

Presented pursuant to Schedule 2 para 17 (2)(b) of the Police Reform Act 2002

Independent Police Complaints Commission Account 2003-2004

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Foreword to the Accounts

Introduction

This statement of accounts reports the results of the Independent Police Complaints Commission (the Commission) for the period to 31 March 2004. It has been prepared in accordance with the Accounts Direction given by the Minister of State for Crime Reduction, Policing, Community Safety and Counter Terrorism and Resilience issues, with the consent of the Treasury, in accordance with paragraph 17(1) of Schedule 2 to The Police Reform Act 2002 (the Act).

History

The Commission was established on 1 April 2003 by instruction of the Act. The Act established the Commission as an independent body to oversee the police complaints system and independently investigate some of the most serious complaints against the police.

The Commission has the status of an Executive Non-Departmental Public Body established by statute. It is financed by Grant in Aid through the Home Office Main Estimate (Resource RfR1, Subhead AN:3). The Chair is appointed by the Crown. The Chief Executive Officer is accountable to the Commission, and has been appointed as Accounting Officer for the Commission by the Departmental Accounting Officer. As Accounting Officer, the Chief Executive Officer is accountable to Parliament for resources under her control and is accountable to the Committee of Public Accounts.

The Commission's constitution, set by the Act, dictates a Chair supported by at least ten Commissioners. The Commissioners are responsible for the governance of the Independent Police Complaints Commission as a whole, guardianship of the complaints system as well as the strategic direction and final determination of individual cases. The Commission's executive functions are managed by a Chief Executive Officer (who is also the Accounting Officer) supported by a senior executive team based in locations across England and Wales.

Principal activities

The principal activities undertaken by the Commission are defined by the statutory functions set out in the Act. In pursuit of successful discharge of these obligations the Commission seeks to

- increase public confidence in the complaints system and so build trust in the police service overall, thereby increasing effectiveness;
- enable the police service to learn from the concerns and complaints of the public by making citizen focused policing a reality and contributing to the Police Reform Agenda; put complaints and good customer service at the heart of the system and make action a responsibility across the force, particularly at local level;
- enhance professional standards of policing and so reduce instances of misconduct; and
- increase accountability of the police to the diverse communities they serve and increase cooperation between citizens and police.

During 2003-2004, the Commission was involved in setting up infrastructure, personnel structures and policy and procedures in advance of becoming operational.

Commission members

Commissioners are appointed under the Act. During the period ended 31 March 2004 13 Commissioners took up full time posts at the dates shown:

Nick Hardwick (Chair): 3 February 2003
Claire Gilham (Deputy Chair): 30 June 2003
John Wadham (Deputy Chair): 30 June 2003
John Crawley: 1 January 2004
Tom Davies: 1 October 2003
Mike Franklin: 1 September 2003
Gary Garland: 1 October 2003
Len Jackson: 5 January 2004
Nicholas Long: 1 September 2003
Laurence Lustgarten: 1 September 2003
Naseem Malik: 1 October 2003
Rebecca Marsh: 15 September 2003
Amerdeep Somal: 15 September 2003

Five Commissioners transferred from the predecessor body after the balance sheet date, on 1 April 2004

Ian Bynoe
Deborah Glass
David Petch
Mehmuda Mian Pritchard
Nicola Williams

All Commissioners undertook governance responsibilities from the date of the first Commission meeting of 20 October 2003. From set up, on 1 April 2003, the Chair and Chief Executive Officer together undertook these responsibilities. On the appointment of the two Deputy Chairs and the Director of Investigations a committee was formed to address governance issues ahead of the first Commission meeting.

The Independent Police Complaints Commission maintains a register of Commissioners interests and vouches that these do not conflict with work and activities undertaken.

Corporate governance

This statement of accounts includes on page 8, a Statement on Internal Control. During the set up stage of the Commission's activities, reliance was placed on the financial controls operated by the Home Office who provided an invoice processing service. One of the key tasks of set up during the financial year was to build and develop a system of internal controls to manage the risks the Commission faces, to safeguard its assets against unauthorised use or disposition and to maintain proper accounting records.

Audit

Arrangements for external audit are provided under Schedule 2 paragraph 17(1) of the Act which requires the Comptroller and Auditor General to examine, certify and report on the statement of accounts, and to lay copies of it together with his report before each House of Parliament. Internal Audit services are provided by the Home Office Audit and Assurance Unit.

Compliance with Public Sector Payment Policy

The Commission follows the principles of the Better Payment Practice Code. The Commission aims to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms, (if specific terms have not been negotiated), provided that the relevant invoice is properly presented and is not subject to dispute.

	£000	Number
Total invoices paid in year	18,502	1,812
Total invoices paid within target	8,446	895
Percentage of invoices paid within target	46per cent	49per cent

For the first ten months of activity, the Home Office made all payments on behalf of the Commission out of grant funding available until accounting systems were established. The Commission took over payments to suppliers from February 2004.

No interest was paid in respect of the Late Payment of Commercial Debts (Interest) Act 1998.

Results for the year

In accordance with Schedule 2 paragraph 18 of the Act, the Commission's statement of accounts covers the year ending on 31 March 2004. The Commission's statement of accounts is prepared on an accruals basis (subject to the point below) in accordance with the Accounts Direction issued to the Commission by the Minister of State for Crime Reduction, Policing, Community Safety and Counter Terrorism and Resilience Issues with the consent of the Treasury. The Accounts Direction issued to the Commission is the model Accounts Direction published by the Treasury in Executive Non-Departmental Public Bodies - Annual Reports and Accounts Guidance.

The accounts for the year ending 31 March 2004 are set out on pages 12 to 14. The Notes on pages 15 to 22 form part of the accounts.

During the year in question, the Home Office actioned the majority of payments on behalf of the Commission. As such, payments made represented Grant in Aid provided.

As an NDPB, in addition to preparing the statements of accounts on an accruals basis, the Commission is instructed to account for Grant in Aid, drawn down on need, on a cash basis. The pace of expenditure increased in the last few months before the Commission became operational on 1 April 2004. Therefore, the Income and Expenditure account reports a deficit representing accrued expenses and non cash items.

Overall, the Commission's expenditure for the year was lower than that planned but revised budgets were notified and agreed with the sponsoring department, the Home Office, during the year.

The Commission accounted for £15,607,000 of Grant in Aid in the year ended 31 March 2004 consisting of £7,380,000 for the operating activities and running costs and £8,227,000 for capital expenditure.

Grant in Aid provided (see above) in respect of capital expenditure has been credited to a Government Grant Reserve with transfers back to the Income and Expenditure account made to reflect yearly depreciation as recognised.

At 31 March 2004 the Commission had a cash balance of £840,000. The amount of interest received was negligible due to the funding arrangements described above.

Research and development

No research and development was undertaken in the period ended 31 March 2004.

Charitable donations

No donations to charity were made in the period ending 31 March 2004.

Changes in fixed assets

During the period to 31 March 2004, the Commission acquired fixed assets to the value of £10,013,000 as a part of the planned build process ahead of the formal launch.

Going concern

The Income and Expenditure Account, as reported on the balance sheet shows a debit balance of £3,280,000 equal to the deficit for the year. This reflects expenses accrued and recorded in the current year but due for payment after the balance sheet date. Accordingly, Grant in Aid was not drawn down within the year in question, reflecting the prevailing instruction that Grant in Aid should not be issued in advance of need.

The Home Office, as the sponsoring Department, are in accord with the above and have confirmed that IPCC activities will continue to be funded, and hence accrued liabilities will be settled in the normal course of business. Therefore, it is considered correct and appropriate to adopt a going concern basis for the preparation of these financial statements.

Post balance sheet events

Since the balance sheet date, the Commission has become operational and is now exercising new statutory powers including undertaking investigative activities. In addition, work has been taken over from the predecessor body, the Police Complaints Authority.

Employment policies

During the year to 31 March 2004, the Commission's employment policies reflected those of its sponsor department. However, the Commission is committed to formalising its own employment policies as it seeks to create an environment in which all employees can give of their best, and can contribute to the Commission's and to their own success.

Equal opportunities

The Commission is committed to equality of opportunity for all employees and potential employees.

During the year to 31 March 2004 the Commission maintained data as it sought to monitor compliance of its employment duty. In addition, to quantitative data the Commission closely observes recruitment activities, training, job satisfaction and staff turnover. Data and analysis are reported to the Commission and if areas of concern are identified, the Commission seeks to address them expeditiously.

Staff involvement and development

The Commission is committed to keeping its staff informed of performance, development and progress. The Commission encourages staff involvement in its development and, throughout the year ending 31 March 2004, staff contributed to the Commission's development through their involvement in working groups and project teams.

Disabled employees

The Commission gives full and fair consideration to applications for employment from people with disabilities, having regard to the nature of the employment. The Commission is similarly committed to enabling any members of staff who may become disabled to continue their employment.

Health and Safety at Work

The Commission recognises its duties in respect of health and safety at work and developed a policy in the third quarter of the year as part of the build process. From that start point, the Commission has begun a programme of work to discharge duties.

Future developments

As an independent body, the Commission will investigate the most serious complaints against the police and oversee the investigations and effective handling of other complaints. To achieve this statutory obligation, the Commission plan an evolutionary growth strategy over the next three years that will increase the number of investigators. This gradual and sustainable increase will deliver a specialist and experienced investigative capacity that will release police resources to focus on the front-line duties and increase public confidence in the complaints system and thereby in the police service more generally.

The Commission will be rolling out its regional delivery, as envisaged under the Police Reform Act. The basis of this will be the establishment of three permanent regional offices in addition to the London and South East Office, in Leicester, Manchester and Cardiff, replacing existing temporary accommodation. Permanent and suitably equipped regional offices will enhance our investigative functions and allow the devolution of casework to the regions.

As the guardian of the complaints system, the Commission will undertake research in conjunction with our stakeholders to spread best practice and enhance our guardianship role. The Commission will also be developing its systems of audit and inspections and its own performance monitoring system to ensure the delivery of quality-based and efficient results across the entire range of services undertaken. The Commission is currently reviewing the entirety of its operations to deliver continuous improvements to customers and stakeholders.

Signed on behalf of the Independent Police Complaints Commission

Susan Atkins
Chief Executive Officer and Accounting Officer

17 December 2004

Statement of the Commission's and the Accounting Officer's responsibilities for the Statement of Accounts

The Commission's responsibilities

Under the Cabinet Office's Guidance on Codes of Best Practice for Board Members of Public Bodies, the Commission is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 2 paragraph 17(1) of the Police Reform Act 2002, the Commission is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Commission's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Commission is required to

- observe the accounts direction issued by the Minister of State for Crime Reduction, Policing, Community Safety and Counter Terrorism and Resilience Issues, with the consent of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Independent Police Complaints Commission will continue in operation.

The Accounting Officer's responsibilities

The Accounting Officer for the Home Office has appointed the Chief Executive Officer of the Independent Police Complaints Commission as the Commission's Accounting Officer. Her relevant responsibilities as the Accounting Officer, including her responsibility under the Commission for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Signed on behalf of the Independent Police Complaints Commission.

Susan Atkins
Chief Executive Officer and Accounting Officer

17 December 2004

Statement on Internal Control

Internal Controls in operation during the year to 31 March 2004

These Statements of Accounts cover the period from commencement as a Non-Departmental Public Body, on 1 April 2003 by instruction of the Police Reform Act 2002, until 31 March 2004.

Nick Hardwick was appointed Chair on 3 February 2003 with further Commission members being appointed during the financial year in question. Susan Atkins was appointed Chief Executive Officer on 3 February 2003.

During the first quarter of activities (from inception on 1 April 2003) payment processing and procurement was actioned within the sponsor department within the Home Office. Henceforth, the Commission was supported by a small project team operating with limited delegation from the Home Office, which provided payment and procurement support services. The Commission developed independent payment and procurement procedures during the last quarter of the year to 31 March 2004.

As Accounting Officer, I have overall responsibility for the Commission's system of internal control and for reviewing its effectiveness. My review of the effectiveness of the system of internal control has been informed by the work of internal auditors employed, the work of the Senior Executives, Finance Committee, and Commission members during the year in question and also comments made by external auditors.

During the accounting period under review the Commission was very much in a set up stage from a completely fresh start situation. Indeed, it is still developing procedures, policies and working methods. As a result, the Commission has relied to a significant degree on the financial controls operated by the sponsor department: the Home Office who processed many transactions on behalf of the Commission, and provided a starting point for many policies and controls.

During the year to 31 March 2004, and before the Commission formally launched as an operational body (on 1 April 2004), the system of internal controls operating were appropriate to the size (at any given time) and reflective of the build state of the Commission. During this period management of risk was informed by the scrutiny of our key stakeholders and members of the Programme Board and also three external reviews.

The Commission provides information regularly to its sponsoring department within the Home Office. In the year ending 31 March 2004 the Commission was subject to a developmental check, initiated by the Home Office and undertaken by the Home Office's Audit and Assurance Unit, covering corporate governance and financial management arrangements. This check was appropriate given the new set up and build of the Commission and gave me assurance on the internal controls in place.

Developments for 2004-2005

As the Accounting Officer of the Commission, I acknowledge my responsibility for the development and maintenance of a sound system of internal controls which will support the achievement of the Commission's policies, aims and objectives and safeguards the public funds and assets for which I am personally responsible. This is in accord with the responsibilities assigned to me by the Home Office set out in the Financial Memorandum and those in Government Accounting.

The system of internal controls which we are developing during this first operational year will manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. Therefore, it can only provide reasonable and not absolute assurance of effectiveness.

The system of internal controls being developed during 2004-2005 is based on an ongoing process designed to identify principal risks. Examples of the types of processes which are being developed include

- formal appointment of the Home Office Audit and Assurance Unit to act as an internal auditor, to provide me with an independent opinion on the system of internal controls in operation and being developed. The Home Office Audit and Assurance Unit operate in accordance with Government Internal Audit Standards. Their work will be informed by an analysis of the risk to which the Commission is exposed and an annual audit plan will be based on that analysis;
- agreement and action of an Internal Audit plan for 2004-2005;
- establishment of an Audit Committee, which will receive reports from the appointed internal auditors;
- development of the corporate planning function, including procedures for the allocation of risk;
- establishment of a risk management policy and framework, including a process for assessing operational risks as an integral part of our business process;
- procedures for ensuring that aspects of risk management are embedded into directorate plans and reviewed regularly by management and the Commission; and
- appointment of key staff.

It is expected that the above key elements will be in place and effective by the end of December 2004.

Signed on behalf of the Independent Police Complaints Commission.

Susan Atkins
Chief Executive Officer and Accounting Officer

17 December 2004

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 12 to 22 under the Police Reform Act 2002. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 15 and 16.

Respective responsibilities of the Commission, the Chief Executive and Auditor

As described on page 7 the Commission and Chief Executive are responsible for the preparation of the financial statements in accordance with the Police Reform Act 2002 and directions made thereunder and for ensuring the regularity of financial transactions. The Commission and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board, and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Police Reform Act 2002 and directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 8 and 9 reflects the Independent Police Complaints Commission's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission and Chief Executive Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Independent Police Complaints Commission at 31 March 2004 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Police Reform Act 2002 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

31 January 2005

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Income and Expenditure Account for the year ended 31 March 2004

	Notes	£000
Grant in Aid received	3	7,380
Employment costs	5	(3,297)
Administrative costs	6	(8,347)
Operating surplus/(deficit) on ordinary activities		(4,264)
Other income	4	557
Notional costs	7	(73)
Operating surplus/(deficit)		(3,780)
Reversal of notional costs	7	73
Transfer from government grant reserve	15	427
Deficit for the year		(3,280)

All results arise from continuing activities.

The notes on pages 15 to 22 form part of these accounts.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2004

	Notes	£000
Brought forward surplus		0
Surplus/(deficit) for the financial year		(3,280)
Deficit on revaluation of fixed assets and intangible fixed assets	8,9	(389)
Government grant reserve	15	7,800
Movement on Government funds	16	4,131

The notes on pages 15 to 22 form part of these accounts.

Balance Sheet as at 31 March 2004

	Notes	£000	£000
Fixed assets			
Intangible assets	8		684
Tangible assets	9		8,420
			<u>9,104</u>
Current assets			
Debtors	10	582	
Prepayments and staff advances	11	233	
Cash at bank and in hand	12	840	
		<u>1,655</u>	
Current liabilities			
Creditors (amounts falling due within one year)	13	(5,761)	
Net current assets/(liabilities)			(4,106)
Creditors (amounts falling due after one year)	14		(867)
			<u>4,131</u>
Income and Expenditure Account	15		(3,280)
Revaluation reserve	15		(389)
Government grant reserve	15		7,800
	16		<u>4,131</u>

The Sponsoring Unit within the Home Office has confirmed continuing funding.

The notes on pages 15 to 22 form part of these accounts.

Susan Atkins
Chief Executive Officer and Accounting Officer

17 December 2004

Cash Flow Statement for the year ended 31 March 2004

	Notes	£000
Operating activities		
Net cash inflow from operating activities	17	2,069
Returns on investments and servicing of finance		
Other income	4	557
Purchase of fixed assets	8,9	<u>(10,013)</u>
Net cash outflow before financing		<u>(7,387)</u>
Financing for capital expenditure		
Grant in Aid	3	<u>8,227</u>
Increase in cash	18	<u>840</u>
Cash in bank and at hand		<u>840</u>

The notes on pages 15 to 22 form part of these Accounts.

Notes to the Accounts

1 Statement of accounting policies

1.1 Accounting basis

The Statement of Accounts set out on pages 12 to 14 together with the Notes on pages 15 to 22 have been prepared on an accruals basis (subject to paragraph 1.3 below) in accordance with the Accounts Direction given by the Minister of State with the consent of the Treasury in accordance with paragraph 17(1) of Schedule 2 to the Police Reform Act 2002.

The Accounts Direction given to the Commission instructs that accounts should be prepared in accordance with the current edition of Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance.

1.2 Accounting conventions

The accounts have been prepared in a form directed by the Minister of State with the approval of the Treasury in accordance with Schedule 2 to the Police Reform Act 2002.

The accounts are prepared using the historical cost convention modified by the inclusion of fixed assets at current cost. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

1.3 Grant in Aid

Grant in Aid received for revenue expenditure is credited to income in the year to which it relates: it is accounted for on a cash basis.

Grant in Aid for capital expenditure is credited to a government grant reserve. Each year, an amount equal to the depreciation and amortisation charge on fixed assets acquired through Grant in Aid will be released from the Government Grant Reserve to the Income and Expenditure Account.

Any deficit on the revaluation reserve will be transferred from the revaluation reserve to the Income and Expenditure Account.

1.4 Fixed assets

Assets are capitalised as fixed assets if they are intended for use on a continuing basis and their original purchase cost (either individually or grouped if appropriate) is in excess of £1,000. Fixed Assets are valued at current replacement cost by using Price Index Numbers for Current Cost Accounting published by the Office for National Statistics.

Any surplus on revaluation is credited to the Revaluation Reserve. A deficit on revaluation is debited to the Income and Expenditure Account if the deficit exceeds the balance on the Revaluation Reserve.

1.5 Depreciation

Depreciation is provided on all fixed assets on a straight line basis to write off the cost or valuation evenly over the asset's anticipated life as follows

	Anticipated life
Intangible assets	Three years
Information technology equipment (including printers and laptops)	Three years
Information technology infrastructure	Three years
Information technology software	Three years
Fit out, furniture and fittings	10 years
Motor vehicles	Three years

1.6 Pension costs

Pensions are to be provided by the provisions of the Principal Civil Service Pension Scheme (PCSPS). Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. There is a separate scheme statement for the PCSPS as a whole.

Employer pension contributions are accounted for on an accrual basis.

1.7 Operating leases

Payments made under operating leases are charged to expenditure as incurred.

1.8 Notional costs

In accordance with the Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance published by HM Treasury, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing notional income to finance the charge. The charge for the period is calculated using the Treasury's discount rate of 3.5 per cent applied to the average value of capital employed during the period.

2 Value Added Tax

The Commission is not eligible to register for VAT and all costs shown are inclusive of VAT.

3 Grant in Aid

	£000
Received for Revenue Expenditure	
Home Office Main Estimate (Resource RfR1, Subhead AN : 3)	7,380
Received for Capital Expenditure	
Home Office Main Estimate (Resource RfR1, Subhead AN : 3)	8,227
Total	15,607

4 Other income

Other income represents costs recoverable from the Home Office (£557,000). These were costs incurred by IPCC on behalf of the Bichard Inquiry.

5 Employment costs

5.1 Staff costs and Commissioners' remuneration

	Permanent staff £000	Consultants £000	Seconded / Agency £000	Total £000
Commissioner members and Chief Executive Officer				
Salaries and emoluments	614	0	0	614
NIC contributions	65	0	0	65
Pension contributions	115	0	0	115
Staff				
Salaries and emoluments	888	626	773	2,287
NIC contributions	94	0	0	94
Pension contributions	122	0	0	122
	1,898	626	773	3,297

5.2 Remuneration of Commission members and Chief Executive Officer (£000s)

	Salary (as defined)	Real increase in pension and lump sum	Total accrued at age 60 at 31 March 2004 and lump sum	CETV at 31 March 2004	Real increase in CETV after adjustment for inflation and changes in inv factors	Employer contributions to Pension Scheme
	£000	£	£	£	£	£
Nick Hardwick (Chair)	95-100	1,612	1,873	23,000	19,600	27,473
Claire Gilham (Deputy Chair)	45-50	767	767	8,499	7,000	8,492
John Wadham (Deputy Chair)	45-50	456	456	3,000	2,000	8,747
John Crawley	15-20	253	253	3,000	3,000	2,812
Tom Davies	35-40	575	575	8,000	7,000	6,487
Mike Franklin	35-40	8,065	48,543	131,756	26,364	7,887
Gary Garland	30-35	3,152	7,123	21,000	7,000	6,013
Len Jackson	20-25	373	373	5,000	5,000	3,806
Nicholas Long	35-40	632	632	8,000	7,000	7,015
Laurence Lustgarten	35-40	632	632	305,000	0	7,015
Naseem Malik	30-35	529	529	4,000	3,000	5,874
Rebecca Marsh	45-50	0	0	0	0	0
Amerdeep Somal	35-40	632	632	5,000	5,000	7,212
Susan Atkins (Chief Executive)	90-95	27,191	99,498	389,501	114,248	15,725

'Salary' includes all gross pay and allowances, taxable and non taxable benefits.

Commissioners and staff members are treated equally for pension purposes having the same rights and entitlements.

Pension benefits reflect benefits recognised at 31 March 2004. These may be altered by subsequent transfers, including transfers in respect of previous pensionable service.

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) arrangements. The schemes are unfunded multi-employer statutory defined benefit schemes. The Commission's contributions are not affected by any surplus or deficit in the schemes relating to past service of Commissioners or staff, or any other members of the scheme.

Employer contributions to the Pension Scheme represent contributions made by IPCC for the year ended 31 March 2004.

The Commission's contributions are set in relation to each financial year only and the Commission is unable to identify its share of the schemes' underlying assets and liabilities.

For 2003-2004, employers contributions of £236,444 were payable at one of four rates in the range of 12 to 18.5 per cent of pensionable pay based on salary bands. Employer contribution rates are to be reviewed every three years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued and not when the costs are actually incurred, and reflect past experience of the scheme.

A full actuarial valuation of the Principal Civil Service Pension Scheme was carried out on 25 July 2003. Details of this valuation and the benefits provided by each scheme are provided in the Cabinet Office: Civil Superannuation Resource Accounts available from www.civilservice-pensions.gov.uk.

The Commission notes that members have elected as to which scheme they wish to contribute to subsequent to the re-organisation of 1 October 2002.

From 1 October 2002, civil servants may be in one of three statutory 'final salary' defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

a Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow (er) pensions.

b Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic there is no automatic lump sum but members may contribute some of their pensions to provide a lump sum up to a maximum of 3/80th of final pensionable earnings for each year of service or 2.25 times pension if greater (the contribution rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum contribution. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8th the member's pension (before any commutation). On death in service, the scheme pays as a lump sum benefit three times pensionable earnings and also provides a service enhancement on computing the spouse's or partner's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction. Where the members ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

c Classic Plus Scheme

This is essentially a variation of premium but with benefits of service before 1 October 2002 calculated broadly as per classic.

Premiums payable under classic, premium and classic plus are increased in line with the Retail Prices Index.

d Partnership Pension Account

This is a stakeholder type arrangement where the employer pays a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make a contribution these will be matched by the employer up to a limit of 3 per cent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25 per cent of the fund as a lump sum.

No staff members or Commissioners receive pension benefits by analogy with the Principal Civil Service Pension Scheme.

5.3 Staff numbers (incl. Commissioners)

The number of staff employed (full time equivalent) may be analysed as follows

	No.
Commissioners and CEO	14
Management	10
Administrative and support	56
Investigative	121
	<hr/>
	201
	<hr/>

The total number reported includes casual and agency staff employed, covering posts intended to be permanent with respect to the envisaged final structure.

Staff numbers are as at 31 March 2004. The Commission has increased the total of permanent staff employed throughout the year from a total of one (The Chief Executive Officer) as at 1 April 2003.

6 Administrative costs

Administrative costs include the following

	£000
Travel and subsistence	268
Training	413
Accommodation costs	1,355
IT costs	1,052
Depreciation costs	520
Recruitment costs	2,095
Professional services	1,009
Auditors remuneration	39
Other costs	729
Accommodation rental on lease premises	867
	8,347

7 Notional costs

Notional Costs (of £73,000) have been recognised as a charge for the cost of capital employed based on the average capital employed during the year.

8 Intangible fixed assets

	Intangible Fixed Assets £000	Total £000
Cost or valuation		
Additions	796	796
Revaluations	(54)	(54)
Disposals	0	0
	<u>742</u>	<u>742</u>
Depreciation		
On disposals	0	0
Charge for year	58	58
	<u>684</u>	<u>684</u>
Net book value as at 31 March 2004		

9 Tangible fixed assets

	Information Technology Infrastructure £000	Investigations Fleet Cars £000	Fit out, furniture and fittings £000	Audio Visuals £000	Total £000
Cost or valuation					
Additions	4,995	383	3,718	121	9,217
Revaluations	(322)	0	(13)	0	(335)
Disposals	0	0	0	0	0
	<u>4,673</u>	<u>383</u>	<u>3,705</u>	<u>121</u>	<u>8,882</u>
Depreciation					
On disposals	0	0	0	0	0
Charge for year	363	0	99	0	462
	<u>363</u>	<u>0</u>	<u>99</u>	<u>0</u>	<u>462</u>
Net book value as at 31 March 2004	<u>4,310</u>	<u>383</u>	<u>3,606</u>	<u>121</u>	<u>8,420</u>

No fixed assets existed as at 1 April 2003.

10 Debtors

	£000
Sundry amounts recoverable	582
	<u>582</u>

All debts and amounts recoverable are due within one year.

11 Prepayments and staff advances

	£000
Staff advances	17
Prepayments	216
	<u>233</u>

12 Cash at bank and in hand

	£000
Cash at bank	839
Cash in hand	1
	<u>840</u>

The cash at bank and in hand is represented by £839,000 held at a commercial bank and £1,000 in cash, imprests and floats.

13 Creditors (amounts falling due within one year)

	£000
Trade creditors	(4,773)
Accruals	(707)
Amounts due in respect of payroll, tax and pension	(273)
Amounts due to Consolidated Fund	(8)
	<u>(5,761)</u>

All creditors noted above are due for settlement within one year.

14 Creditors (amounts falling due after one year)

The Commission notes attributed rental costs of £867,000 in respect of lease premises relating to a rent free period.

15 Income and Expenditure Account and Reserves

	Income and expenditure account £000	Revaluation reserve £000	Government grant reserve £000	Total £000
Opening balance	0	0	0	0
Deficit for year	(3,280)	0	0	(3,280)
Revaluations	0	(389)	0	(389)
Capital expenditure funding	0	0	8,227	8,227
Depreciation	0	0	(427)	(427)
Closing balance as at 31 March 2004	<u>(3,280)</u>	<u>(389)</u>	<u>7,800</u>	<u>4,131</u>

The Revaluation Reserve reflects revaluations of fixed assets and intangible fixed assets held - see notes 8 and 9. The reported Income and Expenditure Account balance (-£3,280,000) is after the transfer of £427,000 from the Government Grant Reserve in respect of depreciation on fixed assets acquired from capital funding.

16 Movement on government funds

The increase in Government Funds is explained by the deficit of the year of £ 3,280,000 and the other reserves as shown above. Government Funds built to a total of £4,131,000 as at 31 March 2004, from zero at the corresponding time last year.

17 Cash inflow/(outflow)

	£000
Operating deficit on ordinary activity	(4,264)
Depreciation	520
(Increase)/decrease in debtors	(815)
Increase/(decrease) in creditors (amount falling due within one year)	5,761
Increase/(decrease) in creditors (amount falling due after one year)	867
Net cash inflow (outflow) from operating activities	<u>2,069</u>

18 Analysis of changes in cash

	£000
Opening balance as at 1 April 2003	0
Increase in cash	840
Closing balance as at 31 March 2004	840

19 Capital commitments

At 31 March 2004, the Commission noted obligations in respect of capital assets ordered but falling due for payment in subsequent years. This relates to Information Technology Infrastructure costs of £1,101,000.

20 Obligations under operating leases

	£000
The Commission occupies premises under an ongoing lease contract.	
Amount falling due within one year	0
2 - 5 years	7
After 5 years	16

No Finance Leases were entered into.

21 Post Balance sheet events

Subsequent to the balance sheet date, the Commission began operational duties (as opposed to the set up project of the year in question).

22 Related party transactions

The Home Office is considered to be a related party of the Commission. During the year ended 31 March 2004 with the exception of the Home Office providing Grant in Aid, no related party transactions were entered into.

During the year ended 31 March 2004 none of the appointed Commissioners, Directors or key managerial staff undertook any material transactions with the Commission.

23 Financial instruments

The Commission's cash is held with the Co-operative Bank where it earns interest at 2 per cent below the base rate. During the year in question the Commission had a relatively simple method of funding its activities and is not exposed to risks arising from interest rate changes, currency variations or other.

The Commission has no loans or overdrafts.

24 Financial targets

The Commission has no formally agreed financial targets.

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