH WALES	64	(12)	52
NORTH YORKSHIRE	48	41	89
NORTHAMPTONSHIRE	75	4	79
NORTHUMBRIA	81	7	88
NOTTINGHAMSHIRE	93	(6)	87
SOUTH WALES	346	(132)	214
SOUTH YORKSHIRE	76	45	121
STAFFORDSHIRE	35	2	37
SUFFOLK	17	6	23
SURREY	66	1	67
SUSSEX	308	159	467
THAMES VALLEY	555	(154)	401
WARWICKSHIRE	83	(1)	82
WEST MERCIA	2	78	80
WEST MIDLANDS	460	(61)	399
WEST YORKSHIRE	200	(17)	183
WILTSHIRE	74	70	144
TOTAL	7,051	78	7,129

POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12 DEBTORS AND PREPAYMENTS

	2021	Movement	2022
	£ '000	£ '000	£ '000
Subscriptions Due	379	638	1,017
Debtors	323	(323)	-
Prepayments	413	(156)	257
Other	-	16	16
	<u>1,115</u>	<u>175</u>	<u>1,290</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	Movement	2022
	£ '000	£ '000	£ '000
Deferred Tax	998	-	998
Deferred Income	24	-	24
Bank overdraft (National Board)	490	(490)	-
Death Benefit	0	-	-
Mortgage Loan	351	(37)	314
Other Accrued Expenses	1,310	792	2,102
Trade Creditors	2,496	1,868	4,364
Other Creditors	365	62	427
Tax liability	201	-	201
	<u>6,235</u>	<u>2,195</u>	<u>8,430</u>

14 PROVISIONS FOR LIABILITIES

	2021	Amounts	New	2022
	£ '000	Utilised	Provisions	£ '000
		£ '000	£ '000	
Provisions for Legal Cases	3,080	(3,433)	3,478	3,125
Other Provisions	87	-	11	98
	<u>3,167</u>	<u>(3,433)</u>	<u>3,489</u>	<u>3,223</u>

The provision for legal cases represents probable costs to be incurred either in the form of legal costs or settlement on behalf of the PFEW's members, where a transfer of economic benefit will arise in a future period. The declared amounts in Note 14 reflect reliable estimates following consultation with the PFEW's panel of legal firms.

15 PFEW DEFINED BENEFIT PENSION SCHEME

The Police Federation of England and Wales Retirement Benefits Scheme is a defined benefit pension scheme. The Actuarial Funding valuation of scheme assets and the present value of the defined benefit obligation for the Police Federation of England and Wales Retirement Benefits Scheme has an effective valuation date of 31 Dec 2021. This valuation has shown a deficit of £1.037 million. The liability figures from this valuation were rolled forward for the following accounting year-ends. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the projected unit credit method. The scheme had a net pension asset at the accounting date. There is a unconditional right to a refund of surplus from the scheme in the context of IFRIC14.

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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15 PFEW DEFINED BENEFIT PENSION SCHEME (continued)

There was a surplus in the Scheme of £1,569K (2021:£1,429K). The main reasons for the change in the surplus over the period were due to the fact that There has been a significant increase in bond yields over the period, resulting in a higher discount rate of 4.95% p.a. (2021:1.95% p.a.) which decreased the value of the liabilities. In addition, there was a decrease of 0.10% p.a. in the market implied inflation rate compared to 31 December 2021, reflecting changes in expectations for future inflation, which has also decreased the value of the liabilities. The net impact of these changes in the financial assumptions resulted in an overall reduction in the value of the liabilities of £6,541,000. In addition the asset returns over the period were lower than expected, resulting in a loss of £4,481,000 which reduced the surplus.

The DB Scheme pension schemes typically expose the group to risks such as:

- Investment risk – the schemes hold their investments in equities and bonds, the value of which fluctuates, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.
- Interest rate risk – the schemes’ liabilities are assessed using market rates of interest, based on corporate bond yields, to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest.
- Inflation risk – a significant proportion of the benefits under the schemes is linked to inflation. Although the schemes’ assets are expected to provide a good hedge against inflation over the long term, movements over the short term would increase the schemes’ net deficit.
- Mortality risk – if members live longer than assumed, the liabilities may turn out to have been understated originally and a deficit may emerge if funding has not been adequately provided for the increased life expectancy.

The following tables disclose details of the PFEW’s DB Scheme:

Net pension statement:

	2022	2021
	£ '000	£ '000
Fair value of plan assets	13,604	17,816
Present value of defined benefit obligations	(12,035)	(16,387)
Surplus/(deficit) in scheme	<u>1,569</u>	<u>1,429</u>
Net defined benefit asset/(liability)	<u>1,569</u>	<u>1,429</u>
	2022	2021
	£ '000	£ '000
Reconciliation of opening and closing balances of the fair value of plan assets:		
Fair value of plan assets at the start of the period	17,816	17,024
Interest on assets	347	238
Company contributions	432	432
Benefits paid	(510)	(523)
Return on assets less interest	(4,481)	645
Fair value of plan assets at the end of the period	<u>13,604</u>	<u>17,816</u>
Actual return on assets	<u>(4,134)</u>	

None of the fair values of the assets shown above include any direct investments in the PFEW’s own financial instruments or any property occupied by, or other assets used by, the PFEW.

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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15 PFEW DEFINED BENEFIT PENSION SCHEME (continued)

The fair value of the plan assets was as follows:	2022	2021
	£ '000	£ '000
Equities	-	5,049
Bonds	6,066	4,214
Cash	1,185	365
Insured pensions	472	635
Liability driven investments	3,828	3,120
Multi asset	2,053	4,433
	<u>13,604</u>	<u>17,816</u>

Reconciliation of opening and closing balances of the Defined Benefit Obligation:	2022	2021
	£ '000	£ '000
Defined benefit obligation at the start of the period	16,387	18,265
Interest on liabilities	315	252
Benefits paid	(510)	(523)
Experience loss/(gain) on liabilities	872	(1,283)
Changes to demographic assumptions	1512	195
Changes to financial assumptions	(6,541)	(519)
Defined benefit obligation at the end of the period	<u>12,035</u>	<u>16,387</u>

Sensitivity of the value placed on the liabilities	Approximate effect on liability
	£ '000
Discount rate	
Discount rate -0.50%	740
Inflation	
Inflation +0.50%	537
Mortality	
Life expectancy + 1 year	475

Inflation

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the FRS102 discount rate, have increased significantly, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore both gross DBOs and assets have fallen.

**POLICE FEDERATION OF ENGLAND AND WALES
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15 PFEW DEFINED BENEFIT PENSION SCHEME (continued)

Defined benefit costs recognised in the Profit & Loss Statement	2022	2021
	£ '000	£ '000
Current service cost	-	-
Administration costs	-	-
Interest on liabilities	315	252
Interest on assets	(347)	(238)
Past service costs	-	-
Settlement and curtailment cost	-	-
Total costs recognised in the Statement of Financial Activities	(32)	14

Remeasurements over the period	2022	2021
	£ '000	£ '000
Loss/(gain) on assets in excess of interest	4,481	(645)
Experience losses/(gains) on liabilities	872	(1,283)
Losses from changes to demographic assumptions	1,512	195
Gains from changes to financial assumptions	(6,541)	(519)
Total remeasurements	324	(2,252)

Projected Profit & Loss account for next period	Period to 31 Dec 2023
	£ '000
Interest on liabilities	583
Interest on assets	(671)
Settlement and curtailment cost	-
Total charge to Profit and Loss	(88)

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:	2022	2021
	£ '000	£ '000
Discount rate p.a	4.95%	1.95%
Inflation (RPI) p.a	3.40%	3.50%
Pension increase (RPI (5%)) p.a	3.20%	3.30%
Life expectancy at aged 65 of male aged 45	22.1	23.4
Life expectancy at aged 65 of male aged 65	20.8	22.1
Life expectancy at aged 65 of female aged 45	25.3	25.3
Life expectancy at aged 65 of female aged 65	23.9	23.8
Commutation : % of members assumed to take the maximum tax free cash possible	15%	80%
Proportion married males/(females)	70%(70%)	85%(75%)

Post retirement mortality as at 31 Dec 2022:

108% of S3PMA and 100% S3PFA tables. CMI 2022 projections with a long-term improvement rate of 1.25% pa, an initial additional parameter of 0%, 0% weight parameter on data for 2020 and 2021 and 25% weight on data for 2022, and a smoothing parameter of 7.

Post retirement mortality as at 31 Dec 2021:

101% of S3PMA and S3PFA_M tables. CMI 2021 projections with a long-term improvement rate of 1.25% pa and smoothing parameter of 7.5.

**POLICE FEDERATION OF ENGLAND AND WALES
NOTES TO THE FINANCIAL STATEMENTS
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16 ELECTED NATIONAL OFFICIALS ENHANCEMENTS

PFR2017 permits an enhanced salary to full time elected officials based at Federation House, representing additional responsibilities, additional hours worked, and time spent away from home. The amount paid for each role represents the difference in gross pay between their police salary (determined by rank and grade) and the approved salary for each role, per PFR2017. Further information is available at www.polfed.org.

	2022	2021
	£	£
Chair	25,266	25,266
National Secretary	25,266	25,266
Treasurer	16,615	16,615
Vice Chair	16,615	16,615
Deputy National Secretary	2,034	2,034
Deputy Treasurer	8,445	8,445
Head of Civil Claims	21,708	21,708
Head of Criminal Claims	16,615	16,615

17 STAFF BASED AT FEDERATION HOUSE - COSTS AND NUMBERS

	2022	2021
	£ '000	£ '000
Wages and salaries	6,041	5,137
Social security costs	684	551
Other pension costs	466	332
Other costs	346	558
	<u>7,537</u>	<u>6,578</u>
Headcount	2022	2021
Management and administration	108	97
Federation House hotel and manual	49	38
	<u>157</u>	<u>135</u>

18 SUBSEQUENT EVENTS

On the 6th of June 2023, Police Federation of England and Wales (PFEW) received the Employment Tribunal's judgment of the police pension discrimination claim, brought against PFEW. The Tribunal ruled in favour of the claimants on a number of claims and PFEW decided not to pursue an appeal against the judgment issued. The claimants' remedy has now been determined and will be honoured in the year ahead.

This will result in a significant depletion the organisation's cash reserves and assets, decreasing the organisation's resilience in the face of future uncertainties.

Refer to note 1(b) Going concern, where the matter and impact on the organisation were disclosed.

PFEW will be taking a proactive approach to engage, rebuild bridges, learn lessons, and implement change.