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# Mayor's Office For Policing And Crime and Group

Statement of Accounts 2016/17

**M O P A C** | **MAYOR OF LONDON**  
OFFICE FOR POLICING AND CRIME

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## Narrative report

### Introduction

The Mayor's Office For Policing And Crime (MOPAC) was established as a Corporation Sole in January 2012 with a separate body of the Commissioner of Police of the Metropolis (CPM). The Mayor has several key roles in the capacity of Police and Crime Commissioner - most importantly setting the strategic direction and accountability for policing. The Mayor is responsible for the formal oversight of the Metropolitan Police Service (MPS), including budget-setting, performance scrutiny and strategic policy development, and for ensuring the MPS is run efficiently and effectively, so that Londoners are getting the best service possible from their police. Operational decision-making on day-to-day policing remains the responsibility of the Commissioner.

The Policing and Crime Plan sets out how the Mayor plans to discharge his responsibilities through MOPAC and his commitments to Londoners over the four years following the Mayor's appointment as Police and Crime Commissioner for London.

On 5 May 2016, London elected Sadiq Khan as Mayor and also as the occupant of the Mayor's Office for Police and Crime for the metropolitan police district. This Statement of Accounts reflects the final weeks of the Boris Johnson mayoralty and the first months of the Sadiq Khan mayoralty in 2016/17. Subsequently, in June 2016 Sophie Linden was appointed as the Deputy Mayor for Policing and Crime. The Accounts reflect the new administration's priorities to meet the objectives within MOPAC's published Policing and Crime Plan for 2017-2021 and savings that will balance the budget in the medium-term.

All the financial transactions incurred during 2016/17 for policing London have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of MOPAC and the MOPAC Group for the year ending 31 March 2017. The term 'Group' refers to the consolidated accounts of the MOPAC and its subsidiary, CPM. Where the Group's position differs from MOPAC's position this is made clear in the statements and notes. Separate statutory accounts are prepared for the CPM.

This narrative report provides an overview of the accounting arrangements and outlines the financial performance of MOPAC and the MOPAC Group during 2016/17.

### Delivering our priorities - highlights of 2016/17

In 2016/17, MOPAC consulted on and produced the Policing and Crime Plan 2017-2021, setting out Mayor Sadiq Khan's agenda for the safety of London over the next four years.

The Policing and Crime Plan was published on 20 March 2017 and is available in full online at [www.london.gov.uk/police-plan](http://www.london.gov.uk/police-plan).

#### A better Police Service for London

##### *Restoring real neighbourhood policing*

Neighbourhood policing - with dedicated officers and PCSOs who know and are known to the community - is the bedrock of all of our efforts to keep London safe and ensure that Londoners have confidence in their police. In July 2016, the Mayor announced an additional Dedicated Ward Officer (DWO) for each of London's 629 wards, taking the number to a minimum of two PCs and one PCSO in every ward. 464 of these additional officers are now in place, and we are on track to have the additional officers in place in every ward by the end of 2017. These officers provide a consistent and visible local presence in wards and work together with councils and other partner agencies to solve the crime and antisocial problems of greatest concern to residents. Additional DWOs will be provided to wards facing the greatest problems of crime and antisocial behaviour.

We have also agreed a new way of setting crime and antisocial behaviour priorities for the MPS, giving greater control and flexibility to local police and councils to ensure they are focusing on the things that matter most to their residents. The previous Mayor's 'MOPAC 7' system of crime targets meant that the police had to focus on the same crimes everywhere in the city, whether they were a problem for their communities or not. In addition, the HMIC review into Child Protection at the MPS found that the focus on hitting the MOPAC 7 targets meant that other serious crimes against the most vulnerable were not always receiving the attention they needed.

We have worked with the MPS and elected Local Councils to agree crime and antisocial behaviour priorities for every Borough. These priorities, reviewed annually, include two local crime priorities, antisocial behaviour and a mandatory focus on high harm crimes - sexual violence, domestic abuse, child sexual exploitation, weapon-based crime and hate crime.

### *Holding the MPS to account*

In order to hold the MPS and justice partners to account publically, MOPAC launched a series of public meetings "Policing Matters" and "Justice Matters". These will continue throughout the delivery of the Police and Crime Plan 2017-21 as we begin to scrutinise performance on the delivery of local and city-wide priorities.

### *Appointing a new Commissioner for the Metropolitan Police Service*

In September 2016, Sir Bernard Hogan-Howe announced his intention to retire as Commissioner of the Metropolitan Police. The Mayor and MOPAC worked closely with the Home Secretary to recruit his successor and in February 2017, we were delighted to announce the appointment of Cressida Dick, the first female Commissioner in the history of the Service. We look forward to working closely with her as we deliver the Police and Crime Plan for London.

### *Investing in a 21<sup>st</sup> Century police service*

In October 2016, rollout began of body worn video cameras across the MPS. This follows the world's largest trial of body worn video, across ten London boroughs over 12 months and wide-ranging public consultation and academic evaluation. Cameras have been issued across all 32 boroughs and a number of front-line specialist roles, including overt firearms officers. Once rolled out, the cameras will be in use by more officers in a single city than anywhere else in the world to date. These confidence boosting cameras have helped reduce complaints and make our officers more accountable and we know most Londoners are supportive of them.

Investments are also being made in handheld tablets and other mobile devices to enable officers and staff to work more effectively and efficiently on the move; and also in the latest digital forensic technology to ensure the MPS is equipped to quickly retrieve and make use of evidence held on digital devices.

### *Supporting crime prevention projects*

£72 million was announced in funding over the next four years to help prevent crime across London, maintaining recent levels of investment despite significant pressures on the policing budget. This new tranche of the London Crime Prevention Fund will be awarded according to the greatest need across London's boroughs, with a new emphasis on ensuring every Londoner has the access to the services they need to help support them and keep them safe. The new investment will help to deliver local services including support for victims of domestic and sexual violence, knife crime prevention and rehabilitation of offenders within the community.

### *Improving London's preparedness for major emergencies*

One of the Mayor's first announcements was the training and deployment of additional firearms officers to improve London's readiness to respond to an armed attack. The MPS previously had 2,200 firearms officers and has committed to increasing that by 600. Many of these officers are

now trained and deployed, and the MPS has reached full operational capability ahead of schedule.

In May 2016, the Mayor asked Lord Harris of Haringey to undertake a full and independent review to ensure London is as prepared as possible to respond to a major terrorist incident. On 28 October, Lord Harris published his significant and wide-ranging independent report into what could be done to improve London's resources and readiness to respond to a major incident, making 127 recommendations for the GLA and functional bodies, the Government and other agencies to consider. With work well underway on his recommendations, we will publish an update in due course.

The appalling terrorist attack in Westminster in March 2017 demonstrated the continued determination of extremists to attack our city and our way of life. We will continue to work with the MPS and partners to prevent terror attacks and ensure that, should the worst happen, we are ready to respond quickly and decisively.

### *Fighting for the resources our police need*

It is vital that the MPS has the money it needs to keep our growing global city safe. In response to funding reductions for the Metropolitan Police confirmed by the Government in December 2016, the Mayor took the difficult decision to increase the policing share of council tax bills by an average of 8p a week from April 2017 in order to help maintain police officer numbers across London. The Government has warned that there could be further reductions to funding for the Metropolitan Police next year as a result of changes to the police funding formula. The Mayor remains deeply concerned that the combination of Government underfunding, along with potential changes to the way police funding is allocated to forces, could undermine public safety in the capital. He continues to lobby the Government and make the strongest case possible to ensure London's police get the money they need to keep our city safe.

### **A better Criminal Justice Service for London**

#### *Putting victims at the heart of what we do*

Crime can have a devastating and lasting impact on people's lives, which is why the Mayor was determined to put the needs of victims at the heart of the Police and Crime Plan for London. The Victims' Commissioner will stand up for survivors of crime across the capital, making sure their voice is heard and that their needs are at the heart of our policing and criminal services.

#### *Greater control over London's Criminal Justice Service*

Following extensive lobbying by the Mayor, on 8<sup>th</sup> March 2017, the Chancellor announced the beginning of work towards the devolution of responsibility for some elements of the Criminal Justice Service to the Mayor of London. This is a major step towards our ambition of a better Criminal Justice Service for London, which has previously been under the control of central Government. The Treasury's 2017 Spring Budget announced that a Memorandum of Understanding (MoU) will be agreed to set out the next steps of the devolution process.

#### *Greater access to restorative justice*

In August 2016, the Mayor announced £1.3m funding for the first pan-London restorative justice service - Restore:London. Restorative justice gives those victims who want it an opportunity to communicate with those who have offended against them, and allows them to explain the impact of the crime on their life. By giving victims a voice in this way, we can improve their satisfaction as well as bring offenders face to face with the consequences of their actions. It will never be appropriate in all cases, and it is not a soft option - it will only be an option once an offender has admitted guilt, with no influence on sentencing. But for those cases where it can improve outcomes, the option will now be available to victims across the city.

### *Getting to grips with London's most prolific reoffenders*

A MOPAC-commissioned study of 4,000 of London's most prolific offenders found that such individuals were responsible for an average of 57 arrests each and 36 convictions over the course of their lives. As well as the trauma and harm caused to the victims of their crimes, career criminals such as these cost London taxpayers the equivalent of £2.2 billion a year in criminal justice costs alone. On 22 March 2017, the Mayor announced a new pilot project to trial the use of GPS tracking tags - Magistrates in eight London boroughs can now order the wearing of a GPS tag as part of a community or suspended sentence, enabling the offender's whereabouts to be known. The tags gather data to monitor an offender's compliance with their court order or bail conditions, alerting probation officers if these are breached. This could include entering an exclusion zone or failing to attend mandated appointments. For the first time, the London trial will enable the police to use this information for crime mapping, providing information on an offender's location at a specific date and time to identify whether they could have been at the scene of a crime. If the wearer fails to comply with their sentence, they could face a jail sentence.

### *Tackling female reoffending*

Around 30,000 women are arrested each year in London, making up a third of all offenders sentenced at court. Of these, over a fifth go on to reoffend. Support for female offenders in the capital has been historically underfunded and the need for more services has become increasingly acute as a result of the closure of HMP Holloway last summer. In January 2017, the Mayor announced an investment of £500k into a new Female Offender Service, a joint project by the Mayor's Office for Policing and Crime (MOPAC) and the London Community Rehabilitation Company (London CRC) to expand and improve current services and bring different agencies together to tackle women's reoffending across the capital.

### **Keeping children and young people safe**

#### *Child House*

In September 2016, the Mayor was joined by Home Secretary Amber Rudd to announce a pioneering project to help children who have been victims of sexual abuse or exploitation. The UK's first two Child Houses, funded by £7.2m secured by MOPAC and NHS England (London) from the Home Office Innovation Fund, will offer medical, investigative and emotional support in one place, removing the need for young victims to go through the trauma of repeating their statement several times to different agencies. This multi-agency approach will help gather better evidence and increase the speed of its delivery to court, as well as offering longer term support to victims of child sexual abuse in the criminal justice system.

#### *Improving Child Protection in the MPS*

In November 2016, the HMIC published a highly critical report that has exposed significant failings in the way the Metropolitan Police Service (MPS) works to protect children in London. HMIC identified poor practice in the police response to allegations of crimes against young people, in identifying clear signs of child sexual exploitation, and in dealing with missing children or children at risk. In response, the Mayor announced a detailed and wide-ranging action plan to address the failings, identified by the HMIC report.

#### *Taking action against knife crime*

Knife crime accounts for almost half of all fatal homicides in the capital and has risen 16 per cent in the last two years. In October 2016, the Mayor hosted a special summit to help inform a tough new approach to tackling knife crime. The event brought together around 150 Londoners, including young adults, victims, community leaders, experts and professionals from schools, hospitals, the police and criminal justice partners, in order to help pave the way for a more collaborative and effective strategy for keeping young Londoners safe. The Knife Crime Strategy

will be published this summer, setting out our comprehensive response to what is one of the most important safety issues facing our city.

### **Tackling violence against women and girls**

#### *Understanding the needs of women and girls in London*

In November 2016, MOPAC and NHS England published a study into sexual violence and child sexual exploitation in London to enable all partners to better understand the level of offending and the support services provided to survivors, providing insights to inform future spending and policy decisions. The London Sexual Violence Needs Assessment found inconsistent access to legal and mental health services, limited funding for prevention work, and a lack of a strategic, joined-up approach to meet the specific needs and demands of the capital.

#### *Addressing the findings of the Sexual Violence Needs Assessment*

To address the gaps identified in the Needs Assessment, the Mayor announced an investment of more than £4 million in services to support survivors of sexual violence and abuse, and the Mayor's Office for Policing and Crime (MOPAC) is working with NHS England to develop a new model for sexual abuse services in London, in partnership with existing providers. The Mayor has extended funding for three London Sexual Assault Referral Centres (Havens) and four London Rape Crisis Centres for an additional year until March 2018, during which time MOPAC will work with them on redesigning services so they better meet the demands and needs of survivors.

### **Standing together against hatred, intolerance and extremism.**

The Mayor and Deputy Mayor for Policing and Crime have used their profile to encourage stronger and more integrated communities and to speak out against hatred and intolerance. They will continue to do so.

The Mayor pledged to work with the capital's police forces to tackle hate crime on London's transport network, giving his support to the #WeStandTogether campaign adopted by police forces in London and around the country to co-ordinate awareness of hate crimes and efforts to tackle them. It makes it clear that any behaviour where someone is targeted or made to feel uncomfortable on their journey because they are different will not be tolerated.

The Mayor signed a pledge to take action against anti-Semitism in London. The pledge, which has been signed by more than 150 Mayors from 30 countries in Europe, is part of the Mayors United Against Anti-Semitism initiative, originally developed by the American Jewish Committee (AJC) in July 2015 and launched in Europe later that year.

In the wake of the EU referendum result, MOPAC monitored hate crime statistics and worked closely with the MPS and other organisations to ensure that an appropriate response to an increase in reports was in place.

### **The financial statements**

Like all public services, policing has faced a challenging financial environment over the last few years. These financial statements reflect increased investment over the previous year 2015/16 such as greater spend on mobility, firearms growth and public enquiry. The Balance Sheet reflects the planned release of under-utilised buildings and investment in modern facilities and IT to support officers on the front line. The majority of investment has been funded from receipts from the disposal of properties, and long and short term borrowing has reduced as debt has been repaid, lowering future financing costs. Before the police officer pension liability, which is subject to a separate year on year funding arrangement agreed with the Home Office, the Balance Sheet shows a positive net worth of £1,669 million, an increase of £100 million from last year (£1,569 million). Finally, general reserves have been maintained and earmarked reserves have decreased.

More specifically, the consolidated financial statements consist of:

- The Comprehensive Income and Expenditure Statement (CIES) for the Group and MOPAC - this summarises the resources generated and consumed in the year. Whilst it shows a deficit on the provision of services of £882 million, after taking accounting adjustments into consideration there is a balanced position after transfers from earmarked reserves of £58 million;
- The Movement in Reserves Statement (MIRS) for the Group and MOPAC - this shows how the £882 million deficit and other income and expenditure generated in the CIES is spread over the usable and unusable reserves in the Balance Sheet. Usable reserves increased from £302 million to £590 million during 2016/17 which reflects amount which MOPAC has increased its usable capital reserves by £345 million offset by a decrease in its earmarked revenue reserves by £58 million.
- The Balance Sheet for the Group and MOPAC - this sets out the assets, liabilities owed by MOPAC to others, and the usable and unusable reserves which MOPAC maintains. The Balance Sheet shows a negative net worth of £27,753 million. This figure however includes the cost of police officer pensioners' liabilities which are subject to a separate year on year funding arrangement agreed with the Home Office. If the police pension liabilities are excluded, the Balance Sheet would show a positive net worth of £1,669 million;
- The Cash Flow Statement for the Group and MOPAC - this shows the inflows and outflows of cash to and from MOPAC. During 2016/17 there was a net cash inflow to MOPAC of £79 million. This inflow of cash was mainly due to the sale proceeds from asset disposals during the year and reduced debtors. This was partly offset by financing the capital investment programme, increased short term investments and use of earmarked reserves whilst at the same time reducing external borrowing by £16 million to £159 million (excluding PFI and finance lease liabilities).

In addition to the financial statements the Annual Accounts include a Statement of Responsibilities for the Accounts and are accompanied by MOPAC's Annual Governance Statement for 2016/17.

## Financial performance of the Group

### Setting the budget

The Deputy Mayor for Policing and Crime recommends an annual budget to the Mayor, following consultation with the Commissioner. The approved budget for 2016/17 for the whole MOPAC Group provided for gross expenditure of £3,253 million. The net budget, after taking into account income, specific grant and before reserve usage, was £2,620 million. Within this amount £37 million was attributable to MOPAC and included some £23 million relating to London initiatives such as crime prevention, rape crisis centres, safer neighbourhood boards and for delivering victims services which became a MOPAC responsibility with effect from 1 October 2014.

Throughout the year the Deputy Mayor for Policing and Crime approved amendments to the budget to reflect known changes.

### Performance against the Revenue Budget

The 2016/17 revenue outturn shows the financial impact of savings and growth which were planned for and agreed by MOPAC (and the Mayor) in the 2016/17 budget.

The financial year 2016/17 presented a number of key challenges with savings and efficiencies of £127 million required to balance the budget. This was part of a programme of savings totalling circa £700 million between 2013/14 and 2016/17.



Table 1 provides a summary of the final MOPAC outturn position for 2016/17 compared with the revised budget. Figures in brackets in the variance column represent reduced expenditure or increased income against the revised budget.

**Table 1 MOPAC Group - Final outturn position for 2016/17 compared with 2015/16 and the revised budget**

Outturn 2015/16	£000	Approved annual budget 2016/17	Revised annual budget 2016/17	Outturn 2016/17	Variance Overspend / (underspend) 2016/17	Variance % 2016/17
1,858,345	Pay Police officer pay and overtime	1,874,951	1,900,096	1,880,555	(19,541)	(1.0)
598,426	MOPAC and police staff pay and overtime	557,073	573,197	544,696	(28,501)	(5.0)
<b>2,456,771</b>	<b>Total pay</b>	<b>2,432,024</b>	<b>2,473,293</b>	<b>2,425,251</b>	<b>(48,042)</b>	<b>(1.9)</b>
	Running expenses					
37,740	Employee related expenditure	44,812	48,955	51,994	3,039	6.2
181,854	Premises costs	157,070	168,558	171,149	2,591	1.5
61,987	Transport costs	54,187	57,064	66,043	8,979	15.7
446,966	Supplies & services	482,523	483,186	501,282	18,096	3.7
48,777	Capital financing costs	46,299	42,957	42,957	0	0.0
34,020	Discretionary pension costs	35,875	35,875	33,242	(2,633)	(7.3)
811,344	Total running expenses	820,766	836,595	866,667	30,072	3.6
3,268,115	Total gross expenditure	3,252,790	3,309,888	3,291,918	(17,970)	(0.5)
(664,946)	Total income and grants	(632,309)	(707,345)	(736,607)	(29,262)	4.1
<b>2,603,169</b>	<b>Net expenditure</b>	<b>2,620,481</b>	<b>2,602,543</b>	<b>2,555,311</b>	<b>(47,232)</b>	<b>(1.8)</b>
(122,793)	Transfer to/(from) earmarked reserve	(122,300)	(104,182)	(56,950)	47,232	(45.3)
0	Transfer to/(from) general reserve	0	0	0	0	
<b>2,480,376</b>	<b>Budget requirement</b>	<b>2,498,181</b>	<b>2,498,361</b>	<b>2,498,361</b>	<b>0</b>	<b>0.0</b>
(2,480,376)	Total Funding	(2,498,181)	(2,498,361)	(2,498,361)	0	0.0
<b>0</b>	<b>Total MOPAC Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

Following recruitment difficulties there was an underspend of £41.5m against the police officer pay budget for 2016/17 with circa 31,000 police officers in post at 31 March 2017. This underspend coincided with an active campaign to encourage recruitment across the wider cross sections of the community. To mitigate any operational impacts caused by the recruitment difficulties the MPS pursued a series of corporate initiatives to prioritise posts, which are funded by other external agencies and to ensure the MPS had enough officers in certain roles. Over the same period there was an overspend of £22m on police officer overtime. Part of the overspend on police overtime (£10.6m) was externally funded with the remaining amount used to police special incidents such as the Westminster tragedy and cover for police staff vacancies.

The MOPAC Group also had an underspend of £30.5m on police staff pay (and an overspend of £2.0m on police staff overtime). The underspend was primarily due to delays in appointing Designated Detention Officers and Forensic Health Care Nurses as well as vacancies across the Boroughs for Public Access Officers. The shortfall in police staff pay was partly managed through other devolved budgets such as supplies and services, for example using Forensic Medical Officers to cover for the nurse vacancies and police officer overtime (to provide cover in Met Detention).

The budget for running costs was overspent by £30.1m although much of the overspend £26.5m

was fully funded by other external agencies. The remaining balance was primarily due to increased Information Technology (IT) costs, partially offset by one off change expenditure which due to timing differences will be incurred in 2017/18.

Overall, out of the total planned savings of £127 million for 2016/17, £72 million savings were achieved this year with a further £15 million delayed until 2017/18. The non-achievement of savings in some areas was reflected in the overspends for police overtime and running costs above. Resilience has been built into the 2017/18 budget going forward in these areas.

The MOPAC Group also received £30.5m of additional specific grants. The majority of the additional grant was received for Counter-Terrorism and Protective Security, but there was also a small amount of additional funding from the Home Office in relation to Innovation and Transformation. The extra funding was utilised towards improving national firearms capability, the policing of Heathrow and improved information technology on Counter-Terrorism.

The net movement on earmarked and general reserves during 2016/17 is a reduction of £58 million as shown in Table 2 below.

**Table 2 Net movement on earmarked and general reserves 2016/17**

Description	£ million
Opening reserves balance 1 April 2016	297.9
Transfers to/from reserves	(57.0)
Transfers to/from reserves - NPCC/NPOC	(0.7)
<b>Closing reserves balance 31 March 2017</b>	<b>240.2</b>

The £58 million net reduction to the earmarked reserves for this financial year is principally as a result of the following:

Transfers from Reserves:

- £28 million to fund redundancy costs linked to the delivery of the modernisation programme;
- £17 million to cover the costs of transition and change programmes linked to the delivery of the modernisation programme;
- £4 million to cover the firearms uplift;
- £24 million to cover IT projects;
- £5 million to cover property dilapidation and other operational costs;
- £1m national functions to NPCC/NPOC.

Offset by transfers to reserves:

- £10 million to fund the inquiry into undercover policing in 2017/18;
- £6 million to fund investigative coaches in 2017/18;
- £5 million to the Proceeds of Crime Act Reserve to fund future crime prevention initiatives;

As part of the upcoming budget process, consideration will be given to the organisation's reserve strategy over the medium-term. In particular, consideration will be given as to whether reserves need to be built back up in the medium-term to provide cover for the further investment in modernisation and transformation.

## Performance against the 2016/17 Capital Programme

### Capital expenditure 2016/17

Capital expenditure for 2016/17 was financed by grants, third party contributions, capital receipts and revenue contributions. Capital expenditure for 2016/17 was £177 million. This compares with the revised annual budget of £287 million. Any unused capital funds at financial year end are placed in capital reserves to be used to finance capital investment in future years unless there are conditions not yet met in which case the amounts are credited to capital receipts in advance.

**Table 3 Capital Outturn position 2016/17**

Actual expenditure 2015/16	Summary by programme £000	Approved budget 2016/17	Actual expenditure 2016/17	Actual v approved programme
139,224	Property Services	113,767	74,639	(39,128)
81,366	Digital Policing	147,755	81,379	(66,376)
17,004	Transport Services	25,405	21,029	(4,376)
<b>237,594</b>	<b>Total</b>	<b>286,927</b>	<b>177,047</b>	<b>(109,880)</b>

**Property based programme** - Property based programme - During the year significant modernisation of the estate continued. The extensive refurbishment of Lambeth HQ Building, provision of a new training facility at Hendon and the redevelopment of Curtis Green, now renamed as New Scotland Yard, were all completed and are fully operational. Expenditure of £74.6 million was delivered against the approved budget of £113.8 million resulting in an underspend of £39 million.

MOPAC continued to rationalise its property assets generating capital receipts to support the capital programme and producing revenue efficiency savings. Most notably, 2016/17 saw the successful decommission and disposal of NSY on time delivering a capital receipt of £370 million.

**Digital Policing based programmes** - In supporting the Mayor's Police and Crime Plan and the MPS objective to "Make London the Safest Global City", Digital Policing spent £81m on capital programmes in the year. This will provide new information technology tools, solutions and the appropriate infrastructure to provide the MPS what it needs to be a 21st-century crime-fighting organisation to support Londoners and our national responsibilities.

Programmes include:

- Body Worn Video rollout. These cameras will help to increase accountability and confidence, deliver more guilty pleas and swifter justice, and help reduce complaints. The rollout is over 50% complete with 12,000 cameras on the streets, and is scheduled to complete in 2017 making the MPS a world leader in the use of this technology.
- New laptops, tablets and In Vehicle Mobile Applications are being trialled and rolled out. These tools and applications will bring frontline policing into the 21st century by equipping officers to work on the move without having to return to the station to access or input information.
- Public access to the MPS services has been improved through the deployment of a new website which allows Londoners to report more offences online in a way that is

convenient to them, and compliments the more traditional channels for accessing MPS services.

- MPS / MOPAC has signed a Network Services agreement to complete the SIAM Towers model as part of the DP Transformation Programme. This will modernise, refresh and ensure the critical network backbone that underpins all IT services delivered across the MPS. This will support MPS in having a more secure and resilient network that better serves the needs of the MPS and public alike.
- Completing the new Solution Provider Framework which provides a procurement mechanism for engaging with seven best-in-class suppliers for delivering IT projects for MPS. This framework is open to the GLA family and other police forces nationally.

Capital expenditure on digital policing in 2016/17 was lower than expected due to more complexity and challenges than expected in some of the major change programmes, transition to the new SIAM Tower Model partner suppliers and the wider capacity of the MPS to absorb the levels and speed of change planned.

For 2017/18 the capital plan has been adjusted to reflect what has been learned about the organisations ability to deliver multiple change programmes, supported by a prioritisation activity within the One Met Model portfolio to ensure that funding is spent on the most appropriate projects supporting the Police & Crime Plan and the MPS transformation agenda.

**Fleet Services based programme** - Investment in transport for 2016/17 was £21 million. The transport programme includes the purchase and conversion of the standard MOPAC fleet, vehicles purchased using funds provided by third parties (e.g. counter terrorism vehicles and vehicles purchased from funds provided by Transport for London) as well as vehicles and other Armed uplift equipment. The main transport programme was not fully delivered due to delays in the completion of tenders to enable the purchase of vehicles and has been requested as re-programming for the 2017/18 Vehicle Replacement Programme. In total 581 vehicles were delivered in 2016/17 as well as 66 ANPR cameras.

### Capital financing

During 2015/16 MOPAC was able to reduce borrowing by £17 million as maturing debt was settled and the outstanding debt fell from £176 million at 31 March 2016 to £159 million at 31 March 2017.

Capital receipts of £450 million were generated from the disposal of assets (including £370 million from the sale of NSY) during the year against the set target of £474 million. Capital expenditure of £177m on non-current assets in 2016/17 was financed in accordance with the Prudential Code, from capital grants and other third party contributions of £31.9 million, capital receipts applied of £144.4 million, and revenue contributions of £0.7 million.

MOPAC complies with the CIPFA Code of Practice for Treasury Management in Public Services. All decisions by MOPAC about capital financing were taken in the context of the CIPFA Prudential Framework. The Framework provides authorities with borrowing flexibility, provided controls on affordability, sustainability and prudence are met. Net borrowing over the medium term will only be for a capital purpose. Borrowing will be contained within the borrowing limits agreed by the Mayor of London for MOPAC.

As part of the Prudential Framework a Capital Financing Requirement (CFR) is approved by MOPAC each year, which represents MOPAC's underlying need to borrow for capital expenditure. For the purposes of calculating the CFR, the amount required to be borrowed reflects both external and internal borrowing (applying our own cash balances).

Under the Framework MOPAC is legally obliged to set aside an amount called the Minimum Revenue Position (MRP). For 2016/17 the MRP was £23 million. The MRP is the prudent amount that the Group is legally required to set aside from revenue to meet the borrowing repayments

undertaken to support capital investment. In 2016/17 MOPAC's capital expenditure for the year was fully funded by capital receipts, government grants and revenue contributions.

MOPAC sets an annual treasury management policy. Risk analysis and risk management strategies have been taken into account, as have plans for capital investment and cash-flow requirements.

### Operational Performance

The new Mayor's Police and Crime Plan, published in March 2017, sets the strategic direction for MOPAC and the MPS from this point forward. The Plan sets out efforts to tackle the following three issues of high concern and high harm across London:

- Keeping children and young people safe;
- Tackling violence against women and girls;
- Standing together against hatred, intelligence and extremism.

Metropolitan Police Service Statistics show that recorded sexual offences and violent crime have both continued to rise during 2016/17. Improved recording practices make year-on-year comparisons difficult to interpret, however there have been large and real increases in weapon enabled crime.

Other volume crime (including robbery, theft and criminal damage) show year-on-year increases but most types of offence remain below the levels of 2011/12.

Overall, we have seen a 4.6% increase in total notifiable offences (TNOs), with 33,804 more crimes recorded.

There were 110 homicides in 2016/17, one more than the previous year but 58 fewer compared with 10 years ago.

Violence against the person (VAP) has shown increases of 3.9% over the year (7,175 more offences). Within that category, violence with injury (VWI) was up by 2.4% (1,774 more offences) and violence without injury by 4.8% (5,400 more offences).

It is thought that the majority of the rise in VAP is due to improvements in crime recording following the HMIC Inspection on Crime Data Integrity - which found that there were significant issues with the quality of crime recording in police forces across England and Wales. However within this there has been a real increase in some serious offences. This led to the launch of Operation Teal against gang, gun and knife crime which continued through the financial year 2016-17.

Gun crime offences show an increase of 42% (751 more offences) over the comparison period. Knife crime offences also show a large rise: by 24% (2,332 more offences) over the comparison period.

Alongside the Met's important role in reducing stabbings by seizing weapons and arresting offenders, longer term prevention and diversion from knife crime is key. These will involve close working with partner agencies and London's communities.

All sexual offences increased by 9.5% (1,535 more offences) over the comparison period. Within this, recorded rape offences were up by 14.6% (816 more offences) and other sexual offences rose by 6.8% (719 more offences). This rise has been driven by victim confidence and improved crime recording, with significant emphasis on ethical recording practices.

Robbery is up by 12.1% over the comparison period (2,618 more offences) - there were increases in personal robbery by 13.1% (2,602 more offences) and there was a smaller increase in business

robbery by 0.9% (16 more offences). As part of the total, robbery of mobile phones increased by 5% (423 more offences). However robbery is still around half the level of 2006/7.

Burglary offences are down by 0.3% (202 fewer offences) over the comparison period, continuing the long term downward trend. This year's reduction in overall burglary means that recorded offences are now at the lowest level since at least 1973/74. Residential burglary reduced by 1.1% (485 fewer offences) but non-residential burglary increased by 1.1% (283 more offences).

Theft from motor vehicles increased by 7.9% (3,953 more offences) over the comparison period. Theft of motor vehicles increased by 26.6% (5,689 more offences) and is now above the level seen in 2011/12. Recent analysis of MPS figures shows that theft of powered two wheelers such as scooters and motorbikes now accounts for over half of all vehicles stolen.

Theft from the person increased by 12% over the financial year (4,069 more offences), and within this was a larger increase (16%) in thefts from the person of mobile phones: they now account for around 49% of all theft person.

In the case of criminal damage, offences increased by 1.8% (1,091 additional offences) over the financial year. Criminal damage had however been on a steep downward trend for the previous 10 years and the current level remains 11.3% below the number of crimes in 2011/12 (8,216 fewer offences).

As well as the offences captured in these crime figures, the Met is also managing an increased demand across areas such as child protection, mental health and missing people.

Over the coming year the Met plans to change the way we investigate crimes - training more frontline officers to carry out investigations of certain offences. Meanwhile 'Body Worn Video', already in 16 boroughs, will help secure stronger evidence leading to early convictions.

The Met has also introduced the crime prevention campaign 'Be Safe', which focuses on residential burglary, theft snatch and moped-enabled crime and is supported by operational activity. Its aim is to motivate, empower and mobilise Londoners to take small crime prevention steps to protect themselves and their property, while officers continue to work hard to disrupt and arrest the criminals.

## The Balance Sheet

The net worth of MOPAC and the MOPAC Group (excluding the cost of Police Officer pensions liabilities which are subject to a separate funding arrangement agreed year on year with the Home Office) increased by £100 million (from £1,569 million to £1,669 million) during 2016/17. MOPAC considers that the Balance Sheet remains 'robust' as evidenced by earmarked reserves and the General Fund Reserve maintained above target levels and high levels of income collection.

### Reserves

MOPAC's policy is to have a General Reserve and an Emergency Contingency Fund, the latter of which is to meet unforeseen or emergency expenditure which cannot be contained within the budget. The General Reserve is £23.5 million at 31 March 2017. The Emergencies Contingency Reserve which is an earmarked reserve is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.9% of the 2016/17 budget requirement. The intention is to maintain the balance of these reserves above 1.5%.

### Pensions

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed on the Group Balance Sheet, reflect the cost of paying police officers in the future to the extent

they had earned entitlement to pension benefits for periods up to and including 2016/17 in line with IAS 19. Police pension costs are recognised in the Commissioner of Police of the Metropolis CIES in the first instance along with other employee costs but are ultimately funded by MOPAC. Recognition of the total liability has a substantial impact on the net worth of the MOPAC Group. The fund valuation shows an increase in liabilities due in the main to the change in actuarial assumptions used to calculate the pensions liability. Pension contributions of 21.3% of pensionable pay are made to finance the liability, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Revenue Account. The shortfall on the pension fund between contributions and other income receivable and benefits payable was met by the Home Office in 2016/17.

### **Outlook for 2017/18**

The 2017/18 gross revenue budget has been set at £3,269 million, a decrease of 1.2% from the revised 2016/17 budgeted figure of £3,310 million to reflect reductions in our overall funding sources. The budget is funded by a general government grant of £1,912 million and council tax income of £592 million. Additionally, MOPAC is budgeting to receive £683 million in specific grants and income and is planning to utilise £82 million of reserves. The policing element of the Band D council tax precept for 2017/18 is £206.13 (2016/17 £202.11).

The Mayor approved a balanced budget for 2017/18 including additional savings of £75 million. These savings principally relate to reductions in police staff numbers, and savings in property and supplies and services budgets. A saving of £38m in Police Officer pay has been included. This is a one-off for 2017/18 and reflects current Officer numbers.

Capital investment of £366 million is planned for 2017/18 and will be funded from the on-going disposal of property (including the 2016/17 receipt for the old New Scotland Yard) plus capital grants.

Whilst the revenue budget is balanced in 2017/18, there remain significant savings requirements from 2018/19 to 2020/21. MOPAC's financial strategy has been devised to address this savings requirement and will aim to achieve the following:

- Reducing the costs of our back office to 15% of gross expenditure by 2019/20;
- Delivering 3% productivity savings a year across the organisation;
- Investing our capital receipts to deliver transformation to drive further efficiencies and savings.

A budget process will begin in the early summer 2017 that will examine all aspects of the budget and identify further savings that will balance the budget in the medium-term. This will be aligned to the MPS One Met Model programme and the Mayor's Policing and Crime Plan.

### **The Statement of Accounts**

The 2016/17 MOPAC Group Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2016/17.

The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Forces of England and Wales 2013;
- MOPAC Scheme of Consent and Delegation;
- MOPAC Financial Regulations;
- MOPAC Contract Regulations.

Under the legislative framework and local arrangements, MOPAC is responsible for the finances of the whole Group and controls the assets, liabilities and reserves. MOPAC has responsibility for entering into contracts and establishing the contractual framework under which the Commissioner's officers and staff operate. MOPAC receives all income and funding and makes all the payments for the Group from the MOPAC Police Fund.

In turn the Commissioner fulfils their statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the DMPC in consultation with the Commissioner. The Commissioner ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over their police officers and police staff. It is recognised that in exercising day-to-day direction and control the Commissioner will undertake activities, incur expenditure and generate income to allow the police service to operate effectively.

It is appropriate that a distinction is made between the financial impact of this day-to-day direction and control of the force and the overarching strategic control exercised by the DMPC. Therefore the expenditure in respect of operational policing, police officer and staff costs is shown in the CPM Accounts, with the main sources of funding (i.e. central government grants and Council Tax) and the vast majority of balances being recognised in the MOPAC Accounts. The MOPAC Group Accounts shows the overall cost of policing London and includes both the cost of administering MOPAC and MOPAC expenditure on community safety and crime prevention and the Commissioner's expenditure on operational policing.

The accounting arrangements between MOPAC and the CPM are detailed more fully in Note 6 to the Accounts on page 24.

### Accounting Changes for 2016/17

As a result of a change in the requirements in the CIPFA Code of Practice for 2016/17, there have been changes to the way financial information is presented in the Statement of Accounts. The most significant of these changes are described below:

- The introduction of the Expenditure and Funding Analysis. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Group for the year has been used in providing services in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Group's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- A change to the presentation of information within the Comprehensive Income and Expenditure Statement net cost of services. Information is now presented analysed into the Group's directorates as defined for the purpose of reporting to management. Previously, the costs were categorised between the various policing activities as per the Service Reporting Code of Practice (SeRCOP), in which nine divisions of service were identified under which expenditure/resources should be analysed.

### Annual Governance Statement

The Accounts and Audit Regulations 2015 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. MOPAC has elected to publish the AGS as a separate document to the Statement of Accounts. The AGS is a statutory document which explains the governance processes and procedures in place to enable MOPAC to carry out its functions effectively. The AGS highlights MOPAC's and the CPM's internal control environment, comments on its effectiveness and identifies issues for future work. The CPM also publishes an Annual Governance Statement focusing on the risk management and internal control framework in the MPS. Reliance is placed on this in drawing up MOPAC's Annual Governance Statement.



## **Independent Auditor's Report to the Mayor's Office For Policing And Crime**

We have audited the financial statements of the Mayor's Office for Policing and Crime (MOPAC) for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act").

The financial statements comprise the MOPAC Group and Single Entity Comprehensive Income and Expenditure Statement, the MOPAC Group and Single Entity Movement in Reserves Statement, the MOPAC Group and Single Entity Balance Sheet, the MOPAC Group and Single Entity Cash Flow Statement and the related notes. They also include the Police Officer Pension Fund notes 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the Mayor's Office for Policing and Crime, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Mayor's Office for Policing and Crime those matters we are required to state to the Mayor's Office for Policing and Crime 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 Mayor's Office for Policing and Crime as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Mayor's Office for Policing and Crime and the Mayor's Office for Policing and Crime Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Mayor's Office for Policing and Crime and Group as at 31 March 2017 and of the Mayor's Office for Policing and Crime and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

## Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

## Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Mayor's Office for Policing and Crime under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

## Conclusion on the Mayor's Office for Policing and Crime's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Respective responsibilities of the Mayor's Office for Policing and Crime and auditor

The Mayor's Office for Policing and Crime is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Mayor's Office for Policing and Crime has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Mayor's Office for Policing and Crime's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Scope of the review of the Mayor's Office for Policing and Crime's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Mayor's Office for Policing and Crime had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Mayor's Office for Policing and Crime put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work, as we considered necessary to form a view on whether in all significant respects the Mayor's Office for Policing and Crime has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Mayor's Office for Policing and Crime put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Mayor's Office for Policing and Crime and the Commissioner of Police of the Metropolis for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Mayor's Office for Policing and Crime's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

*Paul Grady*

**Paul Grady**  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square  
London  
EC2A 1AG

26 July 2017

## Statement of responsibilities for the Accounts

### Deputy Mayor's Responsibilities

The Deputy Mayor For Policing And Crime is required to:

- Make arrangements for the proper administration of the Mayor's Office for Policing And Crime's financial affairs and to secure that one of its officers (Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

I approve these Statements of Accounts on behalf of the Mayor's Office for Policing and Crime and Group.

**Signed**  
**Sophie Linden**  
**Deputy Mayor for Policing and Crime**  
Dated: 26 July 2017

### Chief Financial Officer's Responsibilities

The Chief Financial Officer of MOPAC is responsible for the preparation of the Statement of Accounts for MOPAC in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, MOPAC has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Unaudited Statement of Accounts gives a true and fair view of the financial position of MOPAC and MOPAC Group at the accounting date and of the income and expenditure for the year ended 31 March 2017.

**Signed**  
**Siobhan Peters**  
**Chief Financial Officer**  
Dated: 26 July 2017

## MOPAC Group Comprehensive Income and Expenditure Statement (CIES) for 2016/17

£000	Notes	Year ending	Year ending	Year ending	Year ending	Year ending	Year ending
		31 March 2017	31 March 2017	31 March 2017	31 March 2016 Restated	31 March 2016 Restated	31 March 2016 Restated
		Gross exp	Income	Net exp	Gross exp	Income	Net exp
Territorial Policing		1,343,045	(135,043)	1,208,002	1,090,264	(135,805)	954,459
Specialist Crime and Operations		773,238	(83,156)	690,082	655,690	(67,081)	588,609
Specialist Operations		414,261	(405,068)	9,193	325,972	(356,565)	(30,593)
Met HQ		494,537	(60,620)	433,917	501,882	(53,326)	448,556
Digital Policing		202,972	(4,745)	198,227	254,062	(7,771)	246,291
Centrally Held		105,457	(41,385)	64,072	110,163	(33,902)	76,261
MOPAC		51,004	(15,352)	35,652	50,961	(11,684)	39,277
<b>Cost of services</b>	1.1	<b>3,384,514</b>	<b>(745,369)</b>	<b>2,639,145</b>	<b>2,988,994</b>	<b>(666,134)</b>	<b>2,322,860</b>
<b>Other operating expenditure</b>							
Net gains on disposal of non-current assets	13.1			(160,933)			(99,711)
Riot Damages Act claims				0			(101,307)
<b>Financing and investment</b>							
Interest payable and similar charges	11			19,629			20,330
Interest on Police Officer Pension Defined Benefit Liability	6.2 12.1			925,100			963,400
Interest and investment income				(2,305)			(1,946)
Investment properties revaluation	16			(558)			4,481
<b>Grants</b>							
Non Specific Grants	14			(2,498,361)			(2,480,376)
Capital grants	14.1			(39,887)			(35,795)
Funding of Riot Damages Act claims				0			101,100
<b>Deficit on provision of services</b>				<b>881,830</b>			<b>693,036</b>
<b>Other comprehensive income and expenditure</b>							
(Surplus) on revaluation of non-current assets				(43,443)			(70,997)
Re-measurements of the defined benefit liability	6.2 12.1			2,059,600			(4,155,200)
<b>Other comprehensive income and expenditure</b>				<b>2,016,157</b>			<b>(4,226,197)</b>
<b>Total comprehensive income and expenditure</b>				<b>2,897,987</b>			<b>(3,533,161)</b>

The statement above shows the accounting cost for the period 1 April 2016 to 31 March 2017 (with prior year as a comparative year) of providing services for the Group, in accordance with generally accepted accounting practices, in addition to the amount of funding by way of grant income. The comparative figures are restated to reflect changes in the Code of Practice in 2016/17 on the way information is presented in the cost of service.

## MOPAC Comprehensive Income and Expenditure Statement (CIES) For Policing And Crime for 2016/17

£000	Notes	Year ending	Year ending	Year ending	Year ending	Year ending	Year ending
		31 March 2017	31 March 2017	31 March 2017	31 March 2016 Restated	31 March 2016 Restated	31 March 2016 Restated
		Gross exp	Income	Net exp	Gross exp	Income	Net exp
Intra-group funding -policing		3,359,126	(731,867)	2,627,259	2,936,614	(656,554)	2,280,060
Other		51,004	(15,352)	35,652	50,467	(11,680)	38,787
Revaluation loss (gain to reverse previous losses) not charged to CPM		(23,766)	0	(23,766)	4,013	0	4,013
<b>Cost of services</b>	1.1	<b>3,386,364</b>	<b>(747,219)</b>	<b>2,639,145</b>	<b>2,991,094</b>	<b>(668,234)</b>	<b>2,322,860</b>
<b>Other operating expenditure</b>							
Net gains on disposal of non-current assets	13.1			(160,933)			(99,711)
Riot Damages Act claims				0			(101,307)
Interest on Police Officer Pension Defined Benefit Liability - intra-group funding	6.2, 12.1			925,100			963,400
Re-measurements of the defined benefit liability - intra-group funding	6.2, 12.1			2,059,600			(4,155,200)
<b>Financing and investment</b>							
Interest payable and similar charges	11			19,629			20,330
Interest and investment income				(2,305)			(1,946)
Investment properties revaluation	16			(558)			4,481
<b>Grants</b>							
Non Specific Grants	14			(2,498,361)			(2,480,376)
Capital grants	14.1			(39,887)			(35,795)
Funding of Riot Damages Act claims				0			101,100
<b>(Surplus) or Deficit on provision of services</b>				<b>2,941,430</b>			<b>(3,462,164)</b>
<b>Other income and expenditure</b>							
(Surplus) or Deficit on revaluation of non current assets				(43,443)			(70,997)
<b>Total comprehensive income and expenditure</b>				<b>2,897,987</b>			<b>(3,533,161)</b>

The statement above shows the accounting cost for the period 1 April 2016 to 31 March 2017 (with prior year as a comparative year) of providing services in accordance with generally accepted accounting practices for MOPAC, in addition to the amount of funding by way of grant income. The consolidated accounting cost and funding for the MOPAC Group to 31 March 2017 is shown on the page before. The comparative figures are restated to reflect changes in the Code of Practice in 2016/17 on the way information is presented in the cost of service.

## MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2017

£000	General Fund Balance	Earmarked revenue reserves	Total General Fund and Earmarked reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
At 31 March 2016	(23,483)	(274,435)	(297,918)	0	(4,503)	(302,421)	25,157,508	24,855,087
Movement in reserves during 2016/17								
Total comprehensive income and expenditure	881,830	0	881,830	0	0	881,830	2,016,157	2,897,987
Adjustments between accounting basis & funding basis under regulations (note 29)	(824,155)	0	(824,155)	(337,296)	(7,979)	(1,169,430)	1,169,430	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>57,675</b>	<b>0</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
Transfers (to) / from earmarked reserves (note 28.3)	(57,675)	57,675	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>57,675</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
<b>Balance at 31 March 2017</b>	<b>(23,483)</b>	<b>(216,760)</b>	<b>(240,243)</b>	<b>(337,296)</b>	<b>(12,482)</b>	<b>(590,021)</b>	<b>28,343,095</b>	<b>27,753,074</b>

This statement shows the movement in the year to 31 March 2017 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by the Group.

## MOPAC Movement in Reserves Statement (MIRS) for the year ended 31 March 2017

£000	General Fund Balance	Earmarked revenue reserves	Total General Fund and Earmarked reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
At 31 March 2016	(23,483)	(274,435)	(297,918)	0	(4,503)	(302,421)	25,157,508	24,855,087
Movement in reserves during 2016/17								
Total comprehensive income and expenditure	2,941,430	0	2,941,430	0	0	2,941,430	(43,443)	2,897,987
Adjustments between accounting basis & funding basis under regulations (note 29)	(2,883,755)	0	(2,883,755)	(337,296)	(7,979)	(3,229,030)	3,229,030	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>57,675</b>	<b>0</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
Transfers (to) / from earmarked reserves (note 28.3)	(57,675)	57,675	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>57,675</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
<b>Balance at 31 March 2017</b>	<b>(23,483)</b>	<b>(216,760)</b>	<b>(240,243)</b>	<b>(337,296)</b>	<b>(12,482)</b>	<b>(590,021)</b>	<b>28,343,095</b>	<b>27,753,074</b>

This statement shows the movement in the year to 31 March 2017 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by MOPAC.



## MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2016

£000	General Fund Balance	Earmarked revenue reserves	Total General Fund and Earmarked Reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
Balance at 31 March 2015	(23,483)	(395,890)	(419,373)	(31,520)	(5,670)	(456,563)	28,844,855	28,388,292
Movement in reserves during 2015/16								
Total Comprehensive expenditure and income	693,036	0	693,036	0	0	693,036	(4,226,197)	(3,533,161)
Adjustments from income and expenditure charged under accounting basis to the funding basis (note 29)	(571,581)	0	(571,581)	31,520	1,167	(538,894)	538,850	(44)
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>121,455</b>	<b>0</b>	<b>121,455</b>	<b>31,520</b>	<b>1,167</b>	<b>154,142</b>	<b>(3,687,347)</b>	<b>(3,533,205)</b>
Transfers (to) / from earmarked reserves (note 28.3)	(121,455)	121,455	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>121,455</b>	<b>121,455</b>	<b>31,520</b>	<b>1,167</b>	<b>154,142</b>	<b>(3,687,347)</b>	<b>(3,533,205)</b>
<b>Balance at 31 March 2016</b>	<b>(23,483)</b>	<b>(274,435)</b>	<b>(297,918)</b>	<b>0</b>	<b>(4,503)</b>	<b>(302,421)</b>	<b>25,157,508</b>	<b>24,855,087</b>

This statement shows the movement in the year to 31 March 2016 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by the Group.

## MOPAC Movement in Reserves Statement (MIRS) for the year ended 31 March 2016

£000	General Fund Balance	Earmarked revenue reserves	Total General Fund and Earmarked Reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
<b>Balance at 31 March 2015</b>	(23,483)	(395,890)	(419,373)	(31,520)	(5,670)	(456,563)	28,844,855	28,388,292
Movement in reserves during 2015/16								
Total Comprehensive expenditure and income	(3,462,164)	0	(3,462,164)	0	0	(3,462,164)	(70,997)	(3,533,161)
Adjustments from income and expenditure charged under accounting basis to the funding basis (note 29)	3,583,619	0	3,583,619	31,520	1,167	3,616,306	(3,616,350)	(44)
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>121,455</b>	<b>0</b>	<b>121,455</b>	<b>31,520</b>	<b>1,167</b>	<b>154,142</b>	<b>(3,687,347)</b>	<b>(3,533,205)</b>
Transfers (to) / from earmarked reserves (note 28.3)	(121,455)	121,455	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>121,455</b>	<b>121,455</b>	<b>31,520</b>	<b>1,167</b>	<b>154,142</b>	<b>(3,687,347)</b>	<b>(3,533,205)</b>
<b>Balance at 31 March 2016</b>	<b>(23,483)</b>	<b>(274,435)</b>	<b>(297,918)</b>	<b>0</b>	<b>(4,503)</b>	<b>(302,421)</b>	<b>25,157,508</b>	<b>24,855,087</b>

This statement shows the movement in the year to 31 March 2016 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by MOPAC.

## MOPAC Group Balance Sheet

£000	Notes	31 March 2017	31 March 2016
<b>Non current assets</b>			
Property, plant and equipment	16	1,776,192	1,919,655
Heritage assets	16	1,310	1,308
Investment properties	16	13,303	38,637
Intangible assets	16	1,785	2,359
<b>Total non current assets</b>		<b>1,792,590</b>	<b>1,961,959</b>
Long term debtors	17	1,426	2,218
<b>Total long term assets</b>		<b>1,794,016</b>	<b>1,964,177</b>
<b>Current assets</b>			
Assets held for sale	18	110	81
Inventories		4,138	8,143
Short term debtors	19	274,492	284,833
Short term investments	20	203,057	24,050
Cash & cash equivalents	21	84,531	5,732
<b>Total current assets</b>		<b>566,328</b>	<b>322,839</b>
<b>Current liabilities</b>			
Short term creditors	22	(386,155)	(384,027)
Short term borrowing	23	(20,521)	(20,923)
Provisions	25.1	(39,695)	(47,627)
<b>Total current liabilities</b>		<b>(446,371)</b>	<b>(452,577)</b>
<b>Long term liabilities</b>			
Provisions	25.2	(17,788)	(15,202)
Long term borrowing	26	(143,007)	(159,464)
Capital grants receipts in advance		(5,007)	(7,151)
Long term contractor liability	27	(79,245)	(83,309)
Police officer pension liability	6.2	(29,422,000)	(26,424,400)
<b>Total long term liabilities</b>		<b>(29,667,047)</b>	<b>(26,689,526)</b>
<b>Net assets</b>		<b>(27,753,074)</b>	<b>(24,855,087)</b>
<b>Financed by:</b>			
Unusable Reserves	28.1	(28,343,095)	(25,157,508)
Usable reserves	28.2-3	590,021	302,421
<b>Total reserves</b>		<b>(27,753,074)</b>	<b>(24,855,087)</b>

The Balance Sheet shows the value as at 31 March 2017 (with prior year as a comparative year) of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

## MOPAC Balance Sheet

£000	Notes	31 March 2017	31 March 2016
<b>Non current assets</b>			
Property, plant and equipment	16	1,776,192	1,919,655
Heritage assets	16	1,310	1,308
Investment properties	16	13,303	38,637
Intangible assets	16	1,785	2,359
<b>Total non current assets</b>		<b>1,792,590</b>	<b>1,961,959</b>
Long term debtors	17	1,426	2,218
<b>Total long term assets</b>		<b>1,794,016</b>	<b>1,964,177</b>
<b>Current assets</b>			
Assets held for sale	18	110	81
Inventories		4,138	8,143
Short term debtors	19	274,492	284,833
Short term investments	20	203,057	24,050
Cash & cash equivalents	21	84,531	5,732
<b>Total current assets</b>		<b>566,328</b>	<b>322,839</b>
<b>Current liabilities</b>			
Short term creditors	22	(282,863)	(286,502)
Short term borrowing	23	(20,521)	(20,923)
Provisions	25.1	(39,695)	(47,627)
Intra-group Creditor	6.2	(103,292)	(97,525)
<b>Total current liabilities</b>		<b>(446,371)</b>	<b>(452,577)</b>
<b>Long term liabilities</b>			
Provisions	25.2	(17,788)	(15,202)
Long term borrowing	26	(143,007)	(159,464)
Capital grants receipts in advance		(5,007)	(7,151)
Long term contractor liability	27	(79,245)	(83,309)
Police officer pension liability - Intra-group liability	6.2	(29,422,000)	(26,424,400)
<b>Total long term liabilities</b>		<b>(29,667,047)</b>	<b>(26,689,526)</b>
<b>Net assets</b>		<b>(27,753,074)</b>	<b>(24,855,087)</b>
<b>Financed by:</b>			
Unusable Reserves	28.1	(28,343,095)	(25,157,508)
Usable reserves	28.2-3	590,021	302,421
<b>Total reserves</b>		<b>(27,753,074)</b>	<b>(24,855,087)</b>

The Balance Sheet shows the value as at 31 March 2017 (with prior year as a comparative year) of the assets and liabilities recognised by MOPAC. The net assets of MOPAC (assets less liabilities) are matched by the reserves held by MOPAC.

## MOPAC Group and MOPAC Cash Flow Statement

£000	Notes	Year ending 31 March 2017-Group	Year ending 31 March 2016-Group	Year ending 31 March 2017-MOPAC	Year ending 31 March 2016-MOPAC
Net (surplus) or deficit on the provision of services		881,830	693,036	2,941,430	(3,462,164)
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	30.2	(1,290,866)	(814,143)	(3,350,466)	3,341,057
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	30.3	482,984	192,458	482,984	192,458
<b>Net cash flows from operating activities</b>		<b>73,948</b>	<b>71,351</b>	<b>73,948</b>	<b>71,351</b>
Investing activities	30.4	(173,670)	4,854	(173,670)	4,854
Financing activities	30.5	20,923	19,246	20,923	19,246
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(78,799)</b>	<b>95,451</b>	<b>(78,799)</b>	<b>95,451</b>
Cash and cash equivalents at the beginning of the period		5,732	101,183	5,732	101,183
<b>Cash and cash equivalents at the end of the period</b>		<b>84,531</b>	<b>5,732</b>	<b>84,531</b>	<b>5,732</b>

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and MOPAC during the reporting period (with prior year as a comparative year). The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the way the Group has managed its cash outflows against the monies received by way of grant income and from the recipients of services provided by the Group.

Investing activities shows how the Group has made best use of its resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities consist of short and long term borrowing in addition to repayment of PFI and finance lease liabilities and other payments for financing activities and are useful in predicting claims on future cash flows by providers of capital (e.g. borrowing) to the Group.

# Notes to the Financial Statements for the Mayor's Office For Policing And Crime and the MOPAC Group

This set of notes represents the consolidated notes for the Statement of Accounts for 2016/17 as presented in the preceding pages 1 to 9.

## 1. Expenditure and Funding Analysis

### 1.1 Group expenditure and funding analysis

Group expenditure and funding analysis	Year ending 31 March 2017			Year ending 31 March 2016		
	Net expenditure chargeable to the General Fund	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net expenditure chargeable to the General Fund	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000						
Territorial policing	1,139,745	68,257	1,208,002	1,159,257	(204,798)	954,459
Specialist crime and operations	659,508	30,574	690,082	641,451	(52,842)	588,609
Specialist operations	(1,983)	11,176	9,193	1,314	(31,907)	(30,593)
Met HQ and SSS	412,665	21,252	433,917	432,952	15,604	448,556
Digital policing	174,527	23,700	198,227	190,146	56,145	246,291
Centrally held	76,889	(12,817)	64,072	20,154	56,107	76,261
MOPAC	37,010	(1,358)	35,652	36,440	2,837	39,277
<b>Net cost of service</b>	<b>2,498,361</b>	<b>140,784</b>	<b>2,639,145</b>	<b>2,481,714</b>	<b>(158,854)</b>	<b>2,322,860</b>
Other income and expenditure	(2,498,361)	741,046	(1,757,315)	(2,481,714)	851,890	(1,629,824)
<b>Surplus or deficit on General Fund</b>	<b>0</b>	<b>881,830</b>	<b>881,830</b>	<b>0</b>	<b>693,036</b>	<b>693,036</b>
Opening General Fund at 31 March	(23,483)			(23,483)		
Less deficit on General Fund in year	0			0		
<b>Closing General Fund balance at 31 March</b>	<b>(23,483)</b>			<b>(23,483)</b>		

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by the Group in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## Notes to the Financial Statements

Group adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2016/17 £000	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Earmarked reserves	Total Adjustments
	Note 1	Note 2	Note 3	Note 4	
Territorial policing	56,708	8,203	2,458	888	68,257
Specialist crime and operations	29,718	2,893	1,661	(3,698)	30,574
Specialist operations	9,682	1,459	553	(518)	11,176
Met HQ and SSS	3,891	283	(11,758)	28,836	21,252
Digital policing	431	4	45	23,220	23,700
Centrally held	(18,424)	58	(3,792)	9,341	(12,817)
MOPAC	(240)	0	0	(1,118)	(1,358)
<b>Net cost of service</b>	<b>81,766</b>	<b>12,900</b>	<b>(10,833)</b>	<b>56,951</b>	<b>140,784</b>
Other income and expenditure	(201,379)	925,101	17,324	0	741,046
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	(119,613)	938,001	6,491	56,951	881,830

Group adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2015/16 £000	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Earmarked reserves	Total Adjustments
	Note 1	Note 2	Note 3	Note 4	
Territorial policing	83,631	(287,224)	(2,011)	806	(204,798)
Specialist crime and operations	40,398	(96,210)	(1,529)	4,499	(52,842)
Specialist operations	16,956	(47,727)	(533)	(603)	(31,907)
Met HQ and SSS	10,971	(8,991)	(14,123)	27,747	15,604
Digital policing	58,111	(166)	(121)	(1,679)	56,145
Centrally held	(23,698)	(1,582)	(6,460)	87,847	56,107
MOPAC	0	0	0	2,837	2,837
<b>Net cost of service</b>	<b>186,369</b>	<b>(441,900)</b>	<b>(24,777)</b>	<b>121,454</b>	<b>(158,854)</b>
Other income and expenditure	(131,026)	963,400	19,516	0	851,890
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	55,343	521,500	(5,261)	121,454	693,036

Note 1 Adjustments for capital purposes - this column adds depreciation in the services line and removes MRP and other revenue contributions to capital which are not chargeable under generally accepted accounting practices. In Other income and expenditure;

- Capital disposals are adjusted for with a transfer of the income received on disposal of assets and a charge for the amounts written off for those assets.
- Movements in the fair value of the investment properties are transferred back.
- Capital grants are transferred back as income shown under generally accepted accounting practices.

Note 2 Net change for the pensions adjustments - this is the net change for the removal of pensions contributions made by the Group and the replacement with accounting entries under IAS 19.

Note 3 Other differences - this column includes the removal of interest income and expenses from the net cost of service and reflection in other income and expenditure in line with generally accepted accounting practices.

Note 4 The Group presents the cost of service including movements to and from reserves in its internal financial reporting arrangements. This column adjusts for movements to and from reserves which are not shown as expenditure and income under generally accepted accounting practices.

## 1.2 MOPAC expenditure and funding analysis

MOPAC expenditure and funding analysis	Year ending 31 March 2017			Year ending 31 March 2016		
	Net expenditure chargeable to the General Fund	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net expenditure chargeable to the General Fund	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000						
Intra-group funding policing	2,461,351	165,908	2,627,259	2,445,274	(165,210)	2,280,064
Other	37,010	(1,358)	35,652	36,440	2,343	38,783
Revaluation loss (gain to reverse previous losses) not charged to CPM	0	(23,766)	(23,766)	0	4,013	4,013
<b>Net cost of service</b>	<b>2,498,361</b>	<b>140,784</b>	<b>2,639,145</b>	<b>2,481,714</b>	<b>(158,854)</b>	<b>2,322,860</b>
Other income and expenditure	(2,498,361)	2,800,646	302,285	(2,481,714)	(3,303,310)	(5,785,024)
<b>Surplus or deficit on General Fund</b>	<b>0</b>	<b>2,941,430</b>	<b>2,941,430</b>	<b>0</b>	<b>(3,462,164)</b>	<b>(3,462,164)</b>
Opening General Fund at 31 March	(23,483)			(23,483)		
Less deficit on General Fund in year	0			0		
<b>Closing General Fund balance at 31 March</b>	<b>(23,483)</b>			<b>(23,483)</b>		

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by MOPAC in comparison with those resources consumed or earned by MOPAC in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decisions making purposes between the Group's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

MOPAC adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2016/17 £000	Adjustments for capital purposes Note 1	Net change for the pensions adjustments Note 2	Other differences Note 3	Earmarked reserves Note 4	Total Adjustments
Intra-group funding policing	82,006	12,900	12,933	58,069	165,908
Other	(240)	0	0	(1,118)	(1,358)
Revaluation loss (gain to reverse previous losses) not charged to CPM	0	0	(23,766)	0	(23,766)
<b>Net cost of service</b>	<b>81,766</b>	<b>12,900</b>	<b>(10,833)</b>	<b>56,951</b>	<b>140,784</b>
Other income and expenditure	(201,380)	2,984,701	17,324	0	2,800,645
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	(119,614)	2,997,601	6,491	56,951	2,941,429

MOPAC adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2015/16 £000	Adjustments for capital purposes Note 1	Net change for the pensions adjustments Note 2	Other differences Note 3	Earmarked reserves Note 4	Total Adjustments
Intra-group funding policing	186,369	(441,900)	(28,296)	118,617	(165,210)
Other	0	0	(494)	2,837	2,343
Revaluation loss (gain to reverse previous losses) not charged to CPM	0	0	4,013	0	4,013
<b>Net cost of service</b>	<b>186,369</b>	<b>(441,900)</b>	<b>(24,777)</b>	<b>121,454</b>	<b>(158,854)</b>
Other income and expenditure	(131,026)	(3,191,800)	19,516	0	(3,303,310)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	55,343	(3,633,700)	(5,261)	121,454	(3,462,164)



Note 1 Adjustments for capital purposes - this column adds depreciation in the services line and removes MRP and other revenue contributions to capital which are not chargeable under generally accepted accounting practices. In Other income and expenditure;

- Capital disposals are adjusted for with a transfer of the income received on disposal of assets and a charge for the amounts written off for those assets.
- Movements in the fair value of the investment properties are transferred back.
- Capital grants are transferred back as income shown under generally accepted accounting practices.

Note 2 Net change for the pensions adjustments - this is the net change for the removal of pensions contributions made by the Group and the replacement with accounting entries under IAS 19.

Note 3 Other differences - this column includes the removal of interest income and expenses from the net cost of service and reflection in other income and expenditure in line with generally accepted accounting practices.

Note 4 MOPAC presents the cost of service including movements to and from reserves in its internal financial reporting arrangements. This column adjusts for movements to and from reserves which are not shown as expenditure and income under generally accepted accounting practices.

## 2. Statement of accounting policies

### 2.1 General principles

These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom 2016/17 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015. The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

The Accounts have been prepared on a going concern basis using an historic cost convention, modified to account for the revaluation of certain categories of tangible fixed assets and financial liabilities.

Following the passing of the Police Reform and Social Responsibility Act 2011 the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two 'corporations sole', the Mayor's Office for Policing And Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). Both bodies are required to prepare a separate Statement of Accounts. The Narrative Report which accompanies the Accounts sets out the roles and responsibilities of each in more detail.

The Financial Statements included here represent the accounts for MOPAC and also those for the MOPAC Group, consolidating the financial activities of MOPAC and the CPM. The Financial Statements cover the 12 months to the 31 March 2017 (with prior year as a comparative year). The term 'Group' is used to indicate combined transactions and policies of MOPAC and CPM for the year ended 31 March 2017. The identification of MOPAC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of MOPAC under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies adopted are set out below.

### 2.2 Revenue and expenditure recognition

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business net of discounts

and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed. Whilst all expenditure is funded by MOPAC (as the body responsible for maintaining the Police Fund for London) including the wages of police staff and officers, the actual recognition in the respective MOPAC and CPM Accounts is based on which organisation receives the economic benefit from the transactions.

Consideration received in advance is recognised as deferred revenue in the Balance Sheet and released as income is earned. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

### 2.3 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due are accounted for as income at the date the Group provides the relevant goods or services;
- Where income and expenditure has been recognised (using estimates when appropriate) but cash has not been received or paid, a debtor or creditor for the relevant year is recorded in the Balance Sheet;
- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to CIES for the income that might not be collected.

### 2.4 Provisions

Provisions are recognised on the Balance Sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are charged to the CIES in the year the Group becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the CIES.

*Third party liabilities* - to make provision for realistic estimates of the future settlement of third party claims, the liability for which already exists at the date of the Balance Sheet, in so far as they will not be met by external insurance. The figure shown on the Balance Sheet does not include any adjustment to discount the total liability to present day terms in line with IAS 39 Financial Instruments because the claims involved are deemed to be estimates based on present day values.

*Legal challenges around employment law* - During 2016/17 there were a number of legal challenges in other forces around employment law that have financial consequences for all police forces in England and Wales. These mainly concern backdated and future payments of overtime and allowances. Provisions have been recognised in 2016/17 for retrospective claims.

*Riot (Damages) Act 1886 claims* - to make provision for claims due in relation to material damages which are expected to be reimbursed to third parties who submitted claims arising from the public disturbances in August 2011.

*Police officer pension liability (intra-group)* - to make provision to reflect the continuing requirement on an elected local policing body as required under the Police Reform and Social Responsibility Act 2011, to provide funds to the CPM from the Police fund for the payment of police pensions. The intra-group balances will not appear in the Group Accounts.

### 2.5 Reserves

Reserves consist of two elements: usable and unusable. Usable reserves are those which can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, Capital Receipts Reserve and the Capital Grants Unapplied Account. Earmarked reserves are established from time to time to meet specific expected revenue or capital costs as determined by MOPAC.

Unusable reserves cannot be applied to fund expenditure. They include the Capital Adjustment Account, Pension Reserve, Accumulated Absences Account, Revaluation Reserves and Deferred Capital Receipts Reserve. These accounts do not form part of the cash resources available to the Group.

Reserves are created by appropriating amounts in the CIES. When expenditure to be financed from a reserve is incurred, it is charged to the CIES against the Net Cost of Policing Services. The reserve is then appropriated back in the MIRS so that there is no net charge for the expenditure.

### **2.6 Government and other organisations' grants and contributions**

Whether paid on account, by instalments or in arrears, revenue government grants and third party contributions are recognised as income at the date that the Group satisfies the conditions of entitlement to the grant/contribution.

The grant/contribution is recognised within the CIES as income when the conditions of entitlement are known to be satisfied. If the grant/contribution has been received in advance of need then the amount is transferred to a Grant in Advance Account.

Grants to cover general expenditure (e.g. Police Revenue Grant) are credited to the CIES within the provision of services.

### **2.7 Employee benefits**

#### **Benefits payable during employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non monetary benefits for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the Group.

IAS 19 Employee Benefits requires MOPAC to account for short-term compensating absences (these are periods during which an employee benefits continue to be earned which include time owing for annual leave and rest days) by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. Short term accumulated absences are recognised in the CPM Accounts in the period in which officers or police staff render the service which entitles them to the benefit, not necessarily when they enjoy the benefit. The cost of leave earned, but not taken by police officers and staff at the end of the financial year is recognised in the financial statements to the extent that the staff are entitled to carry forward leave into the following year. Equivalent liabilities for employee benefits are recognised on the MOPAC Balance Sheet to reflect the continuing requirement on MOPAC to provide funds from the Police Fund to meet these liabilities as they fall due. The Group Balance Sheet also reflects the liability for time owing and annual leave. The accrual for untaken leave is charged to the Net Cost of Policing Services, and reversed out through the MIRS so that the leave is charged to CIES in the financial year in which the holiday absence is earned.

#### **Termination benefits**

Termination benefits are amounts payable as a result of a decision to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the CIES at the earlier of when the organisation can no longer withdraw the offer of those benefits and when the organisation recognises the costs for a restructuring.

#### **Post employment benefits**

The Group operates three pension schemes for police officers and a single scheme for police staff. The CPM is the administering body for the Pension Fund. MOPAC provides funds from the Police Fund to meet the pension payments as they fall due.

### *Police officers*

The Police Pension Schemes are contributory occupational pension schemes which are guaranteed and backed by law. A new Career Average Revalued Earnings (CARE) Scheme was introduced on the 1st April 2015, which was a change from the previous Final Salary Schemes. Officers starting after the 1st April 2015 join the new 2015 Scheme and members of the 1987 and 2006 Final Salary Schemes will move into the new 2015 Scheme, unless they are covered by the transitional protection arrangements. Members of the new 2015 Scheme make contributions of between 12.44% and 13.78% of pensionable pay. Protected members of the 1987 and 2006 arrangements contribute at rates of between either 14.25% and 15.05% of pensionable pay for the 1987 police pension scheme or 11% and 12.75% for the 2006 police pension scheme. The employees' contribution rate is set nationally by the Home Office and is subject to triennial revaluation. New financial arrangements were introduced on 1 April 2006 to administer the schemes.

The police pension schemes are defined benefit schemes paid from revenue (without managed pension assets). Following the Code's requirements, IAS 19 has been fully recognised in the Group Accounts. Scheme liabilities as shown on the Group's Balance Sheet are calculated by determining future liabilities for pension payments and applying a discount rate to reduce them to present day values. IAS 19 specifies the use of a discount rate equal to the current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The pension liabilities in these Accounts have been calculated accordingly at a discount rate of 2.6% for all schemes.

Recognition of the total liability has a substantial impact on the net worth of the MOPAC Group. Accrued net pension liabilities are assessed on an actuarial basis. The change in net pension liability is analysed into the following components:

- Service cost comprising:
  - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated to the Group CIES to the services for which the police officers worked;
  - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Net Cost of Policing Services in the Group CIES;
  - Interest on the defined benefit liability - the increase during the period in the defined benefit liability which arises because the benefits are one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Group CIES;
- Re-measurements comprising actuarial gains and losses - changes in the pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited or credited to the Pensions Reserve as Other Comprehensive Income and Expenditure with the exception of actuarial gains and losses in relation to injury benefits, which are debited or credited to the Net Cost of Policing Services in the CIES.
- Contributions paid to the Police Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities, not accounted for as an expense.

The net liability for all the pension schemes is recognised initially on the CPM Balance Sheet in accordance with IAS 19 Employee Benefits. MOPAC provides the sole source of funding to meet the CPM's costs through the budget delegated by MOPAC to the CPM. All CPM liabilities will therefore ultimately be funded by MOPAC. The pension liability is therefore offset by an intra-group adjustment between MOPAC and the CPM to reflect MOPAC's continuing responsibility to provide funds from the Police Fund to enable the CPM to administer pension payments. This has resulted in a liability within MOPAC's Balance Sheet for the Police Pension Schemes.

The legislation however requires the General Fund balance to be charged with the amount payable by MOPAC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### *Police staff*

The Group joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme which operates seven different sub schemes but only one is open to new staff joining MOPAC/CPM, the Alpha Scheme, which is a career average scheme. Additionally, there is a defined contribution alternative. The PCSPS is a multi-employer scheme whereby the underlying assets and liabilities within the Scheme are not broken down and attributed to individual employers, and therefore is defined as a multi-contribution scheme. The appropriate level of disclosure has been followed in accordance with IAS 19.

## 2.8 Property, plant and equipment

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. The de minimus level policy is to capitalise all expenditure over £5,000 on an individual asset basis, and projects (or grouped assets) with a total value in excess of £5,000: expenditure on partnership assets is capitalised over £1,000.

**Recognition:** Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that they yield benefits to the Group and the services they provide are for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Assets under construction are recorded in the Balance Sheet at historical cost.

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are carried in the Balance Sheet using the following measurement bases:

- Specialised operational properties - current value, but because of their specialist nature are measured at depreciated replacement cost which is used as an estimate of current value;
- Non-specialised operational properties - current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV);
- Surplus properties and investment properties - fair value estimated at highest and best use from a market participant's perspective;
- Vehicles, plant and equipment - In such cases where non property assets have short useful lives or low values (or both), depreciated historic cost is used as a proxy for current value.
- Assets held for sale - current or fair value as appropriate

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year end. Property revaluations are based on a rolling review programme. Properties are revalued at 30 September each year; the top 20 properties in value as well as 20% of the assets are physically inspected whilst 80% are revalued on a desktop basis. A further review is carried out at 31 March each year to determine whether the value at 31 March is materially different to the value at 30 September. This approach complies with the CIPFA Code of Practice on Local Authority Accounting 2016/17 requirements on measurement of property plant and equipment.

**Component assets:** The Group recognises and records component assets separate from the main asset with which they are associated where the component life is shorter, by more than 10 years, and the value of the component is more than 20% of the main asset value. Where a component asset is identified it is written down on a straight line basis over its useful economic life using a depreciated historic cost approach.

**Impairment:** Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible write down is estimated to be material, the recoverable amount of the asset is determined and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the loss is determined for a previously revalued asset, it is written off against any revaluation gains held for the relevant asset in the Revaluation Reserve, with any excess charged to the CIES. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Disposals:** When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal. The written off carrying value of the asset is transferred from the General Fund to the Capital Adjustment Account in the MIRS. Sale proceeds over £10,000 are categorised as capital receipts and are transferred from the General Fund Balance to the Capital Receipts Reserve in the MIRS.

**Depreciation:** This is provided for all assets with a useful finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use, on a straight-line basis.

### Principal asset categories and their useful economic lives

Operational Assets	Category	Years
Property	Land	Not depreciated
	Buildings	10 - 50 years
Plant and equipment	Information Technology and communications equipment	3 - 20 years
	Software development	3 - 5 years
	Policing support vehicles including Patrol vehicles	3 - 15 years
Intangible assets	Software licences.	3 years
<b>Non operational assets</b>		
Assets under construction		Not depreciated
Surplus Assets		Not depreciated
Assets held for sale		Not depreciated
Investment properties		Not depreciated

**Grants and contributions:** Grants and contributions relating to capital expenditure shall be recognised in the CIES as income except to the extent that the grant or contribution has a condition that the Group has not satisfied. In that event the amount subject to condition is transferred to the Capital Grants Receipts in Advance account. Where the conditions of the grant/contribution are satisfied, but expenditure for which the grant is given has not yet been incurred, then such sums will be transferred to the Capital Grants Unapplied Reserve.

## 2.9 Charges to revenue for property, plant and equipment

The Group CIES is charged with the following amounts, to record the real cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation gains or losses on investment properties;
- Amortisation of intangible fixed assets attributable to the service.

The Group is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The Minimum Revenue Provision (MRP) is set on a prudent basis as determined by the Group in accordance with statutory guidance.

## 2.10 Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of its carrying amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

## 2.11 Investment properties

These are properties held solely by MOPAC for the purpose of generating rental income or for capital appreciation and are occupied by third parties. These properties are not used in any way to facilitate the delivery of services or held for sale.

Investment properties are measured initially at cost and subsequently at 'fair value' (as defined in the Section below). Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 2.12 Surplus Assets

These are assets that are not being used to deliver services, and do not meet the CIPFA Code of Practice criteria to be classified as either investment properties or non-current assets held for sale.

The valuation at which they are held is based on an estimate of the price that would be received by selling in an orderly transaction between market participants at the valuation date.

## 2.13 Fair value measurement

The Group measures some of its non-financial assets such as investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Group

takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Group's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

### 2.14 Leases

All leases are evaluated at inception in accordance with IAS 17 'Leases', to determine whether they are a finance lease or an operating lease. Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease is for land and buildings, the land and building components are separated. The land element is usually treated as an operating lease, unless it is for 125 years or more, in which instance the land is deemed to be a finance lease. Where the building element is a finance lease it is depreciated over its lease term. A de minimus of £5,000 is applied to the annual rental of leases to determine their treatment as a finance lease. All major contracts are reviewed under IFRIC 4 to determine whether an arrangement contains an embedded lease.

#### *Finance leases*

Property, plant and equipment held under finance leases is initially recognised at the inception of the lease at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges (charged to the CIES) and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the organisation at the end of the lease period).

#### *Operating leases*

Leases that do not meet the definition of finance leases are accounted for as operating leases. The Group has a large number of operating leases, mainly in respect of property, but also vehicles. Rentals payable are charged to the CIES.

#### *The Group as lessor*

There are a number of short-term operating leases for property where the Group acts as lessor. Where the organisation grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a premium paid at the commencement of the lease).

There are no finance leases where the Group is a lessor.

### 2.15 Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT as VAT is remitted to/from the HM Revenue & Customs.



### 2.16 Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the MOPAC becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable. Interest charged to the CIES is the amount payable for the year according to the loan agreement.

### 2.17 Financial assets

Financial assets held by MOPAC comprise loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and are subsequently carried at their amortised cost. Interest and other income received is based on the capital value of the investment multiplied by the effective rate of interest. For most of the loans that MOPAC has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. Interest is credited to the CIES with the amount receivable for the year defined in the loan agreement. The loans made by MOPAC are short-term investments consisting of fixed term deposits.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to Financing and Investment Income and Expenditure in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the CIES.

### 2.18 Contingent assets and liabilities

The Group recognises material contingent liabilities as either:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation, or
- Present obligations that arise from past events but are not recognised because;
  - a) it is not probable that outflows of resources embodying economic benefits or service potential will be required to settle the obligations, or
  - b) the amount of the obligations cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits or service potential in settlement is remote (in which case no action is needed).

The Group may also recognise a contingent asset as 'a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation'.

### 2.19 Private Finance Initiative

MOPAC has two long term contractual agreements under PFI whereby the contractor is responsible for the design, construction, finance and maintenance of four police stations in south-east London (Police Stations PFI) and a public order and firearms training centre (Training Ground PFI). These contracts are deemed to be under the control of MOPAC and as such the accounting treatment has been to include them on the Balance Sheet in accordance with the Code.

In addition to the assets created for the PFI buildings on the Balance Sheet, long term liability accounts are also disclosed on the Balance Sheet to reflect future payments to the contractor. Payments made by MOPAC under contract are charged in part to revenue to reflect the value of services received and cost of financing and in part to the Balance Sheet, to reflect repayment of the outstanding liability over the remaining period of the lease agreement.

### **2.20 Cash and cash equivalents**

Cash is cash in hand and deposits with MOPAC's main banker and a number of other banks. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **2.21 Events after the balance sheet date**

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the Accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

### **2.22 Overhead costs**

The costs of overheads and support services are charged to service segments within the Group CIES in accordance with the Group's arrangements for accountability and financial performance. In practice this means support costs other than Corporate and Democratic Core (CDC) are recognised in the intra-group funding - policing line of the MOPAC CIES on the basis that all services to which support costs are allocated were delivered by the CPM in 2016/17.

### **2.23 Bad debt provision**

The Group has made a provision for general and specific debts where there is significant doubt that payment will be received. The provision for bad debts is deducted from current debtors in the Balance Sheet.

### **2.24 Prior period adjustments, changes in accounting policies, estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the organisation's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **3. Accounting standards that have been issued, but not yet adopted**

There are no new or amended standards that have been issued but not yet adopted, that apply to the Group and MOPAC for 2017/18.

## 4. Significant estimates and judgements

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

### Estimates

- Establishing the valuations of operational and residential properties (see Notes 16 and 16.1 for details of amounts and valuation process involved). Depreciation is calculated based on the asset value and expected useful life of the asset. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year;
- In respect of police staff when estimates are required, the calculation of unused holidays is based on a sample of staff and average cost of each grade of staff. The cost of absences due but not taken at the reporting date are recognised in the CPM Accounts in the first instance as described in Note 6 in more detail;
- The provision for compensation payments to third parties and ex-personnel in Note 25 is determined by applying historic experience of past claims and professional advice to determine the probable outflow of economic benefits in respect of existing claims.

### Judgements

- The costs of providing pension benefits to police officers, requires estimates regarding future cash flows that will arise to meet the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the MOPAC CFO as advised by the scheme actuaries. The financial assumptions used by the actuaries are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population;
- A judgement has been made of the expenditure allocated between MOPAC and the CPM to reflect the financial resources of MOPAC consumed at the request of the CPM. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance. More details are included in Note 6;
- A liability has been recognised on the MOPAC Balance Sheet equivalent to the liability for police officer pensions recognised on the CPM Balance Sheet under IAS 19 Retirement Benefits. The costs and liability relating to police pensions are recognised in the CPM Accounts in the first instance because police officers are under the direction of the CPM. As MOPAC has a statutory obligation to provide funds to meet police pension liabilities, a corresponding liability has been included in the MOPAC Accounts. The intra-group adjustments are removed from consolidation to show only the IAS 19 liability itself in the Group Balance Sheet. This liability is offset in the Group Balance Sheet by the Police Officer Pension Reserve because under statute MOPAC can only charge to the Police Fund actual amounts paid as contributions in the Police Officer Pension Fund in the year and not the full amount under IAS 19.

This judgement is consistent with IAS1 - 'the going concern concept'. The assessment of whether or not the CPM is a going concern is based on its ability to discharge liabilities in the normal course of its business. In this case the CPM is reliant upon MOPAC to discharge its

liabilities in the normal course of its business. This expectation is necessary to enable the CPM to continue as a going concern.

### **5. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future or assumptions that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because these balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. At the date of publication of the Accounts Note 4 lists out the accounting estimates we consider significant to the preparation of the Accounts. One assumption about the future for which there is a significant risk of 'material' adjustment involves the police pension liability - the discount rates used to calculate the pension liabilities are estimates, any changes in which could impact on the total liability of the police pension funds, see Note 12 for more details of the impact of discount rate changes.

On the 23 June 2016 the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. Whilst there is no impact on the figures contained within MOPAC's accounts this decision may impact on the future basis of assumptions and estimates and MOPAC will need to ensure this is considered in future years.

### **6. The relationship between the Mayor's Office for Policing And Crime and the Commissioner of Police of the Metropolis for accounting purposes**

#### **6.1 Introduction**

Following the Police Reform and Social Responsibility Act 2011 (The Act), the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two corporations sole, the Mayor's Office for Policing And Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). These financial statements for 2016/17 show the financial positions of the MOPAC and MOPAC Group together with comparative figures for 2015/16.

#### **6.2 Accounting principles**

The accounting recognition of assets, liabilities and reserves in 2016/17 reflects the powers and responsibilities of MOPAC as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2013. This accounting treatment is also underpinned by the working relationship between the Deputy Mayor and the Commissioner as defined by local regulations, (MOPAC Financial Regulations and Scheme of Consent and Delegation), local agreement and practice. On 16 January 2012 the assets, liabilities and reserves of the MPA were transferred directly to MOPAC and during 2016/17 they remain under MOPAC control. Statutory and local arrangements determine that MOPAC holds all the assets, liabilities and the reserves and is responsible for the police pension liability. All payments for the Group are made by MOPAC from the MOPAC Police Fund and all income and funding received by MOPAC. MOPAC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

With effect from 1 April 2014, under the Police Reform and Social Responsibility Act 2011 the contracts of employment of police staff under the direction of the Commissioner transferred to the CPM. For accounting purposes, the costs of police staff and officers under the direct control of the Commissioner are recognised in the CPM Accounts and the costs of staff under the direct control of

MOPAC are recognised in the MOPAC CIES. All assets, liabilities and reserves remain under the ownership of MOPAC.

The International Accounting Standards Board (IASB) Framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' benefit associated with the item will flow to, or from the entity. Based on the statutory responsibilities and local arrangements within which MOPAC operates in conjunction with the IASB guidance, it has been deemed that 'all' the assets, liabilities and reserves are recognised on the MOPAC Balance Sheet and consequently the balance sheets for MOPAC and the Group are similar. This reflects the fact that MOPAC retains control over all assets including which are held, which are disposed and who has access to use the assets and therefore controls the long term risk and rewards of ownership.

Police Pension costs are recognised in the CPM Accounts in accordance with IAS 19 (Employee Benefits). The liability for police pensions on the CPM Balance Sheet is offset by an intra-group debtor reflecting MOPAC's responsibility to provide funds from the police fund each year to enable the CPM to administer police pension payments. The MOPAC Balance Sheet shows an intra-group provision to reflect its responsibility to provide funds for the payment of police pensions. The same accounting treatment applies to 'accumulated absences due to employees but not taken at the reporting date'. The liabilities in the CPM Balance Sheet are offset by an intra-group transfer from MOPAC to reflect the fact that MOPAC ultimately funds the CPM's employee costs.

### Accounting treatment

The table below shows the movement through an intra-group account within the respective CIES during 2016/17. Corresponding accounting entries in the MOPAC CIES and CPM CIES can be seen in the financial statements.

Intra-group adjustments between MOPAC and CPM within the CIES			
Intra-group - total transactions for 2016/17 £million	MOPAC	CPM	Group
IAS 19 pension costs within net cost of services	0	653	653
Accumulated absences	0	6	6
Other costs within net cost of services	0	1,968	1,968
Intra-group adjustment (MOPAC funding)	2,627	(2,627)	0
Pension interest cost	0	925	925
Intra-group adjustment (MOPAC funding pension)	925	(925)	0
Actuarial losses on police fund	0	2,060	2,060
Intra-group adjustment (MOPAC funding pension)	2,060	(2,060)	0
<b>Total transactions for the year</b>	<b>5,612</b>	<b>0</b>	<b>5,612</b>
Intra-group - total transactions for 2015/16 £million	MOPAC	CPM	Group
IAS 19 pension costs within net cost of services	0	213	213
Accumulated absences	0	5	5
Other costs within net cost of services	0	2,062	2,062
Intra-group adjustment (MOPAC funding)	2,280	(2,280)	0
Pension interest cost	0	963	963
Intra-group adjustment (MOPAC funding pension)	963	(963)	0
Actuarial losses on police fund	0	(4,155)	(4,155)
Intra-group adjustment (MOPAC funding pension)	(4,155)	4,155	0
<b>Total transactions for the year</b>	<b>(912)</b>	<b>0</b>	<b>(912)</b>
Accounting entries reflected in the respective Balance Sheet at year end			
Intra-group - total transactions for 2016/17 £million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	29,422	0
CPM - Short term Intra-group Debtor	0	103	0
CPM - Police Officer pension liability	0	(29,422)	(29,422)
CPM - Creditor - accumulated absences	0	(103)	(103)
MOPAC - Long term Intra-group Creditor	(29,422)	0	0

MOPAC - Short term Intra-group Creditor	(103)	0	0
MOPAC - Unusable Reserves	29,422	0	29,422
MOPAC - Unusable Reserves	103	0	103
<b>Intra-group - total transactions for 2015/16</b>			
<b>£million</b>	<b>MOPAC</b>	<b>CPM</b>	<b>Group</b>
CPM - Long term Intra-group Debtor	0	26,424	0
CPM - Short term Intra-group Debtor	0	98	0
CPM - Police Officer pension liability	0	(26,424)	(26,424)
CPM - Creditor - accumulated absences	0	(98)	(98)
MOPAC - Long term Intra-group Creditor	(26,424)	0	0
MOPAC - Short term Intra-group Creditor	(98)	0	0
MOPAC - Unusable Reserves	26,424	0	26,424
MOPAC - Unusable Reserves	98	0	98

The 2016/17 CIES for MOPAC and the Group are similar at 'summary level'. The MOPAC CIES includes not only the cost of administering the MOPAC itself, but also payment for MOPAC resources consumed at the request of the CPM. Correspondingly in the CPM CIES, total Comprehensive Income and Expenditure is nil for 2016/17 as the 'resources consumed at the request of the CPM' are completely offset by the intra-group adjustment.

## 7. Analysis of surplus or deficit on the provision of service

### 7.1 Service expenditure analysis

The first half of the MOPAC Group CIES on page 1 shows the Net Cost of Policing Services (the operating cost in year of providing services for the Group). The costs are also categorised between the seven divisions which represent the organisational structure headings under which the MOPAC Group operates and manages its services.

### 7.2 Income

Income received by MOPAC includes fees and charges, interest, investments, contributions, specific grants and other service income. A breakdown under these headings for 2016/17 is shown in the table in Section 7.3 below.

The ability to charge for police services is generally determined by statutory provisions.

- The provision of special police services at the request of any person under s25 of the Police Act 1996. Special police services generally relate to policing an event e.g. a pop concert, or series of events, including football matches and policing at the Palace of Westminster;
- S15 of the Police Reform and Social Responsibility Act 2011 extends to police bodies the powers of the Local Authorities (Goods and Services) Act 1970 to supply goods and services to other bodies or persons. This may include services provided in competition with other providers, for example training, where charges will reflect market rates, or services provided as a by-product of core policing activity such as provision of collision reports;
- The Aviation Security Act 1982 for policing in relation to the operation of airports;
- The provision of police services to other agencies such as the Home Office Border Force (previously the UK Border Agency) or the prison service;
- The provision of mutual aid to other forces.

Income received also includes miscellaneous items such as loans of equipment to other forces, rents receivable, sales of equipment under £10,000 and prosecution costs recovered by way of illustration.

Specific grants represent grants for specific operational activities (a breakdown is provided in Note 15). General grants not directly attributable to specific operational activities are recognised below the Net Cost of Service.

### 7.3 Expenditure and income analysed by nature for MOPAC and the MOPAC Group

In the table below the operating income and expenditure for MOPAC and the MOPAC Group for the period 1 April 2016 to 31 March 2017, is presented in a subjective analysis format. The subjective analysis format is used by management to make decisions about resource allocation in internal management reports.

#### Expenditure and income analysis by nature for MOPAC and the MOPAC Group

£000	MOPAC 2016/17	CPM 2016/17	Group 2016/17	Group 2015/16 restated
<b>Expenditure</b>				
Employee costs				
Police officer salaries	0	1,625,615	1,625,615	1,592,145
MOPAC and Police staff wages and salaries	7,046	465,447	472,493	507,170
Employee related expenditure	325	10,601	10,926	8,322
Net police officer pensions	0	311,289	311,289	(138,003)
Net MOPAC police staff pensions	2,114	105,490	107,604	110,195
Premises related	1,421	170,788	172,209	76,366
Transport related	14	66,216	66,230	61,997
Supplies and services*	40,085	471,681	509,916	452,428
Depreciation, amortisation, impairment	(23,766)	131,999	108,233	217,068
Actuarial losses on police pensions funds - intra group funding	2,059,600	(2,059,600)	0	0
Interest payments	944,170	0	944,170	988,211
Gains on the disposal of assets	(160,933)	0	(160,933)	(99,711)
<b>Total gross expenditure</b>	<b>2,870,076</b>	<b>1,299,526</b>	<b>4,167,752</b>	<b>3,776,188</b>
<b>Income</b>				
Fees and charges and other service income	(692)	(258,127)	(256,969)	(258,102)
Interest and investment income	(2,305)	0	(2,305)	(1,946)
Government grants and contributions	(2,552,908)	(473,740)	(3,026,648)	(2,823,104)
<b>Total income</b>	<b>(2,555,905)</b>	<b>(731,867)</b>	<b>(3,285,922)</b>	<b>(3,083,152)</b>
Intra group adjustment **	2,627,259	(2,627,259)	0	0
<b>Net cost of policing services</b>	<b>2,941,430</b>	<b>(2,059,600)</b>	<b>881,830</b>	<b>693,036</b>

\* £40 million supplies and services incurred by MOPAC includes costs of working with local communities, victims support and payments by MOPAC of crime prevention grants

\*\* MOPAC payment for MOPAC financial resources consumed at the request of the CPM

The subjective analysis statement has been split between the Commissioner of Police of the Metropolis (CPM) and MOPAC to separately identify the resources consumed at the request of the Commissioner, from those costs exclusively incurred by the Mayor's Office. Costs exclusively incurred by the Mayor's Office include the day to day costs of administering MOPAC and supporting the Mayor and the Deputy Mayor for Policing And Crime as well as working directly with local communities and the public which includes the payment of Community Grants detailed in the Narrative Report. All grants and income are paid directly to MOPAC. Further details in respect of the resources consumed under the direction of the Commissioner can be found in the CPM's Statement of Accounts.

## 8. Police officers and police staff remuneration

### 8.1 Police and police staff remuneration

The numbers of police officers and staff in the Group whose taxable remuneration, excluding pension contributions, was £50,000 or more are:

Remuneration band £ MOPAC	2016/17		2015/16	
	Number of employees exc exit packages	Number of employees inc exit packages	Number of employees exc exit packages	Number of employees inc exit packages restated
50,000 - 54,999	4,548	4,583	4,549	4,557
55,000 - 59,999	1,990	2,022	2,189	2,205
60,000 - 64,999	1,655	1,666	1,584	1,597
65,000 - 69,999	725	747	672	677
70,000 - 74,999	337	352	345	356
75,000 - 79,999	209	221	193	223
80,000 - 84,999	133	148	104	115
85,000 - 89,999	99	105	71	90
90,000 - 94,999	81	92	78	88
95,000 - 99,999	28	31	14	26
100,000 - 104,999	13	20	9	16
105,000 - 109,999	7	12	2	9
110,000 - 114,999	10	14	6	13
115,000 - 119,999	13	17	7	18
120,000 - 124,999	9	12	3	21
125,000 - 129,999	12	16	3	6
130,000 - 134,999	7	13	2	7
135,000 - 139,999	6	9	0	6
140,000 - 144,999	3	4	1	6
145,000 - 149,999	0	0	0	10
150,000 - 154,999	1	4	0	4
155,000 - 159,999	0	3	0	0
160,000 - 164,999	1	2	0	1
165,000 - 169,999	0	0	0	2
170,000 - 174,999	0	0	0	1
175,000 - 179,999	0	0	0	1
180,000 - 184,999	0	0	0	1
185,000 - 189,999	0	0	0	1
190,000 - 194,999	0	1	0	2
195,000 - 199,999	0	0	0	0
200,000 - 204,999	0	0	0	3
205,000 - 209,999	0	0	0	0
210,000 - 214,999	0	1	0	2
215,000 - 224,999	0	0	0	0
225,000 +	0	0	0	3

The banding scale is based on taxable remuneration, excluding pension costs, paid in the year rather than annual salary. Taxable remuneration includes overtime, compensation for loss of office and may also include back dated pay awards, which relate to previous years but were actually paid in the year in question. The numbers in the table above exclude senior staff and relevant police officers as defined below in Note 8.2. In these particular cases, a more detailed analysis of remuneration for 2016/17 is shown on the following pages. The comparative year has been updated



and restated in the table above to show the precise values of exit packages received through the Civil Service Scheme in year.

Of the 82 cases above of salaries exceeding £100k in 2016/17 47 officers exceeded the £100k barrier in that year simply owing to a one-off back payment. These cases are police officers working Royalty and Specialist Protection roles. Following a formal claim from those officers, the MPS has now accepted that the special escort allowance for royalty protection officers had been incorrectly interpreted in previous years, and therefore the officers had been underpaid. During 2016/17 the MPS paid these officers the monies due to them, covering a backpay period of over 6 years.

In order to deliver a sustainable reduction in the cost base a reduction in staff posts is required and an early departure scheme is currently being operated to facilitate this, see table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0 - £20,000	4	2	74	98	78	100	1,080,561	1,423,546
£20,001 - £40,000	9	6	138	153	147	159	4,308,554	4,658,616
£40,001 - £60,000	1	5	129	99	130	104	6,335,208	5,181,558
£60,001 - £80,000	0	1	30	47	30	48	2,080,332	3,484,755
£80,001 - £100,000	1	1	30	37	31	38	2,707,214	3,430,492
£100,001 - £150,000	1	0	5	12	6	12	724,448	1,416,782
£150,001 - £200,000	2	0	0	5	2	5	358,866	814,287
£200,001+	0	0	0	2	0	2	0	493,966
	18	15	406	453	424	468	17,595,183	20,904,002

The numbers in the table above exclude senior staff as defined below in Note 8.2. In these particular cases, compensation for loss of office is shown in Note 8.3. - 8.6.

## 8.2 Relevant police officers and senior staff remuneration

A relevant police officer is defined as the Commissioner or any other senior police officer whose salary is £150,000 per annum or more. Senior staff are defined as individuals whose salary is more than £150,000 per annum, or whose salary is at least £50,000 per annum (to be calculated pro-rata if they are part time) and are either the designated head of service, a statutory chief officer or a non-statutory chief officer, as defined under the Local Government and Housing Act 1989 or any person having responsibility for the management of MOPAC/CPM.

**8.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2017**

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Benefits in kind (£)	Other Payments (£)	Total remuneration excluding pension contributions 2016/17 (£)	Pension contributions (£)	Total remuneration including pension contributions 2016/17 (£)
<b>CPM</b>								
Commissioner	B Hogan-Howe	1	257,401	10,477	0	267,878	0	267,878
Acting Commissioner	C Mackey		241,018	6,842	0	247,860	0	247,860
Assistant Commissioner	P Gallan		198,339	4,701	0	203,040	40,557	243,597
Assistant Commissioner	M Hewitt		198,339	6,243	0	204,582	40,557	245,139
Assistant Commissioner	H King	2	153,841	3,244	3,665	160,750	20,194	180,944
Acting Deputy Commissioner	M Rowley	3	207,102	4,413	0	211,515	40,557	252,072
T/Assistant Commissioner	F Taylor	4	178,348	3,244	0	181,592	31,212	212,804
Deputy Assistant Commissioner	H Ball	5	160,439	5,974	0	166,413	31,212	197,625
Deputy Assistant Commissioner	M De Brunner	6	57,073	4,397	0	61,470	10,927	72,397
Deputy Assistant Commissioner	M Simmons		154,466	7,064	0	161,530	31,212	192,742
Deputy Assistant Commissioner	A Basu		159,493	5,780	0	165,273	31,212	196,485
Deputy Assistant Commissioner	S Rodhouse		164,878	3,244	0	168,122	31,212	199,334
Deputy Assistant Commissioner	L D'Orsi	7	136,398	3,244	0	139,642	25,755	165,397
Deputy Assistant Commissioner	P Terry		163,991	3,244	0	167,235	7,758	174,993
T/Deputy Assistant Commissioner	R Martin	8	145,500	3,244	0	148,744	22,352	171,096
T/Deputy Assistant Commissioner	D Ball	9	136,397	3,244	0	139,641	25,495	165,136
Deputy Assistant Commissioner	G McNulty	10	135,334	0	0	135,334	25,609	160,943
Deputy Assistant Commissioner	A Newcomb	11	163,286	3,244	0	166,530	30,804	197,334
Director of Commercial & Finance	L McMullan		157,350	0	0	157,350	38,465	195,815
Director of Digital Policing	A McCallum		225,350	0	0	225,350	0	225,350
Director of Solution Delivery	D Pitty	12	108,818	0	0	108,818	19,842	128,660
Director of Service Delivery	A Blatchford	13	74,194	0	0	74,194	13,572	87,766
Director of Technology	D Scates	14	75,000	0	0	75,000	13,720	88,720
<b>NPCC</b>								
Assistant Commissioner	S Thornton		203,157	0	0	203,157	0	203,157
<b>MOPAC</b>								
Chief Operating Officer	H Bailey	15	58,161	0	0	58,161	13,475	71,636
Chief Executive	R Lawrence	16	121,854	0	0	121,854	29,123	150,977

### 8.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2017

#### Notes

1. B Hogan-Howe retired on 28/2/17 with an annualized salary of £280,903
2. H King retired on 25/12/16 with an annualized salary of £209,915 and also received a payment of £3,665 for untaken leave
3. M Rowley was appointed Acting Deputy Commissioner on 26 February and in accordance with Regulation 27 received payment in respect of temporary promotion effective from 26/3/2017 with an annualized salary of £235,045
4. F Taylor was temporarily promoted to Assistant Commissioner on 12/12/16 with an annualized salary of £208,839
5. H Ball was on attachment to the College of Policing 3/1/17 to 31/3/17
6. M De Brunner left on 7/8/16 with an annualized salary of £152,489
7. L D’Orsi was promoted to DAC on 12/12/16 with an annualized salary of £162,018
8. R Martin was temporarily promoted to DAC on 31/10/16 with an annualized salary of £164,965
9. D Ball was temporarily promoted to DAC on 12/12/16 with an annualized salary of £163,235
10. G McNulty joined on 6/6/16 with an annualized salary of £164,965
11. A Newcomb was promoted to Deputy Assistant Commissioner with an annualized salary of £162,989
12. D Pitty commenced employment on 11 July 2016 with an annualised salary of £150,450
13. A Blatchford commenced employment on 3 October 2016 with an annualised salary of £150,450
14. D Scates commenced employment on 1 October 2016 with an annualised salary of £150,450
15. H Bailey was Chief Operating Officer from 01/04/2016 to 31/07/2016 and received an annualised salary of £165,000
16. R Lawrence was the Director of Strategy from 1/4/16 to 31/7/16 and was then appointed Acting Chief Operating Officer from 1/8/16 until 9/10/16. She was appointed Chief Executive from 10/10/16 with an annualised salary of £150,000

#### Additional information

Benefits in kind may include car allowance, relocation expenses, other travel costs and provision of a vehicle and driver to certain police ranks (Commissioner’s driver is treated differently as vehicles and driver are provided for security purposes). The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and one Deputy Assistant Commissioner required in the effective execution of their duties.

**8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2016**

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Benefits in kind (£)	Total remuneration excluding pension contributions 2015/16 (£)	Pension contributions (£)	Total remuneration including pension contributions 2015/16 (£)
<u>CPM</u>							
Commissioner	B Hogan-Howe		278,563	11,051	289,614	0	289,614
Deputy Commissioner	C Mackey		239,058	8,353	247,411	0	247,411
Assistant Commissioner	C Dick	1	106,758	0	106,758	21,699	128,457
Assistant Commissioner	P Gallan		196,458	5,027	201,485	40,156	241,641
Assistant Commissioner	M Hewitt		196,458	7,107	203,565	40,156	243,721
Assistant Commissioner	H King		214,521	3,244	217,765	40,156	257,921
Assistant Commissioner	M Rowley		204,805	5,232	210,037	40,156	250,193
Deputy Assistant Commissioner	H Ball		162,591	4,365	166,956	30,903	197,859
Deputy Assistant Commissioner	M De Brunner		153,274	6,531	159,805	30,903	190,708
Deputy Assistant Commissioner	M Simmons		153,018	7,842	160,860	30,903	191,763
Deputy Assistant Commissioner	A Basu		153,271	6,166	159,437	30,957	190,394
Deputy Assistant Commissioner	S Rodhouse		153,018	7,924	160,942	30,903	191,845
Deputy Assistant Commissioner	F Taylor		163,518	3,244	166,762	30,903	197,665
Deputy Assistant Commissioner	P Terry		171,742	3,244	174,986	30,957	205,943
Director of Commercial & Finance	L McMullan		157,350	0	157,350	38,465	195,815
Director of Digital Policing	A McCallum	2	45,968	0	45,968	0	45,968
<u>MOPAC</u>							
Chief Operating Officer	H Bailey		165,000	0	165,000	40,425	205,425
<u>NPCC</u>							
Assistant Commissioner	S Thornton	3	200,996	3,244	204,240	44,717	248,957

## 8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2016

### Notes

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1. C Dick was seconded to the Foreign and Commonwealth Office from 19/1/15 and left employment on 16/10/2015 with an annualized salary of £198,311
2. A McCallum was appointed Director of Digital Policing on 18/1/2016 with an annualised salary of £225,000. Prior to his appointment Eclecsys Ltd had been engaged to provide advice to the MPS on its technology strategy and operations. Eclecsys Ltd provided up to 3 consultants for the period 1/4/15 to 31/8/15 for £345,620.
3. S.Thornton is chair of the National Police Chiefs' Council which is funded by police forces in England, Wales and Northern Ireland as well as the armed services and some British overseas territories.

#### Additional information

Benefits in kind may include car allowance, relocation expenses, other travel costs and provision of a vehicle and driver to certain police ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes). The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and one Deputy Assistant Commissioner required in the effective execution of their duties.

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**8.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2017**

Post	No te	Salary inc fees and allowances (£)	Benefits in kind (£)	Compensation for loss of office (£)	Total remuneration (excl pension contributions) 2016/17 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2016/17 (£)
<u>CPM</u>							
Director of Media and Communication		131,385	0	0	131,385	32,104	163,489
Director of People and Change		135,550	0	0	135,550	33,124	168,674
Director of Legal Services		137,550	0	0	137,550	33,614	171,164
<u>MOPAC</u>							
Deputy Mayor for Policing And Crime	1	13,842	0	54,414	68,256	0	68,256
Deputy Mayor for Policing And Crime	2	101,042	0	0	101,042	24,755	125,797
Interim Director of Police Resources and Performance	3	-	-	-	-	-	-
Chief Finance Officer	4	23,857	0	0	23,857	5,845	29,702
Acting Director of Strategy	5	91,810	0	0	91,810	20,716	112,526
Director of Integrated Offender Management, Programmes & Neighbourhoods		86,857	0	0	86,857	21,280	108,137
Director of Services	6	-	-	-	-	-	-
Acting Director of Integrated Offender Management, Programmes & Neighbourhoods	7	95,820	0	0	95,820	21,253	117,073
Director of Audit, Risk and Assurance		115,810	0	0	115,810	28,373	144,183

### 8.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2017

#### Notes

1. The Deputy Mayor for Policing and Crime held the post from 1/4/16 to 7/5/16 and received an annualised salary of £130,595
2. The Deputy Mayor for Policing and Crime was appointed on 10/6/16 with an annualised salary of £125,000
3. The Interim Director of Police Resources and Performance is not salaried and the interims agency received a total payment in the period 1/4/16 to 22/1/17 of £107,388 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay).
4. The Chief Finance Officer was appointed on 23/1/17 with an annualised salary of £125,000
5. The Acting Director of Strategy was appointed on 1/3/17 with an annualised salary of £105,000
6. An Interim Director of Services was appointed to cover the maternity leave of the Director of Integrated Offender Management, Programmes and Neighbourhoods. The individual is not salaried. Between 1 April 2016 and 28 February 2017 the interims agency received payment of £143,454 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay).
7. The Acting Director of Integrated Offender Management, Programmes and Neighbourhoods was appointed with effect from 1 January 2017, on an annualised salary of £105,000

**8.6 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2016**

Post	Note	Salary inc fees and allowances (£)	Benefits in kind (£)	Other payments (£)	Total remuneration (excl pension contributions) 2015/16 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2015/16 (£)
<b>CPM</b>							
Director of Media and Communication		131,385	0	0	131,385	32,104	163,489
Director of People and Change		135,550	0	0	135,550	33,124	168,674
Director of Legal Services		137,550	0	0	137,550	33,614	171,164
<b>MOPAC</b>							
Deputy Mayor for Policing And Crime		130,595	0	0	130,595	0	130,595
Interim Director of Police Resources and Performance	1	-	-	-	-	-	-
Acting Director of Police Resources and Performance	2	97,113	0	0	97,113	23,666	120,779
Acting Director of Police Resources and Performance	3	61,196	0	0	61,196	13,410	74,606
Director of Strategy	4	104,047	0	0	104,047	25,491	129,538
Director of Integrated Offender Management, Programmes & Neighbourhoods		115,607	0	0	115,607	24,824	140,431
Interim of Integrated Offender Management, Programmes &	5	-	-	-	-	-	-
Director of Audit, Risk and Assurance		116,124	0	0	116,124	28,324	144,448



### 8.6 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2016

#### Notes

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1. An Interim Director of Police Resources and Performance is not salaried and received a total payment in the period 1/4/15 to 2/7/15 of £49,220 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay). If engaged for a full year the annualised total remuneration, excluding agency commission, for the year would have been £208,800.
  2. The Acting Director of Police Resources and Performance covered the role from 3/7/15 to 31/12/15 at a annualised salary of £96,596
  3. The Acting Director of Police Resources covered the role from 1/1/16 to 31/3/16 at a annualised salary of £60,679
  4. Director of Strategy - annualised salary £104,047, 90% of FTE.
  5. An Interim Director of Services was appointed to cover the maternity leave of the Director of Integrated Offender Management, Programmes and Neighborhoods for the period 30/11/15 to 31/3/16. The individual is not salaried and received a total payment for the period of £55,932 (unlike remuneration payments made to employees in the table above, interims do not receive pensions, benefits and holiday pay). If engaged for the full year the annualized total remuneration for the year would have been £148,680.
-

## 9. Related party transactions

IAS 24 (Related Party Transactions) requires the Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Group or to be controlled or influenced by key individuals of the Group including the Mayor and Deputy Mayor, the Commissioner and members of the MOPAC Senior Management Team and MPS Management Board. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Group. This disclosure note has been prepared on the basis of specific declarations obtained in April 2017, in respect of related party transactions.

### CPM and MOPAC

The primary function of MOPAC is to secure the maintenance of an efficient and effective Metropolitan Police Service in London and to hold the CPM to account for the exercise of operational policing duties under the Police Act 1996. MOPAC is responsible for setting the Police and Crime Plan. Whilst the Commissioner is operationally independent and receives an annual budget, MOPAC is responsible for financial administration within the Group. The CPM holds no reserves or cash balances and assets. All payments for the Group are made by MOPAC from the MOPAC Police Fund and all funding and income is received by MOPAC. The CPM is dependent on MOPAC to discharge any liabilities, for instance to administer police pensions or settle future obligations. More information can be found on this relationship in Note 6.

### Central Government and other public bodies

Central Government has a significant influence over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates as well as providing a substantial part of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Grants received from Central Government are set out in the subjective analysis in Note 14 and Note 15:

### Greater London Authority

The MOPAC Group is one of the functional bodies of the Greater London Authority (GLA), the other bodies being the London Fire and Emergency Planning Authority, Transport for London and the London Legacy Development Corporation.

The London Assembly approves MOPAC's budget for the police and sets the precept for the GLA. In addition Section 32 of the Police Reform and Social Responsibility Act 2011 requires the GLA London Assembly to establish a committee called the 'Police and Crime Committee' to exercise functions in relation to scrutiny of MOPAC. The Committee's responsibilities include reviewing the draft Police and Crime Plan and scrutiny of particular decisions made or actions taken by MOPAC in the discharge of its responsibilities. Monies received from the GLA in the form of grants and precepts are disclosed in Note 14.

The net receipts from Transport for London were £96.534 million in 2016/17 (£95.499 million in 2015/16). At 31 March 2017 £16.182 million was owed to the Group (£25.384 million at 31 March 2016).

### Other bodies

The Safer London Foundation is included here as a related party as MOPAC provided £868,498 in 2016/17 and Sir Bernard Hogan-Howe, Commissioner, was the president of the organisation until his departure when Cressida Dick took over the role. The Deputy Commissioner Craig Mackey is also a trustee.

The London Digital Security Centre (LDSC) is included here as a related party as MOPAC provided a significant element of its funding in 2016/17 and the Chief Executive of MOPAC and the Deputy

Commissioner are board members. The new organisation 'Police Now' was established in January 2016 to run the National Graduate Leadership Development Programme. It received funding from MPS/MOPAC as part of the HO Police Innovation Fund of £4,216k. Two of its trustees are employed by the MPS. The DMPC is one of 10 Board members for the Police ICT Company to manage and deliver Home Office contracts. MOPAC pays a flat rate of £60,000 paid by each of the 43 PCCs and paid £734,179 for software licenses. The College of Policing is the professional body for the police services in England and Wales and the Director of People and Change is a member of the Board. MOPAC spent £1,039k in 2016/17 and had a debtor at the year-end of £379k.

MOPAC is the member of the Police Crime Prevention Initiatives Ltd (T/A Secured by Design) which is a company limited by guarantee without share capital. The Chief Executive of MOPAC and the Assistant Commissioner for Territorial Policing sit as directors on the Company and have influence over the operation and running of the company. Secured by Design supports the principles of 'designing out crime' through physical security and processes. In total, MOPAC received £107k from Police Crime Prevention Initiatives Ltd in 2016/17.

The MOPAC Group administers a number of charities on behalf of third parties. Full details of the charities and their purpose are disclosed in Note 24. The Director of Commercial and Finance is a Trustee of the Staff Welfare Fund. In 16/17 the MOPAC Group paid £13k to the Staff Welfare Fund.

## 10. Auditors' remuneration

The audit fee payable to Grant Thornton UK LLP for audit fees during the year totalled £251,828 (£251,828 in 2015/16) for the Group, of which £131,828 related to MOPAC and £120,000 related to the CPM (£131,828 for MOPAC in 2015/16, £120,000 for CPM).

The Group also incurred fees payable to Grant Thornton UK LLP in respect of other services provided during the year of £100,500 (£67,850 in 2015/16).

## 11. Interest payable and similar charges

Interest paid in 2016/17 and 2015/16 is as follows:

£000	2016/17	2015/16
Public Work Loans Board	6,844	7,219
PFI and finance lease	12,784	13,090
Other interest cost	1	21
<b>Total</b>	<b>19,629</b>	<b>20,330</b>

## 12. Pension costs

As part of the terms and conditions of employment the Group offers retirement benefits for Police Officers and Police Staff.

### 12.1 Police officers

There are three pension schemes for police officers, the Police Pension Scheme 2015, the 2006 New Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS), all of which are unfunded, defined benefit schemes. An unfunded, defined benefit scheme has no investment assets to meet its pension liability and must generate cash to meet the actual pension payments as they fall due. These benefits payable are funded by contributions from employers and police officers and as a rule any shortfall is met by a top up grant from the Home Office, as was the case in 2016/17. The Group pays employer contributions at a rate of 21.3% of pensionable salary into the Fund. Further details of the schemes can be found in the Police Officer Pension Fund Accounts.

The Commissioner is the administering body under the Police Reform and Social Responsibility Act 2011. The Police Officer Pension Fund's Financial Statements and notes are included on Pages 72-74 of this document.

The principal risks of the schemes relate to the longevity assumptions, statutory changes to the schemes, changes to inflation and to bond yields. These are mitigated by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies Note 2.7 on post employment benefits.

### Police officers' pensions income and expenditure

£000	2016/17	2015/16
<i>Comprehensive Income and Expenditure Statement</i>		
Cost of Services:		
Service cost comprising:		
Current Service Cost	584,700	621,100
Past service cost	2,700	2,200
Transfers in/(out)	4,400	1,000
Actuarial loss/(gain) - injury pensions	61,100	(411,100)
Financing and Investment Income and Expenditure		
Interest Expense	925,100	963,400
<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,578,000</b>	<b>1,176,600</b>
Re-measurement of the defined benefit liability comprising:		
Prior period adjustment to valuation of liability at 1 April 2016	28,600	0
Actuarial loss/(gain) arising on changes in demographic assumptions - excluding injury pensions	179,200	(81,100)
Actuarial loss/ (gain) arising on changes in financial and other assumptions - excluding injury pensions	1,851,800	(4,074,100)
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,059,600</b>	<b>(4,155,200)</b>
<i>Movement in Reserves Statement (MIRS)</i>		
Reversal of charges made to Surplus or Deficit on the Provision of Services for post employment benefits	(1,578,000)	1,176,600
Actual amount charged against the General Fund Balance for pensions in the year - Pension Costs	640,000	655,100

The Table above shows the transactions have been made in the Group CIES and the General Fund Balance via the Group MIRS during the year as described more fully in Note 6. The following police pension costs are recognised in the CPM Accounts in the first instance:

- Current/past service costs, past service gains and the actuarial loss/(gain) have been produced by actuaries;
- Transfers in/(out) are in respect of monies received/paid from/to other authorities in respect of Officers who have either joined or left the Group;
- Interest on pension liability represents the expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Police injury pensions are considered to be a cost to the service and as such the gains/loss on this type of pension has been incorporated in the Net Cost of Policing Services together with other related charges (see below for analysis of movements on liabilities for the funds).

Police officers contributions to the schemes amounted to £150.1 million in the year ended 31 March 2017. In the year ended 31 March 2017, employer pension contributions have been

charged to the revenue account on the basis of pensions payable in the year and totalled £605.6 million.

In the year to 31 March 2017 the net costs of pensions and other benefits amounted to £638.8 million, representing 53.5% of pensionable pay.

#### Assets and liabilities in relation to retirement benefits

In accordance with IAS 19 requirements, the total liability of the Police Officer Pension Fund is included in the Balance Sheet. Although these will not actually be payable until officers retire, the Group has a commitment to make the payments that need to be disclosed at the time that officers earn their future entitlement. The Group had the following overall liabilities for pensions at 31 March 2017 that have been included in the Balance Sheet:

£ million	2016/17	2015/16
Officer members	(12,608)	(11,125)
Deferred pensioners	(1,726)	(935)
Pensioners	(13,679)	(13,062)
Injury pensions	(1,409)	(1,302)
<b>Total value of scheme liabilities</b>	<b>(29,422)</b>	<b>(26,424)</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2017. The movement in the present value of the scheme liabilities for the year to 31 March 2017 can be reconciled as follows:

£ million	Excluding injury benefits 2016/17	Excluding injury benefits 2015/16	Injury benefits only 2016/17	Injury benefits only 2015/16
<b>Scheme liabilities at 1 April</b>	<b>(25,122)</b>	<b>(28,404)</b>	<b>(1,302)</b>	<b>(1,654)</b>
Prior period revision enacted in year: adjustment to valuation liability at 1 April (see paragraph below)	(27)	0	(1)	0
<b>Scheme liabilities at 1 April (restated)</b>	<b>(25,149)</b>	<b>(28,404)</b>	<b>(1,303)</b>	<b>(1,654)</b>
Current service cost including Home Office contribution.	(557)	(584)	(28)	(36)
Officer contributions	(150)	(154)	0	0
Benefits paid	760	780	0	0
Injury award expenditure	0	0	29	30
Transfers from / to other authorities	(4)	(1)	0	0
Past service cost (injury benefits)	(3)	(2)	0	0
Interest cost on pension liabilities.	(879)	(912)	(46)	(53)
Re-measurement gains and losses:				
Actuarial (loss)/gain arising on changes in demographic assumptions	(179)	81	2	2
Actuarial (loss)/(gain arising on changes in financial assumptions	(5,560)	2,933	(290)	167
Other Experience	3,708	1,141	227	242
<b>Scheme liabilities at 31 March</b>	<b>(28,013)</b>	<b>(25,122)</b>	<b>(1,409)</b>	<b>(1,302)</b>

## Prior Period Revision Enacted in Year

Due to a revision to the data supplied to the Scheme's actuaries, Hymans Robertson, to calculate the total value of the pension liability at 31st March 2016, which was not recognised in the 2015/16 Statement of Accounts, the opening balance on the pensions liability for 2016/17 has been adjusted by £28.6 million. This adjustment has been reflected in the 2016/17 Comprehensive Income and Expenditure Statement through "Re-measurements of the defined benefit liability".

## Actuarial assumptions

The value of the liabilities for IAS 19 purposes is dependent on assumptions made by the Scheme's actuaries, Hymans Robertson. The financial assumptions reflect market expectations at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pension-in-payment), can have a significant effect on the value of the liabilities reported. A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in the sensitivity analysis schedule below.

There is also uncertainty around the life expectancy of the UK population. The value of current and future pension benefits will also depend on the life expectancy of the officers and dependents. The disclosures have been prepared using the S2NFA and S2NMA "year of birth" tables with future improvement in line with the CMI 2013 model with a long term rate of improvement of 1.25% per annum.

The significant actuarial assumptions used in their calculations are:

Assumptions	All Schemes 2016/17	All Schemes 2015/16
Rate of inflation	3.4%	3.2%
Rate of increase of salary (note i)	3.4%	3.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities (note ii)	2.6%	3.5%

- i. Future salary increases are assumed to be within an acceptable range;
- ii. The current discount rate is based on current rate of return available on high quality corporate bonds of equivalent currency and term to the scheme liabilities.

## Mortality

Life expectancy is based on actuarial tables with future improvement in line with the CMI 2013 model with a long term rate of improvement of 1.25% per annum. The actuarial mortality rate assumptions used in their calculations are:

Mortality rate	Males 2016/17	Males 2015/16	Females 2016/17	Females 2015/16
Current pensioners	30.2 years	29.7 years	31.7 years	31.6 years
Future pensioners*	31.6 years	31.2 years	33.2 years	33.2 years

\*Future pensioners are assumed to be aged 45 at 31 March 2017.

## Sensitivity analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible

changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis are consistent with those used in the previous period.

The sensitivities regarding the significant assumptions used to measure the scheme liabilities are set out below:

Financial assumptions	Approximate % increase to employer liability		Approximate monetary amount (£000)	
	2016/17	2015/16	2016/17	2015/16
0.5% decrease in real discount rate	10%	10%	3,085,800	2,588,600
1 year increase in member life expectancy	3%	3%	880,400	783,500
0.5% increase in the salary increase rate	2%	2%	536,700	432,300
0.5% increase in the pension increase rate (CPI)	8%	8%	2,404,900	2,114,600

An estimate of contributions expected to be paid to the scheme for the future financial year:

£ million	2016/17	2015/16
Projected current service cost	856	588
Interest on obligation	767	924
<b>Total</b>	<b>1,623</b>	<b>1,512</b>

The weighted average duration of the defined benefit obligation is:

Weighted average duration	2016/17	2015/16
Active members	26.5 years	26.6 years
Deferred pensioners	25.7 years	25.7 years
Pensioners	12.1 years	12.2 years
Injury pensions	19.4 years	19.3 years

### 12.2 Police staff

The Civil Service pension scheme is an unfunded multi-employer defined benefit scheme (see accounting policies Note 2.7 for details of membership). The Group is unable to identify its share of the underlying assets and liabilities with the result that under IAS 19 the scheme is accounted for as a defined contribution scheme with the cost of pension contributions into the scheme recognised in the Accounts but no share of scheme assets or liabilities recognised on the Balance Sheet.

A full actuarial valuation as carried out as at 31 March 2017 can be found in the Resource Accounts of the Cabinet Office, who administer the fund. For the year ended 31 March 2017, employer's contributions of £79.3 million were payable to the Cabinet Office at one of four rates in the range 20.0 to 24.5 percent of pensionable pay, based on salary bands. In the year to 31 March 2017, the net cost of pensions amounted to £104.9 million, representing 27.7% of pensionable pay. The Group is not liable for any other entities obligations under the plan.

## 13. Other operating expenditure

### 13.1 Gains and losses on disposal of non current assets

The following gains and losses were made on disposal of property (land and building), plant and equipment:

£000	2016/17			2015/16		
	Property	Vehicles	Total	Property	Vehicles	Total
Losses	20,571	643	21,214	7,978	874	8,852
Gains	(182,040)	(107)	(182,147)	(108,510)	(53)	(108,563)
<b>Net gain</b>	<b>(161,469)</b>	<b>536</b>	<b>(160,933)</b>	<b>(100,532)</b>	<b>821</b>	<b>(99,711)</b>

The gains and losses on disposal of assets, as disclosed above, exclude all minor proceeds below £10,000 from the sale of vehicles that have reached the end of their useful economic life. Within the 2016-17 property disposal gains £154 million gross is directly attributable to the disposal of the former New Scotland Yard Site.

## 14. Non specific grant income

The Greater London Authority precepts London Boroughs for Council Tax and receives Police Formula Grant, Police Revenue Grant and Council Tax Support Grant directly from central government. The central funding allocated and the police precept for the year ended 31 March 2017 was:

£000	2016/17	2015/16
Council Tax Freeze Grant*	(27,100)	0
Formula Grant	(749,794)	(754,096)
Police Precept	(566,657)	(566,527)
Police Revenue Grant	(1,035,134)	(1,040,077)
Council Tax Support	(119,676)	(119,676)
<b>Total</b>	<b>(2,498,361)</b>	<b>(2,480,376)</b>

\*The GLA receives Council Tax Freeze Grant from central government. In 2016/17 MOPAC received a contribution from the GLA in relation to this grant of £27.1 million.

### 14.1 Capital grants

The Group recognises capital grants through the CIES when conditions attached to them have been met or where no conditions have been attached.

£000	2016/17	2015/16
Capital grants	(39,887)	(35,795)

## 15. Specific grants

The Group received the following grants for specific operational activities:

£000	2016/17	2015/16
Home Office - Counter Terrorism	(322,070)	(264,246)
Home Office - CT Protective Security Grant	(119,552)	(107,489)
Ministry of Justice - Victim Services	(10,092)	(9,183)
Home Office - Other	(17,765)	(6,580)
Miscellaneous grants	(18,921)	(20,534)
<b>Total</b>	<b>(488,400)</b>	<b>(408,032)</b>



## 16. Group and MOPAC non current assets at 31 March 2017

£000	Property	Plant and equipment	Assets under construction	Surplus Assets	Sub total	Heritage assets	Investment properties	Intangible assets	Total
<b>Cost or valuation at 1 April 2016</b>	<b>1,617,414</b>	<b>780,493</b>	<b>322,849</b>	<b>0</b>	<b>2,720,756</b>	<b>1,319</b>	<b>38,850</b>	<b>37,775</b>	<b>2,798,700</b>
Reclassifications (transfers)	199,094	51,238	(254,747)	7,600	3,185	0	(3,884)	699	0
Transfer assets held for sale	0	(1,072)	0	0	(1,072)	0	0	0	(1,072)
Additions	44,975	51,086	80,765	0	176,826	0	22	200	177,048
Donated assets/ other	0	13	50	0	63	2	0	0	65
Disposals	(266,012)	(96,062)	0	0	(362,074)	0	(22,203)	(1,132)	(385,409)
Impairment	0	(95)	(167)	0	(262)	0	0	0	(262)
Revaluation movements through CIES	23,766	0	0	0	23,766	0	558	0	24,324
Revaluation movements in reserves	(3,913)	0	0	0	(3,913)	0	0	0	(3,913)
<b>Cost or valuation at 31 March 2017</b>	<b>1,615,324</b>	<b>785,601</b>	<b>148,750</b>	<b>7,600</b>	<b>2,557,275</b>	<b>1,321</b>	<b>13,343</b>	<b>37,542</b>	<b>2,609,481</b>
<b>Depreciation at 1 April 2016</b>	<b>(124,549)</b>	<b>(676,552)</b>	<b>0</b>	<b>0</b>	<b>(801,101)</b>	<b>(11)</b>	<b>(213)</b>	<b>(35,416)</b>	<b>(836,741)</b>
Depreciation/amortisation for the year	(63,709)	(66,572)	0	(40)	(130,321)	0	0	(1,474)	(131,795)
Redundant depreciation	47,356	0	0	0	47,356	0	0	0	47,356
Depreciation on assets sold	6,575	95,470	0	0	102,045	0	149	1,133	103,327
Depreciation on transferred assets	(16)	962	0	(8)	938	0	24	0	962
<b>Depreciation at 31 March 2017</b>	<b>(134,343)</b>	<b>(646,692)</b>	<b>0</b>	<b>(48)</b>	<b>(781,083)</b>	<b>(11)</b>	<b>(40)</b>	<b>(35,757)</b>	<b>(816,891)</b>
<b>Net Book Value at 31 March 2017</b>	<b>1,480,981</b>	<b>138,909</b>	<b>148,750</b>	<b>7,552</b>	<b>1,776,192</b>	<b>1,310</b>	<b>13,303</b>	<b>1,785</b>	<b>1,792,590</b>
<b>Net Book Value at 31 March 2016</b>	<b>1,492,865</b>	<b>103,941</b>	<b>322,849</b>	<b>0</b>	<b>1,919,655</b>	<b>1,308</b>	<b>38,637</b>	<b>2,359</b>	<b>1,961,959</b>

The Group's Property portfolio consists of 93 (91 in 2015/16) police stations, 107 (148 in 2015/16) residential properties, and 349 (359 in 2015/16) other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. There are also 33 (108 in 2015/16) investment properties. The Group also operates 5,494 (5,329 in 2015/16) patrol cars, motorbikes and other vehicles, 27 (27 in 2015/16) boats including inflatables and dinghies.

## 16. Group and MOPAC non current assets at 31 March 2016

£000	Property	Plant and equipment	Assets under construction	Surplus Assets	Sub total	Heritage assets	Investment properties	Intangible assets	Total
Cost or valuation at 1 April 2015	1,593,672	746,145	217,523	0	2,557,340	1,319	53,044	36,127	2,647,830
Reclassifications (transfers)	7,215	27,368	(41,511)	0	(6,928)	0	5,392	1,536	0
Transfer assets held for sale	3,026	(991)	0	0	2,035	0	0	0	2,035
Additions	9,396	24,031	203,919	0	237,346	0	0	248	237,594
Donated assets/ other	0	95	0	0	95	0	0	0	95
Disposals	(19,575)	(16,155)	0	0	(35,730)	0	(15,105)	(136)	(50,971)
Impairment	0	0	(57,082)	0	(57,082)	0	0	0	(57,082)
Revaluation movements through CIES	(3,343)	0	0	0	(3,343)	0	(4,481)	0	(7,824)
Revaluation movements in reserves	27,023	0	0	0	27,023	0	0	0	27,023
<b>Cost or valuation at 31 March 2016</b>	<b>1,617,414</b>	<b>780,493</b>	<b>322,849</b>	<b>0</b>	<b>2,720,756</b>	<b>1,319</b>	<b>38,850</b>	<b>37,775</b>	<b>2,798,700</b>
Depreciation at 1 April 2015	(108,395)	(606,088)	0	0	(714,483)	(11)	(288)	(33,627)	(748,409)
Depreciation/amortisation for the year	(66,008)	(86,673)	0	0	(152,681)	0	0	(1,925)	(154,606)
Redundant depreciation	43,973	0	0	0	43,973	0	0	0	43,973
Depreciation on assets sold	5,877	15,299	0	0	21,176	0	110	136	21,422
Depreciation on transferred assets	4	910	0	0	914	0	(35)	0	879
<b>Depreciation at 31 March 2016</b>	<b>(124,549)</b>	<b>(676,552)</b>	<b>0</b>	<b>0</b>	<b>(801,101)</b>	<b>(11)</b>	<b>(213)</b>	<b>(35,416)</b>	<b>(836,741)</b>
<b>Net Book Value at 31 March 2016</b>	<b>1,492,865</b>	<b>103,941</b>	<b>322,849</b>	<b>0</b>	<b>1,919,655</b>	<b>1,308</b>	<b>38,637</b>	<b>2,359</b>	<b>1,961,959</b>
<b>Net Book Value at 31 March 2015</b>	<b>1,485,277</b>	<b>140,057</b>	<b>217,523</b>	<b>0</b>	<b>1,842,857</b>	<b>1,308</b>	<b>52,756</b>	<b>2,500</b>	<b>1,899,421</b>

### 16.1 Basis of valuation

MOPAC's operational property was revalued as at 30 September 2016 as a part of the revaluation programme. For the revaluation programme 20% of the assets are physically inspected as well as the top 20 properties by value. The remaining 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by Cushman and Wakefield LLP (member of the Royal Institute of Chartered Surveyors) ensuring that all operational land and buildings within the estate are subject to inspection and revaluation at least once every five years.

The residential and investment property portfolios were also revalued as at 30 September 2016 as a part of the revaluation programme. Again 20% of the assets are physically inspected each year whilst 80% are revalued on a desktop basis. This rolling programme of residential revaluations is performed by Drivers Jonas Deloitte (also a member of the Royal Institute of Chartered Surveyors) guaranteeing that all of the residential properties and the investment properties are subject to inspection and revaluation at least once every five years.

To reflect price movements and other adjustments between 1 October 2016 and the 31 March 2017, both valuers also provided a valuation as at 31 March 2017 based on a desktop exercise. Valuations are always carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The information provided by MOPAC to the valuers and the assumptions and valuations made by the valuers are reviewed by the Property Services Team throughout the valuation process.

Investment properties and surplus assets were revalued as at 30 September 2016 using the IFRS 13 Fair Value market approach. The IFRS 13 Fair Value market approach uses prices and other relevant information (inputs) generated by market transactions involving similar properties and applies the valuer's professional judgment in accordance with the RICS Valuation - Professional Standards 2014 published by the Royal Institution of Chartered Surveyors.

The IFRS 13 on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three (input) levels:

**Level 1:** Observable quoted prices, in active markets;

**Level 2:** Quoted prices are not available but fair value is based on observable market data;

**Level 3:** Unobservable inputs.

London property market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant; hence we have categorised the valuations of our investment portfolio as Level 2 inputs in the fair value hierarchy.

At 31 March 2017 the group carrying value of investment properties was £13 million, (2016 £39 million).

The Group's policy is to recognise transfers within fair value hierarchy levels at the valuation date or the date of event or change in circumstance that caused the transfer. There have been no transfers during the period.

Buildings under construction and other property works are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2017.

Short life assets such as vehicles, plant, furniture and equipment are included at net depreciation cost. Heritage assets have been included in the Balance Sheet following valuations placed on them by internal and external valuers. These consist of pictures, medals, vehicles,

furniture and museum pieces, which are at present in long-term storage, which have been gifted over many years.

During the year, transfers of £254.7 million were made for those assets under construction, which were completed and became operating assets.

## 16.2 Redundant depreciation

Accumulated depreciation is eliminated when an asset is re-valued. This is because depreciation is an estimate of changes in value relating to the consumption of assets whose cumulative effect is confirmed or overwritten by a formal valuation reflecting the actual condition of the property at the valuation date.

The estimates of depreciation are therefore made redundant by the valuation, and offset against the Revaluation Reserve. Redundant depreciation of £47.4 million is shown in Note 16.

## 16.3 Impairment

The Group has recognised impairments within assets under construction and impairment reviews were also performed at the year-end on land and buildings and on plant and equipment.

## 16.4 Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Group, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by MOPAC that has yet to be financed.

£000	2016/17	2015/16
<b>Opening Capital Financing Requirement</b>	<b>647,934</b>	<b>670,610</b>
<b>Capital Investment</b>		
Property	44,975	9,396
Plant and equipment	51,086	24,031
Intangible assets	200	248
Assets under construction	80,765	203,919
Investment properties	22	0
<b>Sources of finance</b>		
Capital receipts	(154,687)	(193,977)
Government grants and other contributions	(31,908)	(36,962)
Sums set aside from revenue:		
Direct revenue contributions	(3,125)	(864)
Minimum Revenue Provision	(23,329)	(28,467)
<b>Closing Capital Financing Requirement</b>	<b>611,933</b>	<b>647,934</b>
<b>Explanation of movements in year</b>		
Decrease in underlying need to borrow (supported by government financial assistance)	(12,306)	(12,819)
(Decrease)/Increase in underlying need to borrow (unsupported by government financial assistance)	(8,370)	5,791
Decrease in underlying need to borrow (unsupported by government financial assistance)	(10,859)	(10,859)
Decrease in underlying need to borrow for PFI and Finance Lease assets	(4,466)	(4,789)
<b>Decrease in Capital Financing Requirement</b>	<b>(36,001)</b>	<b>(22,676)</b>

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require MOPAC to charge to the MIRS a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For the year ended 31 March 2017 MOPAC has made an MRP charge based on:

- the capital financing requirement method for all borrowing prior to 1 April 2008 and for any borrowing supported through the revenue grant settlement since 1 April 2008, and
- the asset life method for all unsupported borrowing undertaken since 1 April 2008 as permitted by the flexibilities provided under the Prudential Code.

## 16.5 PFI assets

These assets form part of the Property category within Note 16. There are two PFI contracts which together constitute the Group's PFI assets. One is for the provision of a firearms training facility and public order training facility, including the provision of all necessary structures, accommodation, support services and equipment. The Agreement is for a period of 25 years commencing January 2003 and includes for a price review of defined services every 5 years. At the end of the 25 year period the facility will be handed to the Group with the obligation of the Contractor to leave the training facility in 'working order'.

The other PFI contract is for the provision of four police stations across south east London including the provision of all necessary structures, office accommodation, support services and equipment. The Agreement is for a period of 25 years commencing January 2004 and provides for a price review of defined services every 5 years. At the end of the 25 year period the facility will be handed back to the Group or new leases could be negotiated.

The table below shows the value of training establishment and police station PFIs which are included in MOPAC Balance Sheet broken down by movements in year.

£000	2016/17	2015/16
Balance as at 1 April	133,666	129,412
Additions	0	394
Depreciation for year	(12,222)	(11,015)
Redundant depreciation	10,435	9,228
Transfer from work in progress	0	30
Revaluation movement	3,632	5,617
<b>Balance as at 31 March</b>	<b>135,511</b>	<b>133,666</b>

## 16.6 Payment analysis

The PFI agreements impose 25 year commitments on the Group from occupation and use of the facilities from 2003 and 2004. The unitary payments to be made under the PFI contracts as at 31 March 2017 are shown below. PFI liabilities are shown in Note 27.

Payment Analysis 2016/17				
£000	Liability	Interest	Service charge	Total
Within 1 year	3,884	10,529	13,945	28,358
2 to 5 years	19,961	43,277	65,083	128,321
6 to 10 years	37,016	53,966	90,118	181,100
11 to 15 years	17,085	19,105	28,409	64,599
<b>Total</b>	<b>77,946</b>	<b>126,877</b>	<b>197,555</b>	<b>402,378</b>

Payment Analysis 2015/16				
£000	Liability	Interest	Service charge	Total
Within 1 year	4,303	10,875	14,172	29,350
2 to 5 years	17,520	42,564	65,287	125,371
6 to 10 years	33,701	53,753	88,953	176,407
11 to 15 years	26,724	30,560	45,461	102,745
<b>Total</b>	<b>82,248</b>	<b>137,752</b>	<b>213,873</b>	<b>433,873</b>

## 16.7 Leases

### MOPAC as lessee

#### Operating leases

The Group has acquired a large and diverse portfolio of property leases, for example, office accommodation, police stations and patrol bases. In addition the Group leases include many safer neighbourhood offices, most of which have 10 year lives. In the year to 31 March 2017, the Group spent £42 million on operating leases for property and £0.7 million on operating leases for vehicles, most of which have 3 year lives. The lease payments due under non-cancellable leases in future years are:

£000	31 March 2017		31 March 2016	
	Property	Vehicles	Property	Vehicles
<b>Operating leases</b>				
Not later than 1 year	31,977	604	32,884	683
Later than 1 year and not later than 5 years	52,920	1,051	82,371	587
Later than 5 years	19,665	0	36,665	0
<b>Total</b>	<b>104,562</b>	<b>1,655</b>	<b>151,920</b>	<b>1,270</b>

#### Finance leases

The Group does not have any finance leases for vehicles, plant, or equipment. Following the adoption of IAS 17 the Group reviewed all existing property leases to evaluate the leases as at 31 March 2017 in order to determine whether they are a finance lease or an operating lease for land and/or for building. There are, in total, five property leases for which the building element is classified as a finance lease. There are also one long-term ground leases of land of more than 125 years included as finance leases. The movements for the current year are shown below:

£000	2016/17	2015/16
<b>Opening value 1 April</b>	<b>64,292</b>	<b>60,471</b>
Additions	300	111
Revaluations	6,346	3,240
Disposal	0	2,737
Depreciation	(2,671)	(2,267)
<b>Net carrying value 31 March</b>	<b>68,267</b>	<b>64,292</b>

The Group is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability remains outstanding.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £1.2 million contingent rents were paid by the Group.

The minimum lease payments are made up of the following amounts:

£000	31 March 2017	31 March 2016
Current liability	180	163
Long term liability	5,184	5,364
Finance costs payable in future years	15,743	16,438
<b>Total of minimum lease payments (Net Present Value)</b>	<b>21,107</b>	<b>21,965</b>

The minimum lease payments payable over the following periods are:

£000	Minimum lease payments		Finance lease liabilities	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Not later than 1 year	859	859	180	163
Later than 1 year and not later than 5 years	3,434	3,434	923	837
Later than 5 years	16,814	17,672	4,261	4,526
<b>Total</b>	<b>21,107</b>	<b>21,965</b>	<b>5,364</b>	<b>5,526</b>

### Group as lessor

#### *Operating leases*

The Group leases out various interests in properties, including office space and short term leases for several blocks of flats classified as investment properties. The Group received rents amounting to £6.8 million (£6.3 million in 2015/16). The current lease payments receivable under non-cancellable leases in future years are:

£000	2016/17	2015/16
Not later than 1 year	3,721	4,822
Later than 1 year and not later than 5 years	1,307	4,612
Later than 5 years	2,471	2,264
<b>Total</b>	<b>7,499</b>	<b>11,698</b>

The Group has not granted any finance leases.

### 16.8 Component assets

The Group records a number of components in its fixed asset register consisting of assets in its PFI training establishment and a floating fuel facility as a component of a boat yard. All components have 15 years life spans, however as the total value is not considered significant, the assets have not been disclosed separately on the Balance Sheet.

### 16.9 Heritage assets

The Group looks after heritage assets which are recognised on the Balance Sheet (see note 16). Heritage Assets were donated or purchased and are held at valuation as a proxy for historical cost. In applying the accounting policy, the Group has identified that the assets have a value of £1.3 million.

The Group maintains a large museum collection including paintings, police clothing, helmets, medals, and records, a selection of which are on display to the public at the Met Collection,

Empress State Building. All of these items were valued in 2008/09 by an independent valuer and are currently held on the Balance Sheet at a value of £1.25 million. MOPAC also has a collection of exhibits from high profile/noteworthy crimes. As this collection is unique and will not be disposed of a valuation is not available and has therefore not been recognised in the Balance Sheet.

The Group owns an historic vehicle fleet consisting of 16 vehicles, currently housed at a secure garage at Hendon. They are not operational but are used in public events and maintained as part of MOPAC fleet. They are currently held on the Balance Sheet at a value of £60,000.

## 16.10 Future capital expenditure commitments

Capital expenditure where there is a commitment to future costs;

£000	2017/18 and later years	2016/17 and later years
Digital policing	36,239	40,771
Building works	10,573	13,092
Vehicles, plant and equipment	2,294	1,433
<b>Total</b>	<b>49,106</b>	<b>55,296</b>

## 17. Long term debtors

Long Term Debtors in 2016/17 of £1.4 million (£2.2 million in 2015/16) represent income which is receivable more than twelve months from the balance sheet date relating to the transfer of the Air Support Unit to the National Police Air Service.

## 18. Assets held for sale

These consist of non current assets which have been authorised for sale by the Group and instruction given to agents for their disposal. The following table shows the movements and year end balances.

£000	2016/17	2015/16
Opening balance	81	78,417
Additional assets identified for disposal	110	559
Revaluation gains (losses)	0	(714)
Assets which are no longer being actively marketed	0	(3,473)
Assets disposed in year	(81)	(74,708)
<b>Total</b>	<b>110</b>	<b>81</b>

## 19. Short term debtors

£000	2016/17	2015/16
Central Government bodies (see note below)	207,321	157,358
Local authorities	32,519	35,665
Public corporations	3	27
Health bodies	582	3
Other debtors	34,094	91,896
<b>Total before bad debt provision</b>	<b>274,519</b>	<b>284,949</b>
Less bad debt provision	(27)	(116)
<b>Balance per balance sheet</b>	<b>274,492</b>	<b>284,833</b>



'Short term debtors' represent assets which are expected to be realised within 12 months after the reporting date. The 'Central Government bodies' category includes an amount due from the Home Office in respect of police pensions fund top up grant of £90.9 million (£68.7 million in 2015/16).

## 20. Short term investments

Short term investments are investments that mature in over 3 months and up to one year from the date of acquisition.

£000	2016/17	2015/16
Banks and financial Institutions	203,057	24,050

## 21. Cash and cash equivalents

'Cash and cash equivalents' consist of cash in hand, balances with banks, and investments that mature in less than three months from the date of acquisition. Cash and cash equivalents in the cash flow statement comprise the following:

£000	2016/17	2015/16
Banks and financial Institutions	84,531	5,732

## 22. Short term creditors

£000	2016/17	2015/16
Central Government bodies	(86,232)	(75,698)
Local authorities	(25,323)	(32,438)
Public corporations	(777)	(211)
Health bodies	(626)	(2,406)
Other creditors	(273,197)	(273,274)
<b>MOPAC Group balance</b>	<b>(386,155)</b>	<b>(384,027)</b>
Intra-group creditor (see Note 6.2)	(103,292)	(97,525)
<b>MOPAC balance</b>	<b>(282,863)</b>	<b>(286,502)</b>

The category named 'Other creditors' in the table above is comprised of 2,390 individual external creditors.

## 23. Short term borrowing

This amount represents part of certain loans and liabilities which are due for repayment in 12 months or less.

Due for repayment in 12 months or less (£000)	Note	2016/17	2015/16
Public Works Loan Board		(16,457)	(16,457)
Local authorities		0	0
PFI liabilities	27.1	(3,884)	(4,303)
Finance lease liabilities	27.1	(180)	(163)
<b>Balance</b>		<b>(20,521)</b>	<b>(20,923)</b>

## 24. Third party monies

Fund Name £000s 2016/17	Income	Expenditure	Assets	Liabilities
MOPAC Police Property Act Fund	2,953	2,967	15,148	0
MOPAC Detained Monies Account	3,231	1,713	5,353	69
Metropolitan Police Benevolent Fund	2,870	2,457	4,413	6
Metropolitan Police Commissioner's Fund	19	19	542	4
Metropolitan Police Sports Fund	517	523	305	4
Metropolitan Police Staff Welfare Fund	21	22	257	9
Metropolitan Police Athletic Association	2,116	1,593	1,656	126
COMETS	121	106	150	5
<b>Total</b>	<b>11,848</b>	<b>9,400</b>	<b>27,824</b>	<b>223</b>

Fund Name £000s 2015/16	Income	Expenditure	Assets	Liabilities
MOPAC Police Property Act Fund	4,379	4,588	13,016	0
MOPAC Detained Monies Account	10,026	9,455	4,791	0
Metropolitan Police Benevolent Fund	1,903	2,168	3,765	5
Metropolitan Police Commissioner's Fund	18	23	496	3
Metropolitan Police Sports Fund	518	523	305	4
Metropolitan Police Staff Welfare Fund	24	16	248	2
Metropolitan Police Athletic Association	2,159	2,300	1,625	216
COMETS	138	127	133	0
<b>Total</b>	<b>19,165</b>	<b>19,200</b>	<b>24,379</b>	<b>230</b>

The MOPAC Group administers funds on behalf of third parties. Money held by the funds is not owned by the Group and is not included in the Balance Sheet. The principal funds are described below. Group staff administer the MOPAC Police Property Act Fund and the MOPAC Detained Monies Account on behalf of the Group and the remaining funds on behalf of their respective governing bodies. Details of the principal funds, together with their income and expenditure for their respective financial years, which ended during the 12 months to 31 March 2017 and values at their financial year-end dates, are given above.

### ***MOPAC Police Property Act Fund (MOPAC PPAF)***

Regulations under the Police (Property) Act 1897 and its subsequent amending legislation permit police to retain the proceeds from the disposal of property that comes into police possession in connection with a criminal charge (or suspicion of a criminal offence being committed) where the owner has not been ascertained or no court order has been made. The legislation stipulates that the income is to be used to meet the cost of the storage and sale of the property with any residual funds being used for charitable purposes in accordance with directions of the Deputy Mayor for Policing And Crime. The MOPAC PPAF is used for this purpose.

### ***MOPAC Detained Monies Account (MOPAC DMA)***

As stated above, until 31 March 2004 the MOPAC PPAF was used to hold for the time being money that had been detained from persons suspected of criminal activity, such money being retained pending a decision as to its disposal. Since 1 April 2004 detained money has been paid into the MOPAC DMA.

### ***Metropolitan Police Benevolent Fund (MPBF)***

The following four charities amalgamated on 29 May 2009, with the agreement of the Charity Commission, to become the Metropolitan Police Benevolent Fund:

- Metropolitan Police Combined Benevolent Fund (MPCBF);
- Metropolitan and City Police Relief Fund (MCPRF);
- Metropolitan Police Widows' and Widowers' Fund (MPWWF);
- Metropolitan Police Convalescent Home Fund (MPCHF).

This registered charity receives monthly contributions from police officers and donations and bequests from members of the public. Financial assistance may be provided by grant or interest-free loan to serving police officers, retired police officers or their dependents considered to be deserving of assistance on account of sickness (whether of themselves or their families) or of injuries received in the discharge of their duties or for other reasons.

Grants to deserving cases among widows and widowers of former police officers are also provided. The cost of a widow's or widower's funeral may be made if the deceased's relatives are unable to afford it.

Part of the contributions deducted from Metropolitan Police Officers pay who support the Metropolitan Police Benevolent Fund are sent to The Police Rehabilitation Centre at Goring-on-Thames which provides residential convalescence facilities to Metropolitan Police officers and to officers from other police forces to help promote a speedy recovery from illness or injury.

### ***Metropolitan Police Commissioner's Fund (MPCF)***

This registered charity was established to help promote the efficiency and wellbeing of Metropolitan Police officers and staff. Although this may be achieved in a variety of ways as defined in the governing document, assistance is invariably in the form of a monetary grant to members of the Metropolitan Police or to Metropolitan Police organisations.

### ***Metropolitan Police Sports Fund (MPSF)***

This registered charity receives monthly contributions from police officers for sporting, athletic and other recreational activities. The major part of the income is distributed to the four principal sports clubs. Financial assistance is also given to various sports and social clubs.

### ***Metropolitan Police Staff Welfare Fund (MPSWF)***

This registered charity provides financial assistance to members and past members of police staff, their families and dependants who are in need. Financial assistance may be provided by grant or interest-free loan.

### ***Metropolitan Police Athletic Association (MPAA)***

The MPAA is the umbrella organisation for 50 sporting sections of the Metropolitan Police. Each section is individually run but do receive assistance from the Association for its activities.

### ***Metropolitan Police Sports and Social Association (COMETS)***

The Comets (Metropolitan Police Sports and Social Association) have several sporting and social sections. All funds for the Comets are generated from Membership Subscriptions and a Lottery. Membership is open to all Metropolitan Police employees.

### ***Operational responsibilities***

MOPAC also holds monies on behalf of third parties arising from its operational responsibilities. The cash amounts, not included in the Balance Sheet, are as follows:

£000	2016/17	2015/16
Proceeds Of Crime Act monies	42,093	37,241
Prisoners' property and lost cash	601	1,123
Other	791	773
<b>Total</b>	<b>43,485</b>	<b>39,137</b>

In addition, MOPAC also holds non cash assets which are not valued in the above table. The

prisoners' property and lost cash relates to the total amount held in property stores at 31 March 2017 and has therefore been stated separately from the Police Property Act Fund value.

## 25. Provisions

### 25.1 Short term provisions

£000	Third party liabilities	Riot damage claims	Police Pensions	Other provisions	Total
Balance at 1 April 2015	(16,089)	(144,491)	(67,000)	(18,354)	(245,934)
Additional provisions made in 2015/16	(14,310)	0	0	(26,215)	(40,525)
Amounts used in 2015/16	15,092	38,292	60,877	9,925	124,186
Reduction in provisions made in 2015/16	0	101,715	6,123	6,808	114,646
Transfer from long term	0	0	0	0	0
<b>Balance at 31 March 2016</b>	<b>(15,307)</b>	<b>(4,484)</b>	<b>0</b>	<b>(27,836)</b>	<b>(47,627)</b>
Additional provisions made in 2016/17	(10,134)	0	0	(10,434)	(20,568)
Amounts used in 2016/17	15,307	3,884	0	6,706	25,897
Reduction in provisions made in 2016/17	0	0	0	5,557	5,557
Transfer to/(from) long term	(2,954)	0	0	0	(2,954)
<b>Balance at 31 March 2017</b>	<b>(13,088)</b>	<b>(600)</b>	<b>0</b>	<b>(26,007)</b>	<b>(39,695)</b>

### 25.2 Long term provisions

£000	Third party liabilities	Riot damage claims	Police Pensions	Other provisions	Total
Balance at 1 April 2015	(11,180)	0	0	(4,584)	(15,764)
Additional provisions made in 2015/16	(9,945)	0	0	(64)	(10,009)
Reduction in provisions made in 2015/16	0	0	0	0	0
Amounts used in 2015/16	10,488	0	0	83	10,571
Transfer to short term	0	0	0	0	0
<b>Balance at 31 March 2016</b>	<b>(10,637)</b>	<b>0</b>	<b>0</b>	<b>(4,565)</b>	<b>(15,202)</b>
Additional provisions made in 2016/17	(10,134)	0	0	(135)	(10,269)
Reduction in provisions made in 2016/17	0	0	0	0	0
Amounts used in 2016/17	4,729	0	0	0	4,729
Transfer to/(from) short term	2,954	0	0	0	2,954
<b>Balance at 31 March 2017</b>	<b>(13,088)</b>	<b>0</b>	<b>0</b>	<b>(4,700)</b>	<b>(17,788)</b>

MOPAC seeks to make provision for realistic estimates of the future settlement of known liabilities in respect of legal compensation and accident claims that are not covered by insurance. Accordingly a provision has been created for £26.2 million (of which £13.1m is long term). At 31 March 2016 the value of this provision was £25.9 million (of which £10.6m was long term). Over the course of the year agreed claims have been paid from this account totalling £20.0 million.

Other provisions total £31.3 million and consist of:

- A provision for the costs associated with organisation transition of £17.0 million;
- A provision of £7.0 million in respect of other legal claims;
- A provision for officer injury awards of £4.6 million;
- A provision of £1.6m in respect of other employee related costs;
- A provision of £0.6m in respect of the remaining Riot Damage Act Claims;
- A provision for termination benefits of £0.3 million, arising from the implementation of the MetChange Programme;
- A provision for a backdated tax liability of £0.2 million.

## 26. Long term borrowing

These are loans from the Public Works Loans Board (PWLB). They are raised to support capital expenditure on MOPAC assets, and are analysed below:

£000	2016/17	2015/16
Loans	(143,007)	(159,464)
Analysis of loans by maturity:		
Between 1 and 2 years	(26,457)	(16,457)
Between 2 and 5 years	(24,000)	(53,657)
Between 5 and 10 years	(18,000)	(22,000)
Over 10 years	(74,550)	(67,350)

## 27. Long term contractor liability

This liability covers that relating to PFI contracts and finance lease contracts.

£000	2016/17	2015/16
PFI liability	(74,061)	(77,945)
Finance lease liability	(5,184)	(5,364)
<b>Balance at 31 March</b>	<b>(79,245)</b>	<b>(83,309)</b>

### 27.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

£000	2016/17 PFI liability	2015/16 PFI liability	2016/17 Finance lease liability	2015/16 Finance lease liability
Balance as at 1 April	(82,248)	(86,889)	(5,527)	(5,675)
Net movement in year	4,303	4,641	163	148
<b>Total liability</b>	<b>(77,945)</b>	<b>(82,248)</b>	<b>(5,364)</b>	<b>(5,527)</b>
<b>Classified as:</b>				
Short term liability	(3,884)	(4,303)	(180)	(163)
Long term liability	(74,061)	(77,945)	(5,184)	(5,364)

## 28. Reserves

The reserves of MOPAC have been presented to show a clear distinction between accounting reserves that are unusable and cannot be used to support expenditure and usable reserves.

### 28.1 Unusable reserves

Movements on unusable reserves - Group and MOPAC 2016/17						
£000	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Deferred capital receipts	Total
Balance as at 1 April 2016	(300,563)	(1,013,542)	97,523	26,424,400	(50,310)	25,157,508
Upward revaluation of assets	(73,937)	0	0	0	0	(73,937)
Difference between fair value and historic cost depreciation	14,209	(14,209)	0	0	0	0
Accumulated gains on assets disposed	80,707	(80,707)	0	0	0	0
Other capital adjustments	0	0	0	0	0	0
Downward revaluation of assets and impairment losses not charged to the CIES	30,495	0	0	0	0	30,495
Statutory provision for financing capital investment charged against CIES (MRP)	0	(23,329)	0	0	0	(23,329)
Revaluation losses/(gains) on L&B	0	(23,766)	0	0	0	(23,766)
Depreciation and impairment	0	130,581	0	0	0	130,581
Amortisation of intangible assets	0	1,474	0	0	0	1,474
Movements in market value of investment property	0	(559)	0	0	0	(559)
Amounts written out on disposal	0	282,106	0	0	0	282,106
Capital grants and contributions credited to CIES applied to capital finance	0	(15,295)	0	0	0	(15,295)
Application of grants from capital grants unapplied account	0	(16,613)	0	0	0	(16,613)
Use of capital receipts reserve	0	(154,687)	0	0	0	(154,687)
Capital expenditure charged against CIES	0	(3,125)	0	0	0	(3,125)
Movement of reserves	0	0	5,771	2,997,600		3,003,371
Donated assets	0	(14)	0	0	0	(14)
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES	0	0	0	0	48,885	48,885
<b>Balance as at 31 March 2017</b>	<b>(249,089)</b>	<b>(931,685)</b>	<b>103,294</b>	<b>29,422,000</b>	<b>(1,425)</b>	<b>28,343,095</b>

Movements on unusable reserves - Group and MOPAC 2015/16						
£000	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Deferred capital receipts	Total
Balance as at 1 April 2015	(283,034)	(1,024,193)	102,786	30,058,100	(8,804)	28,844,855
Upward revaluation of assets	(93,046)	0	0	0	0	(93,046)
Difference between fair value and historic cost depreciation	17,473	(17,473)	0	0	0	0
Accumulated gains on assets disposed	35,995	(35,995)	0	0	0	0
Other capital adjustments	0	0	0	0	0	0
Downward revaluation of assets and impairment losses not charged to the CIES	22,049	0	0	0	0	22,049
Statutory provision for financing capital investment charged against CIES (MRP)	0	(28,467)	0	0	0	(28,467)
Revaluation losses/(gains) on L&B	0	4,057	0	0	0	4,057
Depreciation and impairment	0	209,763	0	0	0	209,763
Amortisation of intangible assets	0	1,925	0	0	0	1,925
Movements in market value of investment property	0	4,481	0	0	0	4,481
Amounts written out on disposal	0	104,208	0	0	0	104,208
Capital grants and contributions credited to CIES applied to capital finance	0	(10,001)	0	0	0	(10,001)
Application of grants from capital grants unapplied account	0	(26,961)	0	0	0	(26,961)
Use of capital receipts reserve	0	(193,977)	0	0	0	(193,977)
Capital expenditure charged against CIES	0	(864)	0	0	0	(864)
Movement of reserves	0	0	(5,263)	(3,633,700)	(47,301)	(3,686,264)
Donated assets	0	(45)	0	0	0	(45)
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES	0	0	0	0	5,795	5,795
<b>Balance as at 31 March 2016</b>	<b>(300,563)</b>	<b>(1,013,542)</b>	<b>97,523</b>	<b>26,424,400</b>	<b>(50,310)</b>	<b>25,157,508</b>

### Revaluation Reserve

The Revaluation Reserve was created on 1 April 2007 and records the unrealised revaluation gains on land and buildings arising in the year ended 31 March 2017. This amount is also used for accumulated gains which are removed from this account when re-valued assets are sold and also to amortise the gains over the lives of the assets held at 31 March 2017.

### Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed by capital sources. This account shows that during 2016/17 MOPAC has applied capital financing to the capital programme at a slower rate as compared to the previous year resulting in a lower balance at year end.

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for unused accumulated absences as at 31 March 2017. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

These short term accumulated absences are initially recognised in the CPM Accounts for police staff and officers under the direction of the Commissioner. Equivalent liabilities are however recognised in the MOPAC Balance Sheet offsetting the liabilities in the CPM accounts, to reflect the continuing requirement of MOPAC to provide funds from the Police Fund to meet those liabilities as they fall due.

### Police Officer Pension Reserve

This reserve reflects the actuarially calculated future cost of providing pensions for both serving and non-serving police officers as well as those already in retirement as stipulated by regulations.

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, these gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

## 28.2 Usable capital reserves

£000	Capital Receipts Reserve	Capital Grants Unapplied Account	Total
Balance at 1 April 2015	(31,520)	(5,670)	(37,190)
Proceeds of disposals	(162,457)	0	(162,457)
Financing of fixed assets	193,977	26,961	220,938
Capital grants	0	(25,794)	(25,794)
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>(4,503)</b>	<b>(4,503)</b>
Proceeds of disposals	(491,981)	0	(491,981)
Financing of fixed assets	154,686	16,614	171,300
Capital grants	0	(24,593)	(24,593)
<b>Balance at 31 March 2017</b>	<b>(337,295)</b>	<b>(12,482)</b>	<b>(349,777)</b>
<b>Net movement for 2015/16</b>	<b>31,520</b>	<b>1,167</b>	<b>32,687</b>
<b>Net movement for 2016/17</b>	<b>(337,295)</b>	<b>(7,979)</b>	<b>(345,274)</b>

### Usable capital receipts

The use of capital receipts is regulated by Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The receipts can only be used to finance capital expenditure or repay debt.

### Capital Grants Unapplied

This reserve contains grants monies where no conditions exist or whose conditions have been satisfied and where the related expenditure has not yet been incurred.



**28.3 Usable earmarked revenue reserves**

£000	Balance at 31 March 2015	Transfer To	Transfer from	Balance at 31 March 2016	Transfer To	Transfer from	Balance at 31 March 2017
<b>Accommodation strategy/property related costs</b>							
Dilapidations	(20,156)	(19,663)	10,832	(28,987)	0	7,144	(21,843)
Property related costs	(15,844)	0	13,399	(2,445)	0	0	(2,445)
<b>Total accommodation strategy /property related</b>	<b>(36,000)</b>	<b>(19,663)</b>	<b>24,231</b>	<b>(31,432)</b>	<b>0</b>	<b>7,144</b>	<b>(24,288)</b>
<b>Operational costs</b>							
Communications project	(1,182)	0	120	(1,062)	0	0	(1,062)
Airwave	(1,099)	0	0	(1,099)	0	0	(1,099)
Insurance Indemnity Fund	(2,000)	0	2,000	0	0	0	0
ICT contract issues	(733)	0	133	(600)	0	0	(600)
Kickz	(337)	0	0	(337)	0	0	(337)
National Domestic Extremism Unit	(623)	0	623	0	0	0	0
Motor insurance	(5,000)	0	0	(5,000)	0	0	(5,000)
Operational costs	(31,025)	(8,590)	6,896	(32,719)	(19,509)	2,607	(49,621)
Proceeds of Crime Act	(3,281)	0	337	(2,944)	(4,900)	435	(7,409)
Protective clothing/uniform	(211)	(1,200)	0	(1,411)	0	1,200	(211)
Systems	(192)	0	0	(192)	0	0	(192)
Vehicle recovery services	0	0	0	0	0	0	0
National functions - NPCC	0	(440)	0	(440)	0	0	(440)
National functions - NPoCC	0	(183)	0	(183)	0	169	(14)
National functions - Police Reform	0	(697)	0	(697)	0	555	(142)
<b>Total of operational costs</b>	<b>(45,683)</b>	<b>(11,110)</b>	<b>10,109</b>	<b>(46,684)</b>	<b>(24,409)</b>	<b>4,966</b>	<b>(66,127)</b>
<b>Budget pressures</b>							
Budget pressures	(215,585)	0	107,477	(108,108)	0	74,945	(33,163)
Emergencies Contingency Fund	(23,093)	0	0	(23,093)	0	0	(23,093)
<b>Total of budget pressures</b>	<b>(238,678)</b>	<b>0</b>	<b>107,477</b>	<b>(131,201)</b>	<b>0</b>	<b>74,945</b>	<b>(56,256)</b>
<b>Major change programmes</b>							
Modernisation programmes	(59,446)	(7,920)	15,494	(51,872)	(7,351)	3,498	(55,725)
<b>Total of major change programmes</b>	<b>(59,446)</b>	<b>(7,920)</b>	<b>15,494</b>	<b>(51,872)</b>	<b>(7,351)</b>	<b>3,498</b>	<b>(55,725)</b>
<b>MOPAC Initiatives</b>	<b>(16,083)</b>	<b>(60)</b>	<b>2,897</b>	<b>(13,246)</b>	<b>(1,118)</b>	<b>0</b>	<b>(14,364)</b>
<b>Total earmarked revenue reserves</b>	<b>(395,890)</b>	<b>(38,753)</b>	<b>160,208</b>	<b>(274,435)</b>	<b>(32,878)</b>	<b>90,553</b>	<b>(216,760)</b>
<b>Net Movement in Earmarked Reserves</b>			<b>121,455</b>			<b>57,675</b>	
General revenue reserve	(23,483)	0	0	(23,483)	0	0	(23,483)
<b>Total revenue reserves</b>	<b>(419,373)</b>	<b>(38,753)</b>	<b>160,208</b>	<b>(297,918)</b>	<b>(32,878)</b>	<b>90,553</b>	<b>(240,243)</b>

**Accommodation strategy/property related costs**

Under this heading there are two reserves including a reserve for dilapidations to fund future expenditure on properties where the leases have been terminated and a reserve for property related costs which reflect the requirement to provide for the cost of various building related projects.

### Operational costs

The following reserves exist to fund a number of specific operational requirements. Reserves are held for:

- A communications project which provides for the development of an integrated communications system for the CPM;
- An Airwave initiative which provides for the implementation, enhancement and development of radio communication;
- An Insurance Indemnity Fund for the cost of Personal Insurance Indemnity for police officers and staff;
- ICT contract issues to cover delays in the delivery of a standard operating environment as part of the ICT contract;
- The Kickz initiative to provide for crime reduction projects jointly funded with the Football Association, within London Boroughs;
- The National Domestic Extremism Unit to provide future support to police forces in England and Wales in relation to public order. Other police forces contribute to this Unit;
- Motor insurance to provide for CPM approved insurance strategy, which allows for savings on motor insurance premiums;
- Operational costs to provide for a number of operational activities planned in year;
- Following the Proceeds Of Crime Act (POCA), to provide for certain categories of operational activities funded from proceeds of crime;
- Protective clothing for officers including research and development costs;
- The cost of developing financial systems;
- Vehicle recovery services to fund operations targeting clamping of uninsured vehicles;
- Reserves held on behalf of the National police functions, National Police Chief's Council (NPCC) and National Police Coordination Centre (NPoCC).

### Budget pressures

MOPAC holds specific reserves to meet budgetary pressures and other unforeseen events. The budget pressures reserve is held to meet specific unbudgeted pressures, including cover for early departures. The Emergencies Contingency Fund is an earmarked reserve available to assist in exceptional circumstances, to support operational requirements, which will normally not have been budgeted for.

### Other reserves

The Major Change Programmes Reserve is set aside to fund various modernisation programmes. MOPAC hold a reserve to fund and support initiatives and projects that MOPAC expects to undertake in future years.

## 28.4 General revenue reserve

MOPAC holds a General Reserve and an Emergency Contingency Fund to:

- Cushion the impact of unexpected events or emergencies;
- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

There is no statutory guidance on the level of reserves. MOPAC's policy, based on CIPFA guidance, is to hold the General Reserve and the Emergency Contingency Fund at a level of 1.5% of net expenditure, to meet unforeseen or emergency expenditure which cannot be contained within the approved budget. The General Reserve is £23.5 million at 31 March 2017 and the Emergency Contingency Fund is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.9% of the 2016/17 budget requirements.

## 29. Adjustments between accounting basis and funding basis under regulation.

This note identifies the adjustments that are made to the CIES recognised by the Group in the year in accordance with accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

The following adjustments are for 2016/17:

Group and MOPAC £000	General fund	Capital receipts reserve	Capital Grants Unapplied Account	Unusable reserves
<b>Adjustments to the CIES</b>				
Pension costs (transferred to (or from) the Pension Reserve)	(938,000)	0	0	938,000
Holiday pay (transferred to the accumulated absences reserve)	(5,768)	0	0	5,768
Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(389,825)	0	0	389,825
<b>Total adjustments to the CIES</b>	<b>(1,333,593)</b>	<b>0</b>	<b>0</b>	<b>1,333,593</b>
<b>Adjustments between reserves and capital resources</b>				
Transfer of non-current asset sale proceeds from reserves to the capital receipts reserve	443,096	(443,096)	0	0
Deferred sale proceeds	0	0	0	0
Statutory provision for the repayment of debt (transfer to Capital Adjustment Account)	23,329	4,303	0	(27,632)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,125	0	0	(3,125)
<b>Total adjustment between reserves and capital resources</b>	<b>469,550</b>	<b>(438,793)</b>	<b>0</b>	<b>(30,757)</b>
<b>Adjustments to capital resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	150,384	0	(150,384)
Application of capital grants to finance capital expenditure	39,888	0	(7,979)	(31,909)
Cash payments in relation to deferred capital receipts	0	(48,887)	0	48,887
<b>Total capital financing adjustments</b>	<b>39,888</b>	<b>101,497</b>	<b>(7,979)</b>	<b>(133,406)</b>
<b>Total adjustments - MOPAC Group</b>	<b>(824,155)</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>1,169,430</b>
Police pensions	(2,059,600)	0	0	2,059,600
<b>Total - MOPAC</b>	<b>(2,883,755)</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>3,229,030</b>

The following adjustments were made in 2015/16:

Group and MOPAC £000	General fund	Capital receipts reserve	Capital Grants Unapplied Account	Unusable reserves
<b>Adjustments to the CIES</b>				
Pension costs (transferred to (or from) the Pension Reserve)	(521,500)	0	0	521,500
Holiday pay (transferred to the accumulated absences reserve)	5,263	0	0	(5,263)
Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the capital adjustment)	(324,434)	0	0	324,390
<b>Total adjustments to the CIES</b>	<b>(840,671)</b>	<b>0</b>	<b>0</b>	<b>840,627</b>
<b>Adjustments between reserves and capital resources</b>				
Transfer of non-current asset sale proceeds from reserves to the capital receipts reserve	156,663	(156,663)	0	0
Deferred sale proceeds	47,301	0	0	(47,301)
Statutory provision for the repayment of debt (transfer to Capital Adjustment Account)	28,467	0	0	(28,467)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	864	0	0	(864)
<b>Total adjustment between reserves and capital resources</b>	<b>233,295</b>	<b>(156,663)</b>	<b>0</b>	<b>(76,632)</b>
<b>Adjustments to capital resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	193,977	0	(193,977)
Application of capital grants to finance capital expenditure	35,795	0	1,167	(36,962)
Cash payments in relation to deferred capital receipts	0	(5,794)	0	5,794
<b>Total capital financing adjustments</b>	<b>35,795</b>	<b>188,183</b>	<b>1,167</b>	<b>(225,145)</b>
<b>Total adjustments - MOPAC Group</b>	<b>(571,581)</b>	<b>31,520</b>	<b>1,167</b>	<b>538,850</b>
Police pensions	4,155,200	0	0	(4,155,200)
<b>Total - MOPAC</b>	<b>3,583,619</b>	<b>31,520</b>	<b>1,167</b>	<b>(3,616,350)</b>

## 30. Notes to the cash flow statement

### 30.1 The cash flow for operating activities included interest cash flows:

£000	31 March 2017	31 March 2016
<b>Operating activities</b>		
Interest received	(2,305)	(1,946)
Interest paid	6,846	7,240
Interest element of finance lease and PFI rental payments	12,784	13,090
	<b>17,325</b>	<b>18,384</b>

**30.2 Adjustments to net surplus or deficit on the provision of services for non-cash movements (Group and MOPAC):**

£000	31 March 2017 Group	31 March 2016 Group	31 March 2017 MOPAC	31 March 2016 MOPAC
Depreciation of non current assets	(130,320)	(152,681)	(130,320)	(152,681)
Impairment and revaluations of non current assets	23,505	(61,139)	23,505	(61,139)
Amortisation of intangible assets	(1,474)	(1,925)	(1,474)	(1,925)
Reversal of pension service costs and interest	(938,000)	(521,500)	(2,997,600)	3,633,700
(Increase)/decrease in impairment for provision for bad debts	90	44	90	44
(Increase)/decrease in creditors	(2,128)	(5,099)	(2,128)	(5,099)
Increase/(decrease) in debtors	37,661	(162,099)	37,661	(162,099)
Increase/(decrease) in inventories	(4,005)	71	(4,005)	71
Carrying amount of property, plant and equipment, investment property and intangible assets sold	(282,106)	(104,253)	(282,106)	(104,253)
Other non-cash items	5,911	194,438	5,911	194,438
	<b>(1,290,866)</b>	<b>(814,143)</b>	<b>(3,350,466)</b>	<b>3,341,057</b>

**30.3 Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities:**

£000	31 March 2017 Group	31 March 2016 Group
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	443,097	156,663
Capital grants adjustment	39,887	35,795
Proceeds from short term and long term investments	0	0
	<b>482,984</b>	<b>192,458</b>

**30.4 Cash flows from investing activities:**

£000	31 March 2017 Group	31 March 2016 Group
<b>Investing activities</b>		
Purchase of non current assets	177,048	237,594
Purchase of short term and long term investments	203,057	24,050
Proceeds from short term and long term investments	(24,050)	(58,318)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(491,981)	(162,457)
Other receipts from investing activities	(37,744)	(36,015)
	<b>(173,670)</b>	<b>4,854</b>

**30.5 Cash flows from financing activities:**

£000	31 March 2017 Group	31 March 2016 Group
<b>Financing activities</b>		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,466	4,789
Repayments of short and long-term borrowing	16,457	14,457
	<b>20,923</b>	<b>19,246</b>

**31. Contingent liabilities**

The Commissioner, along with other Chief Constables and the Home Office, currently has approximately 2000 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

**32. Post balance sheet events**

On 10 April 2017 Cressida Dick was appointed as the new Commissioner of Police for the Metropolis.

### 33. Financial instruments

The financial instruments recognised by the Group include creditors and debtors, borrowings, bank deposits, loans and investments. The Group has not given any financial guarantees nor does it hold financial instruments, which are either 'held for trading' or any derivatives. The financial instrument balances disclosed in the Balance Sheet are made up of the following classes of financial instruments:

£000	Long term		Current (within 12 months)	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
<b>Investments</b>				
Loans and receivables	0	0	203,057	24,050
<b>Debtors</b>				
Loans and receivables	1,426	2,218	134,503	104,571
<b>Total investments &amp; debtors</b>	<b>1,426</b>	<b>2,218</b>	<b>337,560</b>	<b>128,621</b>
<b>Borrowings</b>				
Financial liabilities	(143,007)	(159,464)	(16,457)	(16,457)
<b>Other long term liabilities</b>				
PFI and finance lease liabilities	(79,245)	(83,309)	(4,064)	(4,466)
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	(306,719)	(303,362)
<b>Total borrowings &amp; liabilities</b>	<b>(222,252)</b>	<b>(242,773)</b>	<b>(327,240)</b>	<b>(324,285)</b>

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

£000	2016/17	2015/16
<b>Expenses</b>		
Interest expense	19,629	20,330
<b>Total expense in surplus on the provision of services</b>	<b>19,629</b>	<b>20,330</b>
<b>Income</b>		
Interest income	(2,305)	(1,946)
<b>Total income in surplus on the provision of services</b>	<b>(2,305)</b>	<b>(1,946)</b>
<b>Net (gain)/loss for the year</b>	<b>17,324</b>	<b>18,384</b>

## Notes to the Accounts

Financial liabilities and financial assets (represented by investments, loans and receivables) are carried in the Balance Sheet for the Group at amortised cost.

The fair values calculated for financial liabilities and assets are as follows:

£000	2016/17 Carrying amount	Fair value	2015/16 Carrying amount	Fair Value
<b><u>Financial liabilities</u></b>				
<b>Borrowings</b>				
Financial liabilities-(Public Works Loan Board)	159,464	196,546	175,921	206,726
<b>Other long term liabilities</b>				
PFI and finance lease liabilities	83,309	111,481	87,775	116,621
<b>Creditors</b>				
Financial liabilities	306,719	306,719	303,362	303,362
<b><u>Financial assets</u></b>				
<b>Investments</b>				
Short term investments	203,057	203,057	24,050	24,050
<b>Debtors</b>				
Loans and receivables	135,929	135,929	106,789	106,789

The fair value of the PWLB borrowing is higher than the carrying amount because the Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss as at 31 March 2017 arising from a commitment to pay interest above current market rates.

The fair value of the PFI liabilities is higher than the carrying amount because the Group's liabilities are based on interest rates which are higher than the PWLB new loan rates at the Balance Sheet date. This shows a notional future loss as at 31 March 2017 arising from a commitment to pay interest above current market rates.

Short term creditors, investments and debtors are carried at cost as this is a fair approximation of their value.

The fair value hierarchy of financial liabilities that are not measured at fair value is set out below

Recurring Fair Value Measurements Using: £000	31 March 2017			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b><u>Financial liabilities</u></b>				
<b>Borrowings</b>				
Financial liabilities-(Public Works Loan Board)	0	196,546	0	196,546
<b>Other long term liabilities</b>				
PFI and finance lease liabilities	0	0	111,481	111,481
<b>Total</b>	<b>0</b>	<b>196,546</b>	<b>111,481</b>	<b>308,027</b>

The fair value for financial liabilities that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.



The fair value for financial assets and financial liabilities that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions

Financial Assets	Financial Liabilities
Where an instrument will mature in the next 12 months, the fair value is taken to be the carrying value.	No early repayment is recognised
The fair value of trade and other receivables is taken to be the invoiced or billed amount.	Estimated ranges of interest rates at 31 March 2017 of 0.83% to 2.60% for PWLB loans payable based on PWLB new loan rates.
	Estimated ranges of interest rates at 31 March 2017 of 1.39% to 1.47% for PFI liabilities based on PWLB new loan rates.
	The fair value of trade and other payables is taken to be the invoiced or billed amount

### 33.1 Nature and extent of risks arising from financial instruments

Risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Day to day risk management is carried out under a shared service arrangement by the GLA Group Treasury Team, under the policy approved by the MOPAC Group and set out in the annual MOPAC Treasury Management Strategy. The Group's activities expose it to a variety of financial risks:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Group;
- **Liquidity risk** - the possibility that the Group might not have funds available to meet its commitments to make payments to its suppliers and creditors;
- **Interest rates risk** - Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- **Foreign exchange risk** - Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group does not have any such instruments.

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. MOPAC's Treasury Management Strategy is administered and managed by the GLA Group Treasury Team. Credit ratings form the backbone of the investment policy for selecting institutions with which the GLA Group Treasury Team invests surplus funds on MOPAC's behalf, based on knowledge and understanding of the risks involved. Although no combination of ratings can be viewed as fail-safe, the credit criteria for 2016/17 were based on Fitch, Moody's and Standard and Poor's suite of ratings, supported by broader market information. Relevant changes in counterparties' credit standing are reviewed daily, with updates provided by the GLA Group Treasury Team's treasury advisors. Where counterparties' credit standings are downgraded, the relevant investment limits are reduced with immediate effect or, where minimum criteria fail to be met, further investment is suspended. Maximum limits for principal invested with each counterparty are reviewed regularly with

## Notes to the Accounts

reference to relative risk and the Group's cash flow requirements. All the Group's investments are sterling denominated.

At 31 March 2017, 25% of the Group's money market investments and cash were placed with other public bodies or institutions substantially owned by the United Kingdom's government, the remaining 75% were placed with institutions with at least an A- credit rating. The Group does not therefore expect any losses from any institutions in relation to investments placed.

	Amount at 31 March 2017 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2017 % C	Estimated maximum exposure to default and un-collectability £000 (A X C)
Deposits with banks and financial institutions	287,588	0.00%	0.00%	0
Customers (general debtors)	67,198	0.09%	0.04%	27

	Amount at 31 March 2016 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2016 % C	Estimated maximum exposure to default and un-collectability £000 (A X C)
Deposits with banks and financial institutions	29,782	0.00%	0.00%	0
Customers (general debtors)	127,594	0.19%	0.09%	115

### Liquidity risk

As the Group has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Group can also access short term funding from within the GLA Group. There has been no new borrowing during 2016/17. The maturity analysis of all the PWLB borrowings is as per Notes 23 and 26.

Additionally, to cover short-term commitments, the Group maintains three instant access accounts. All trade creditors and other payables are due to be paid by the Group in less than one year.

The Group does not generally allow credit for general debtors beyond 30 days, such that of the debtors balance, £110,302 is past its due date for payment, and can be analysed by age in the table below as follows:

£000	2016/17	2015/16
Less than three months	85	2,307
Three to six months	7	7
Six months to one year	13	257
More than one year	5	24
<b>Total</b>	<b>110</b>	<b>2,595</b>

### Interest rate risk

The Group is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments, however in the short term extreme movements are deemed unlikely. Movements in

interest rates have a complex effect on the Group. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates - the fair value of the liabilities will fall;
- borrowings at variable rate - the interest expenditure debited to the CIES will rise;
- investments at variable rates - the interest income credited to the CIES will rise;
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest receivable on variable rate investments will be posted to the CIES and will affect the General Fund Balance.

The Group has set, for the net position of borrowings and investments, an upper limit on fixed interest rate and variable interest rate exposures giving ranges that will limit exposure to interest rate movement. Fixed interest rate exposure can be managed within a 0% to 150% range and variable interest rate exposures within a 0% to 50% range.

## Police officer pension fund

### 1. Police officer pension fund revenue account

The Commissioner is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. This statement shows income and expenditure for the three Police Pension Schemes for 2016/17 and 2015/16. The statement does not form part of the CPM or the MOPAC Group Statement of Accounts.

£000	Notes	2016/17	2015/16
<b>Contributions receivable</b>			
• Employer contributions	4.1	(235,801)	(239,561)
• Additional income	4.3	(3,977)	(4,313)
Transfers in from other schemes	4.2	(6,685)	(13,078)
Officers' contributions	4.4	(150,259)	(153,345)
<b>Net Income</b>		<b>(396,722)</b>	<b>(410,297)</b>
<b>Benefits payable</b>			
Pensions paid		596,913	577,121
Lump sum payments		165,685	144,391
Lump sum death payments		1,632	1,673
Other payments	4.6	1,340	399
Transfers out to other schemes	4.2	952	10,116
<b>Net expenditure</b>		<b>766,522</b>	<b>733,700</b>
<b>Net amount payable for the year</b>		<b>369,800</b>	<b>323,403</b>
Additional 2.9% funding payable by the local policing body to meet deficit for the year	4.1	(32,089)	(32,603)
Employer additional funding	4.5	(337,711)	(290,800)
<b>(Surplus)/deficit on fund</b>		<b>0</b>	<b>0</b>

### 2. Police officer pension fund asset statement

This statement shows the assets and liabilities of the three Police Pension Schemes which does not form part of the CPM or Group Statement of Accounts.

£000	2016/17	2015/16
<b>Current Assets</b>		
Funding to Meet Deficit due from the CPM	1,690	2,892
<b>Net Current Assets</b>	<b>1,690</b>	<b>2,892</b>
<b>Current Liabilities</b>		
Unpaid Pensions Benefits	(1,690)	(2,892)
<b>Net Current Liabilities</b>	<b>(1,690)</b>	<b>(2,892)</b>
<b>Total</b>	<b>0</b>	<b>0</b>

### 3. Notes to the police officer pension fund account

The Police Officer Pension Fund combines the accounting transactions of three pension schemes for Metropolitan Police Officers. These are:

- The Police Pension Scheme 2015, which came into effect on 1 April 2015 under the Police Pensions Regulations 2015;
- The New Police Pension Scheme, which was created by the Home Office under the Police Pensions Regulations 2007;
- The Police Pension Scheme, which was set up in 1987.

The Police Officer Pension Fund which is managed by the MOPAC Group has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and payment or refund to central government for the balance outstanding for each year. The fund does not hold any investment assets nor does it reflect the liabilities of the Schemes to pay present and future pensioners. The fund will be paid sufficient monies from the Home Office in 2016/17 to cover the deficit in year.

These Accounts have been prepared using Pension SORP and the Code principles adopted for the MOPAC statements.

Details of the accounting policies can be seen on page 13 to 22. MOPAC provides the accounting and banking systems through which the CPM administers the Fund. Details of the three schemes' actuarial report and the cost of pensions can be seen in Note 12.

These Accounts are audited by Grant Thornton UK LLP and their opinion is included in page xvi.

### 4. Police Pension Fund - Revenue account notes

#### 4.1 Employer contributions

Employer contributions are calculated at 21.3% of police officer pensionable pay, a reduction of 2.9% from 2014/15. The employer contribution is set nationally by the Home Office and is subject to triennial revaluation.

This reduction in the employer contribution rate has been retained by the Exchequer. This means that as in 2015/16 the police pensions top up grant for 2016/17 has been reduced by the difference the contribution rates of 24.2% and 21.3%. The additional 2.9% required to meet the pension fund revenue account deficit has been met by the CPM.

#### 4.2 Transfers

These represent lump sums transferred to and from other pension schemes depending on whether the police officer was joining or leaving the CPM.

#### 4.3 Additional income

These consist of CPM contributions for ill health retirements, 30 years plus scheme contributions and refund of former commissioners' and widows' pensions.

### **4.4 Officers' contributions**

Members of the new 2015 police pension scheme make contributions of between 12.44% and 13.78% of pensionable pay. Protected members of the 1987 and 2006 schemes contribute at rates of between either 14.25% and 15.05% of pensionable pay for the 1987 police pension scheme or 11% and 12.75% for the 2006 police pension scheme.

### **4.5 Employer additional funding**

This sum represents additional funding required to provide for payment to pensioners. Including the funds received by the Group as part of the settlement of the additional commutation liability, the actual shortfall receipts for the year 2016/17 amounted to £338.9 million. This consists of additional funding of £68.7 million received by the Group in respect of 2015/16 and a statutory transfer from the police fund of a further £270.2 million in respect of 2016/17. The remaining 2016/17 shortfall of £90.9 million is to be received from the Home Office in 2017/18.

### **4.6 Other payments**

These consist of contribution equivalent payments, superannuation refunds and lump sum death benefits.

## **5. Related party transactions**

As previously stated the Commissioner is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from MOPAC Police Fund. As such the CPM and MOPAC are the only related parties to the fund, thus all the transactions shown on the revenue statement have been processed through MOPAC.

## **6. Additional voluntary pension contributions**

Additional pension contributions (e.g. added pension/years) made by police officers amounted to £44,152 for the PPS scheme, £51,042 for the NPPS scheme and £13,558 for the 2015 scheme.

## **7. Members of the scheme**

The MPS also administers the Pension Fund on behalf of members of Her Majesty's Inspectorate of Constabulary (HMIC). There is one remaining HMIC inspector who is a contributing member to the Police Pension scheme, there are 24 HMIC pensioners and 6 dependent pensioners.

## Glossary of terms

### Accruals

The accounting treatment, where income and expenditure is recorded when it is earned or incurred not when the money is paid or received.

### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories:

- Usable Reserves. These are reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For instance the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt;
- Unusable Reserves. These reserves cannot be used by the Group to provide services. For instance reserves that hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line 'Adjustments between Accounting Basis and Funding Basis under Regulations'.

### Budget

An estimate of costs, revenues and resources over a specified period, reflecting a reading of future financial conditions and priorities.

### Capital expenditure

Expenditure on the acquisition, creation or enhancement of fixed assets.

### Cash equivalent

A financial deposit placed with a bank, building society or other local authority for a term of no longer than three months.

### Capital receipts

Money obtained on the sale of a capital asset. Capital receipts can only be used for capital purposes, such as funding capital expenditure or repaying debt.

### Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from grants and taxation raised via the GLA precept on the Corporation of London and London Boroughs. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the MIRS.

### Corporate costs

This consists of those activities and costs that provide the infrastructure that allows services to be provided, whether by the CPM or MOPAC, and the information that is required for public

accountability. Activities that relate to the provision of services, even indirectly, are overheads on those services and include bank charges, auditors' fees and the cost of the Group as well as the corporate activities of Head Office departments.

### **Commissioner of Police of the Metropolis (CPM)**

The CPM is a separate corporation sole which was established on 16 January 2012 under the Police Reform and Social Responsibility Act 2011.

### **Credit arrangements**

An arrangement other than borrowing where the use of a capital asset is acquired and paid for over a period of more than one year. The main types of credit arrangements are PFI agreements and finance leases of buildings, land and equipment.

### **Creditors**

Individuals or organisations to which the Group owes money at the end of the financial year.

### **Debtors**

Individuals or organisations that owe the Group money at the end of the financial year.

### **Democratic core costs**

This includes all aspects of MOPAC activities in a democratic capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests. To give MOPAC maximum flexibility in reflecting its own constitutional arrangements, there are no recommended subdivisions of service.

### **Employee costs**

The salaries and wages of police officers, police staff and MOPAC staff together with National Insurance, pension and all other pay-related allowances. Training expenses and professional fees are also included.

### **Finance lease**

A finance lease normally involves payment by a lessee to a lessor of the full cost of the asset, together with a return on the finance provided by the lessor. The lessee has substantially all the risks and rewards associated with ownership of an asset, other than legal title.

### **Government grants**

Part of the cost of the service is paid for by central government from its own tax income. Grant income is partly received through the S102 payments made by the GLA. In addition, the Home Office pays specific grants direct to the Group towards both revenue and capital expenditure.

### **Group**

The term Group refers to Mayor's Office for Policing And Crime (MOPAC) and Commissioner of Police of the Metropolis (CPM).



### **Long term debtors**

Amounts due to the Group where payment is to be made by instalments over a pre-determined period of time in excess of one year.

### **Mayor's Office for Policing And Crime (MOPAC)**

MOPAC is a separate corporation sole, which was established on 16 January 2012 under the Police Reform and Social Responsibility Act 2011.

### **Minimum Revenue Provision**

The prudent amount that the Group is statutorily required to set aside from revenue funds to meet the repayment of borrowing undertaken to support capital investment.

### **Non distributed costs**

This consists of charges for police officers and police staff early retirements and any depreciation and impairment losses chargeable to non-operational properties.

### **National Police Chiefs' Council (NPCC)**

The NPCC brings police forces in the UK together to help coordinate operations, reform, improve and provide value for money.

### **National Police Coordination Centre (NPoCC)**

NPoCC is responsible for coordinating the deployment of officers and staff from across the UK policing to support forces during large scale events, operations and in times of national crisis.

### **Operating lease**

An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership.

### **PCSPS**

The Principal Civil Service Pension Scheme is the scheme used to provide pension benefits to police staff.

### **Provision**

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

### **Revenue expenditure**

The operating costs incurred by the organisation during the financial year in providing its day to day services. Distinct from *capital expenditure* on projects which benefit the organisation over a period of more than one financial year.

### **Revenue reserves**

Accumulated sums that are maintained either earmarked for specific future costs (e.g. pensions) or generally held to meet unforeseen or emergency expenditure (e.g. General Reserve).

### **Special service agreements**

Policing the Airports, Houses of Lords and Commons, Palace of Westminster are the main items included under this heading.