

Mayor's Office for Policing and Crime

Statement of Accounts 2011/12

M O P A C

MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

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Explanatory foreword and financial review

Introduction

2011/12 was an important year for policing in London. On 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament representing a significant shift in the way the police in England and Wales are governed and held accountable. One of the key reforms was to replace the Metropolitan Police Authority (MPA) with the new Mayor's Office for Policing and Crime (MOPAC) on the 16 January 2012. At the same time a separate body of the Commissioner of Police of the Metropolis (CPM) was established and made responsible for the Metropolitan Police Service (MPS). The primary function of MOPAC is to secure the maintenance of an efficient and effective metropolitan police force in London, and to hold the CPM to account for the exercise of operational policing duties under the Police Act 1996.

London is the first area to have undergone the reforms during 2011/12, with other police forces planning to implement the reforms later in November 2012. These are the first Statutory Accounts to be prepared under the new arrangements.

All the financial transactions incurred during 2011/12 for policing London have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of MOPAC and MOPAC Group for the year ending 31 March 2012. The Group position 'MOPAC Group' reflects the consolidated accounts of the MOPAC and its subsidiary CPM. Where the Group position differs from MOPAC position this is made clear in the statements and notes. Separate statutory accounts are prepared for the CPM.

This Foreword provides an overview of the new accounting arrangements and outlines the financial performance of MOPAC and MOPAC Group during 2011/12.

The Statement of Accounts

The 2011/12 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2011/12.

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 Service of England and Wales 2012;
- Scheme of Delegation between MOPAC and the CPM;
- MOPAC Financial Regulations;
- MOPAC Contract Regulations.

The accounts also reflect the Government's intention to phase in the reforms over a number of years. The accounting arrangements between MOPAC and the CPM during the first phase of the transition are detailed more fully in Note 5 to the accounts on page 15. Briefly summarising the position, MOPAC is responsible for the finances of the whole Group and controls the assets, liabilities and reserves which were transferred from the MPA on 16 January 2012. MOPAC receives all income and funding and makes all the payments for the Group from MOPAC Police Fund. In turn the CPM fulfils its functions under the Act within an annual budget (set by MOPAC in consultation with the CPM). A scheme of delegation is in operation between the two bodies determining their respective responsibilities during this first phase, as well as local arrangements in respect of the use of MOPAC's assets and

staff.

The financial statements

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. At page 1 the CIES shows a deficit on the provision of services of £1,329 million, however, this statement should not be viewed in isolation. To gain a true understanding of MOPAC Group's financial performance for the year it is necessary to view the Movement in Reserves Statement which shows how this deficit is managed in the Balance Sheet. Following the Police Officer Pension Fund liabilities and accounting adjustments and transfers to revenue reserves, there is a decrease of £13 million in the General Reserve;
- The Movement in Reserves Statement for the Group and MOPAC- this shows how the £1,329 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 decreased from £295 million to £274 million;
- The Balance Sheet for the Group and MOPAC- this sets out the assets (land, buildings, equipment, and monies due), liabilities owed by MOPAC to others, and the usable and unusable reserves which MOPAC maintains. The net worth of MOPAC is £1,481 million (excluding the cost of Police Officer pensioners liabilities);
- The Cash Flow Statement for the Group and MOPAC- this shows the inflows and outflows of cash to MOPAC. During 2011/12 there was a net cash outflow to MOPAC of £30.5 million. In order that readers can better understand the financial performance of MOPAC these cash flows are split between operating activities, investing activities (purchase and sale of property, equipment, investments, etc.) and financing activities (covering new borrowing and repayments of borrowing).

In addition to the financial statements the annual accounts includes a Statement of Responsibilities for the Accounts and are accompanied by an Annual Governance Statement.

Financial performance of the Group

Setting the budget

The Mayor sets the annual budget for the Group in consultation with the Commissioner. The approved budget for 2011/12 provided for net expenditure of £2,713 million.

Final outturn

The financial year 2011/12 presented a number of key challenges with savings and efficiencies of £163 million required to balance the budget. MOPAC has delivered an underspend of £4.5 million to support the 2012-15 budget and business plan proposals.

The table overleaf provides a summary of the final MOPAC outturn position for 2011/12 compared with the revised budget. Figures in brackets in the variance column represent an underspend for expenditure and an over receipt of income against the revised annual budget.

Table 1 Final outturn position for 2011/12 compared with the revised budget for MOPAC Group.

Approved annual budget £000		Revised annual budget £000	Actual outturn £000	Variance Overspend /(underspend) £000
	Pay			
1,951,934	Police officer pay	1,993,241	1,988,062	(5,179)
783,845	Police staff pay	789,528	766,108	(23,420)
2,735,779	Total pay	2,782,769	2,754,170	(28,599)
	Running expenses			
26,111	Employee related expenditure	97,699	96,936	(763)
195,904	Premises costs	205,370	216,982	11,612
61,265	Transport costs	64,638	66,106	1,468
433,206	Supplies & services	424,931	480,774	55,843
53,501	Capital financing costs	55,532	46,734	(8,798)
33,125	Discretionary pension costs	33,125	30,300	(2,825)
803,112	Total running expenses	881,295	937,832	56,537
3,538,891	Total gross expenditure	3,664,064	3,692,002	27,938
(790,066)	Total income and specific grants	(872,687)	(962,002)	(89,315)
2,748,825	Net expenditure	2,791,377	2,730,000	(61,377)
(22,825)	Transfer to/(from) earmarked reserve	(65,377)	(8,500)	56,877
(13,000)	Transfer to/(from) general reserve	(13,000)	(13,000)	0
2,713,000	Budget requirement	2,713,000	2,708,500	(4,500)

Key points to note in the table above are provided under the following headings:

Police officer pay and overtime (underspend of £5.2 million)

The underspend in police officer pay was principally due to police officer actual strength being below the levels assumed in the original budget. However this was partially offset by overtime due to policing major events such as the Royal Wedding and the visit to the UK by the US President and costs relating to increased protection of foreign embassies, as well as the creation of a new central London reserve consisting of eight Police Support Units. The Home Office has provided a special grant of £3.6 million to cover the additional cost of the Royal Wedding.

Police staff pay and overtime (underspend of £23.4 million)

An underspend against budget on police staff pay incurred due to vacant posts. This underspend was partially offset by an overspend on overtime due to managing vacant posts at the Palace of Westminster; the additional costs being matched by additional income.

Premises costs (overspend of £11.6 million)

The overspend relates to expenditure on dilapidations costs which it was planned to fund by a draw-down from reserves and use of Major Change Programme funds, but has been managed within the overall outturn position.

Supplies and services (overspend of £55.8 million)

The overspend primarily relates to Riot Damages Act costs to reimburse insurance companies for the compensation paid out as a result of the summer public disorder. These costs are offset by income received from the Home Office.

Capital financing costs (underspend of £8.8 million)

The underspend relates to a reduction in the Minimum Revenue Provision (MRP) linked to a decision to fund capital expenditure in 2010/11 from capital reserves rather than borrowing, and a reduction in interest on debt payable by MOPAC in 2011/12.

Discretionary pension costs (underspend of £2.8 million)

This consists primarily of injury awards where officers retire on the basis of injury and in addition ill health retirements and a 30 plus abatement scheme. Expenditure has been below budget in 2011/12. However, it is believed that much of the underspend relates to delayed expenditure that will be paid out in 2012/13.

Income and specific grants (Additional funding of £89.3 million)

The additional funding mainly relates to the receipt of income from the Home Office to fund expenditure incurred by MOPAC Group under the Riot Damages Act.

Net movement on MOPAC Group earmarked and general reserves (£17 million)

The net movement on earmarked and general reserves during 2011/12 was £17 million.

Table 2 Net movement on earmarked and general reserves

Description	£m
Opening reserves balance 1 st April 2011	269.6
Transfers from reserves	(128.4)
Transfers to reserves	111.4
Closing balance 31 March 2012	252.6

The £128.4 million drawn down from reserves during 2011/12 was predominantly from the 'Voluntary Exit Reserve', which is included in the budget pressure reserve (page 54), to fund the Early Departure Scheme and from the 'Capital Projects', 'Major Change Programme' reserves for investment projects and the general reserve. The £128.4 million drawdown was in part offset by £111.4 million transfers to reserves primarily to continue the Voluntary Exit Scheme in 2012/13, to reinstate budgetary resilience in 2012/13 and to continue to fund various change programme initiatives. Further information on the movements between reserves is shown in the accompanying notes to the accounts page 54.

Performance against the 2011/12 capital programme

Capital expenditure

Capital expenditure for 2011/12 was financed by grants, borrowing, capital receipts and revenue contributions. Capital expenditure for 2011/12 was £192.9 million. This compares against the revised annual budget of £187 million agreed on 20 October 2011.

Additional grant funding became available during the latter part of 2011/12 which means delivery was within the funding available. Unused capital funds are put to reserves to fund future years.

Table 3 Outturn position 2011/12

Summary by programme	Budget 2011/12	Net target (expectation)	Actual	Actual v expectation
	£000s	£000s	£000s	
Property	87,506	79,771	79,995	100.3%
Information	89,856	81,913	79,371	96.9%
Transport	24,849	22,652	26,670	117.7%
Other	2,965	2,703	6,873	254.3%
Gross programme	205,176	187,039	192,909	103.1%
less over-programming	(18,137)			
Budget	187,039			

Property based programme - Achieved £80 million in year (100.3%). This figure had been forecast since September following a review of the property capital programme during the year.

Property Services delivery in 2011/12 included the following specific areas of activity:

- Custody Centres - Works commenced at Croydon and Wandsworth with designs completed for further improvements at Wood Green, Brixton, Colindale, Kingston and Walworth Custody Extensions;
- Refurbishment of Jubilee House/Hendon Estate;
- Minor works progressed to ensure the appropriate maintenance and operation of the Estate met building compliance standards;
- Modernisation and security upgrades of the Central Estate and Cobalt Square;
- Improvements at Hendon and Bow.

Information based programme - Achieved £79.4 million in year (96.9%). The 3.1% difference reflects revised delivery schedules/implementation dates for a number of schemes, primarily due to some migration, delivery and installation delays.

Transport based programme - Achieved £26.7 million (117.7%). The transport programme is composed of two elements, MOPAC owned element and the 3rd party fleet. The third party fleet is fully funded from specific grant contributions and was higher than forecast due to late notifications from the Home Office and Association of Chief Police Officers (ACPO) which were not included in the revised budget approved in October 2011. The main transport programme showed a slight underspend due to reviewing the purchase of vehicles to ensure that the purchasing strategy targeted those vehicles that were coming to the end of their useful life and were subject to major everyday utilisation.

Asset management

MOPAC is currently in the process of modernising the estate, disposing of inefficient and antiquated buildings and investing in new buildings that are fit for purpose. This comprehensive estate review aims to optimize the use of available space whilst providing police officers and staff with improved working conditions and the public with accessible buildings in the right locations. Obsolete and redundant property assets disposed of within the year include:

- Finchley Section House;
- Former Police Stations at Leytonstone, Norwood Green, Ponders End, Rainham, Surbiton, Wallington;

- Other operational Buildings at Penhryn Road (Kingston), Sunbury Training Centre, Meadow Road and Trinity Road;
- Sundry residential properties.

MOPAC continues to dispose of obsolete or redundant property assets at competitive prices thereby generating suitable income to support the forward capital programme. The rationalisation of the estate will produce significant revenue efficiency savings.

Capital financing

Capital expenditure on non current assets in 2011/12 was financed, in accordance with the Prudential Code, from borrowing of £57.9 million, government capital grants and other third party contributions of £69.6 million, capital receipts of £41.0 million and a revenue contribution of £24.4 million.

Decisions about capital finance affecting the capital programme have been taken in the context of the CIPFA Prudential Framework. The Framework provides authorities with borrowing flexibility providing that controls on affordability, sustainability and prudence are met.

MOPAC complies with the CIPFA Code of Practice for Treasury Management in Public Services. Net borrowing over the medium and long term will only be for a capital purpose. Net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimate of any additional capital financing requirement for the current year. Borrowing will be contained within the borrowing limits agreed by the Mayor of London for MOPAC.

MOPAC sets an annual treasury management policy. Borrowing is based on the estimate of the most prudent but not worst-case scenario, with sufficient flexibility over and above this to allow for operational management e.g. unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital investment and cashflow requirements.

There was £110 million new debt during 2011/12 - £40.5 million long-term for capital investment and £69.5 million short-term for cash-flow purposes. Settlement of maturing debt during the year totalled £41.6 million. As a result, at 31 March 2012 the level of outstanding debt totalled £303.8 million. The capital receipts sum for 2011/12 was £40.2 million. Of this sum £40 million has been used to finance the 2011/12 capital programme, along with a further £1 million taken from the usable capital receipts reserve.

The Balance Sheet

The net worth of MOPAC and MOPAC Group (excluding the cost of Police Officer and pensioners liabilities) declined by £3 million (from £1,484 million to £1,481 million) during 2011/12. The Balance Sheet continues to be considered to be robust by MOPAC.

Reserves

MOPAC's policy is to have a General Reserve and an Emergency Contingency Fund to meet unforeseen or emergency expenditure which cannot be contained within the approved budget. The General Reserve is £34.5 million at 31 March 2012. The Emergencies Contingency Reserve which is an earmarked reserve is £23.1 million. Together these uncommitted reserves total £57.6 million, 2.1% of the 2011/12 budget requirement. The intention is to reduce this to 1.5% by the end of 2013/14 when conditions permit, provided that there are appropriate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control.

Pensions

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed on the Balance Sheet, reflect the full implementation of International Financial Reporting Standard IAS19. The pension liability shows the underlying commitments that MOPAC has in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth of MOPAC as recorded in the Balance Sheet. The fund valuation shows a significant increase in liabilities due in the main to the change in actuarial assumptions used to calculate the pensions liability and members' commutation terms. Statutory arrangements for funding the deficit mean that the financial position of MOPAC remains healthy. This is because MOPAC makes a pension contribution of 24.2% of pensionable pay to finance the liability, with the actual pensions and commuted lump sums now being met directly by the Police Pension Fund Revenue Account, which is funded by the Home Office.

Outlook for 2012/13 and key challenges

It is clear the Mayor and the Commissioner have some tough challenges ahead, including the on-going commitment to counter terrorism and ensuring a safe and secure Olympic and Paralympic Games. In maintaining public order it must balance the right to peaceful protest with a robust response to criminality. The Mayor and the Commissioner are determined to tackle gang culture and organised criminal groups, and to improve the number of sanction detections for rape.

The 2012/13 revenue budget requirement was set at £2,601.2 million, a decrease of 4.1% over the 2011/12 figure. The budget is funded by a general government grant £1,906.2 million and council tax income of £695.0 million. The policing element of the Band D council tax precept for 2012/13 is £228.10.

Capital investment of £172.2 million primarily in property, IT and transport to improve the operational capacity of the MOPAC Group is planned for 2012/13. This will be funded by borrowing of £62 million, government capital grants and other third party contributions of £58.4 million, capital receipts of £40 million, a revenue contribution of £5.8 million and use of capital reserves of £6 million.

The Mayor approved a balanced budget for 2012/13 but significant budget gaps of £148.4 million and £232.5 million remain to be closed in 2013/14 and 2014/15 respectively. The 2012/13 budget has been balanced as a result of additional precept of £22 million and additional government grant of £90 million primarily to enable the MPS to respond to a range of significant operational challenges and risks during spring and summer 2012/13.

The budget also includes new savings of £64.2 million in 2012/13. This is in addition to the £323 million committed savings already built into the budget. The Service is also planning to deliver growth in 2012/13 of £102.6 million, some of which offsets savings previously included in the budget and business plan.

The budget gaps have already included assumptions regarding the potential reductions in grants (Home Office funding and Precept) that reflect the current understanding of the Comprehensive Spending Review.

The Mayor recognises the size of the budget reductions required and in conjunction with the Commissioner has developed a programme to identify where future savings can be delivered. Such large savings cannot be delivered without significantly changing the way the MPS operates. The Mayor will ensure MOPAC has a balanced budget that supports operational performance for the period 2013/16.

Changes for 2011/12

The CIPFA Code of Practice on Local Authority Accounting 2011/12 requires MOPAC to identify heritage assets under its control. These assets represent gifts and donations to the MOPAC of items intended to be preserved for future generations because of their cultural or historic associations. Previously these assets were described as community assets in the financial statements hence the Group has not restated its opening balance sheet to reflect the adoption of this accounting policy.

The accounting changes in respect of the Police Reform and Social Responsibility Act 2011 and new Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012 are discussed in detail in the notes to the accounts.

Corporate Governance Statement

The Accounts and Audit (England) Regulations 2011 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. As permitted, MOPAC has elected to continue to publish the AGS with the Statement of Accounts in a single document. The statement 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 CPM's internal control environment, comments on its effectiveness and identifies issues for future work. The CPM performs an annual assurance review appraising the governance arrangements currently in place. 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

Opinion on the financial statements

I have audited the financial statements of the Mayor's Office for Policing and Crime (the Mayor's Office) for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Single Entity and Group Comprehensive Income and Expenditure Statements, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the Mayor's Office in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of responsibilities for the accounts, the Chief Financial Officer is responsible for the preparation of the Mayor's Office Financial Statements, which includes the group 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, and for being satisfied that they give a true and fair view.

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 and its 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, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of the Mayor's Office as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Mayor's Office and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Mayor's Office has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Mayor's Office has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Mayor's Office's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Mayor's Office has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Mayor's Office put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Mayor's Office had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, the Mayor's Office for Policing and Crime put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of the Mayor's Office for Policing and Crime in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed

Karen McConnell
District Auditor

First floor, Millbank Tower
Millbank
London
SW1P 4HQ

24 September 2012

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 of Policing and Crime.



Signed

Stephen Greenhalgh
Deputy Mayor for Policing and Crime

Date: 17 September 2012

Chief Financial Officer

The Chief Financial Officer of the MOPAC is responsible for the preparation of the Statement of Accounts for the 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, the 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 Statement of Accounts gives a true and fair view of the financial position of the MOPAC and the MOPAC Group at the accounting date and of the income and expenditure for the year ended 31 March 2012.



Signed

Robert Atkins
Chief Financial Officer

Date: 21 September 2012

Annual Governance Statement

During 2011/12 the Metropolitan Police Authority (MPA) was abolished and replaced by the Mayor's Office for Policing and Crime (MOPAC). This annual governance statement reflects both the governance framework in place up until January 15 when the MPA was abolished and the new governance framework put in place for MOPAC for the year ended 31 March 2012 including plans for the financial year 2012-13

Scope of Responsibility

The Mayor's Office for Policing and Crime (MOPAC) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. MOPAC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, MOPAC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, MOPAC places reliance on the Commissioner to support the governance and risk management processes.

In drafting the MOPAC Annual Governance Statement reliance has been placed on the governance processes within the Metropolitan Police Service (MPS), as reflected in the CPM Annual Governance Statement which is published alongside the accounts of the Commissioner.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which MOPAC is directed and controlled and its activities through which it accounts to and engages with the community. It enables MOPAC to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of MOPAC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The Governance Framework

The key elements of the systems and processes that comprise the governance arrangements that have been put in place for MOPAC and MPS include:

Identifying and communicating MOPAC's vision of its purpose and intended outcomes for citizens and service users

Under the previous statutory arrangements, MPA members were responsible for the vision, strategic direction and priorities for the Authority as reflected in Met Forward Two, and

were advised by the senior management team who also advised and supported members in influencing and shaping the strategic direction and priorities for the policing of London. Environmental scanning did and continues to form an important part of the identification of local and national expectations.

In addition relevant committees met regularly to consider the strategic direction, plans and progress, and review specific policy areas of the MPA and MPS.

The Mayor has made his commitments for policing clear in his manifesto and a Police and Crime Plan is currently being drafted indicating how MOPAC will take this forward. The plan will also pay due regard to the Strategic Policing requirement due to be published by the Home Office in June 2012. In addition MOPAC's 100 day plan will clearly state how MOPAC will ensure commitments will be delivered.

The MOPAC Challenge Board which is due to have an inaugural meeting in July will meet in public and hold the Commissioner to account; ensure statutory duties are complied with; and ensure the maintenance of an efficient and effective police service in London.

Reviewing MOPAC's vision and its implications for governance arrangements

The MPA vision as defined in Met Forward was reviewed in 2010/11, and Met Forward Two which included a new strand Met Oversight and Governance, and two new strategic outcomes; "protect the most vulnerable from harm"; and "deliver a safe Olympic and Paralympic Games in 2012" was published at the beginning of 2011/12. Delivery of Met Forward Two was overseen by the MPA committee structure until its abolition in January 2012.

The governance arrangements for MOPAC have been developed in line with the 2011 Act, statutory Policing Protocol, Home Office Financial Management Code of Practice (FMCP) and existing guidance on financial and governance matters which continue to apply. Once the Police and Crime Plan has been finalised existing arrangements will be reviewed to ensure they remain fit for purpose. The code of corporate governance will be redrafted as part of this review.

Measuring the quality of services for users, ensuring they are delivered in accordance with MOPAC's objectives and that they represent the best use of resources

The MPA's committee structure ensured the MPS were held to account for their performance and use of resources. Ensuring that MPS policy, planning and business change resulted in improved operational performance and productivity in respect of key priorities and targets. Budgets were reviewed on a regular basis both as part of budget monitoring and the business planning process.

MOPAC officers gain assurances through attendance at a number of meetings including Performance Board which is chaired by the Commissioner and monitors key police performance areas across the MPS, Crimefighters a new approach to performance management adopted by Territorial Policing and focused on driving down crime and anti-social behaviour, increasing detections and improving victim satisfaction, the Met Change Board chaired by the Deputy Commissioner and responsible for driving through the major change programme within the MPS and delivering significant savings and Contracts Board chaired by the Director of Resources.

The MOPAC Challenge Board will be responsible for holding the Commissioner to account on delivering MOPAC objectives effectively and efficiently, through scrutiny of monthly financial and performance reports from the Commissioner and one off reports on specific areas of interest or concern. The work of the Board and the role of the MOPAC in holding the Commissioner to account will be supported and informed by ongoing work undertaken

by MOPAC officers, both with colleagues from the MPS and external stakeholders such as the Home Office and the Greater London Assembly.

Defining and documenting the roles and responsibilities of MOPAC and MPS and senior officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising the MPS's activity

The roles and responsibilities of each of the MPA's Committees were clearly defined in their individual terms of reference, and included arrangements for challenging and reviewing the MPS's activity.

The MPA's Standing Orders, provided for the delegation of MPA functions and decision making to committees, sub committees, panels and senior officers and included a scheme of delegation that set out those decisions that the MPA had delegated to its officers and the Commissioner.

The MPA also had in place a statement of members' role, responsibilities and expectations which increased members' awareness of their roles and responsibilities, thereby improving their effectiveness.

The governance arrangements for MOPAC have been developed in line with the 2011 Act, statutory Policing Protocol, Home Office Financial Management Code of Practice (FMCP) and existing guidance on financial and governance matters which continue to apply. A scheme of delegation, financial regulations and contract regulations have been developed in accordance with the FMCP to enable effective accountability and to govern the relationship between MOPAC and MPS. There is a decision making framework which ensures that all MOPAC decisions are published and available for public scrutiny.

The Challenge Board chaired by the DMPC or the Mayor as occupant for the Mayor's Office for Policing and Crime and attended by the Deputy Commissioner and Commissioner will take place in public and will hold the Commissioner to account in securing the maintenance of an efficient and effective police service for London. The terms of reference for this board are currently being drafted.

There are job descriptions for the Deputy Mayor for Policing and Crime and Chair of the Audit Panel.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for the Mayor as occupant of the MOPAC and the DMPC, officers and staff

MPA members were bound by the statutory Code of Conduct that formed part of Standing Orders, and the Standards Committee was responsible for ensuring that members were aware of their responsibilities under the code and received guidance on ethical standards and behaviour.

The MPA also had in place a set of Standards which were designed to help all officers build positive working relationships, ensure high performance, and to help in challenging bad behaviour. Following the creation of MOPAC the standards are currently being reviewed to ensure they remain fit for purpose.

The Good Conduct and Anti Fraud Policy formed part of the MPA standing orders and is currently being revised to reflect the new governance framework.

The MOPAC integrity review is nearing completion and a report and recommendations will be issued shortly. In undertaking the review MOPAC have taken into account the work being undertaken within the MPS to implement organisational learning from recent internal

corruption and complaint investigations and recommendations from high profile reports, including those by Elizabeth Filkin, the HMIC, IPCC, and those anticipated from the Leveson Enquiry.

Reviewing and updating standing orders and supporting documentation, which clearly define how decisions are taken and the processes and controls required to manage risks

The MPA's decision making process was clearly defined in standing orders and supporting financial and contract regulations were reviewed on an annual basis to ensure they continue to be fit for purpose.

These have now been replaced by MOPAC's governance framework, and will continue to be reviewed on an annual basis. MOPAC is currently reviewing the code of corporate governance to ensure it reflects the new governance arrangements. The revised code will be consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy will be made available on our website at <http://www.london.gov.uk/priorities/policing-and-crime/about-mopac> or can be obtained from the Strategic Finance and Resource Management Team, MOPAC, 10 Dean Farrar Street London, SW1H 0NY. This statement explains how MOPAC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Corporate Governance Committee was responsible for risk management activity within the MPA and MPS, ensuring that risk management processes and programmes operated effectively in accordance with the risk management strategy. The joint MOPAC and MPS Audit Panel have now taken on this responsibility, and continue to receive quarterly reports on risk management.

MOPAC has defined its risk management policy and framework this is based on a bottom up top down approach to managing key strategic risks and emerging issues with an emphasis on ensuring effective action is taken at all levels. The MOPAC SMT and Senior Leadership Group are responsible for embedding the approach, which continues to develop.

Undertaking the core functions of an Audit Committee

Under the previous MPA governance arrangements the Corporate Governance Committee provided the core functions of an Audit Committee and in line with CIPFA guidance considered issues relating to internal control, risk management and financial reporting. The Committee also provided a forum to discuss areas of concern raised either by internal or external audit as well as Health and Safety oversight.

The Committee has now been replaced by a joint MOPAC/MPS Audit Panel which is responsible for enhancing public trust and confidence in the governance of the MOPAC and the MPS, and assists MOPAC in discharging statutory responsibilities in holding the MPS to account. The panel is being served by an interim membership appointed by MOPAC and the Metropolitan Police Commissioner whilst arrangements are made to recruit a permanent membership.

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful

The MPA and now MOPAC have a duty to ensure that it acts in accordance with the law and various regulations. Under the MPA this responsibility was fulfilled through standing orders and supporting policies and procedures were produced to ensure officers, within the MPA and MPS understood their responsibilities. These have now been replaced by the MOPAC governance framework.

Compliance with them, was and will continue to be reviewed. The role of Monitoring

Officer formally the responsibility of the MPA's Solicitor is now the responsibility of MOPAC's Chief Executive.

Professionally qualified staff occupy key roles throughout the MPS, MPA and now MOPAC with external advice sought as and when needed.

As part of the MPA arrangements the Directorate of Audit Risk and Assurance (DARA) reported on the effectiveness of the organisation's systems of internal controls making recommendations for improvement. They continue to do so but in accordance with the new statutory arrangements they now make recommendations in relation to the effectiveness of MOPAC's and the MPS's systems separately. This statement reflects their views in relation to MOPAC's system of internal control.

All MOPAC decisions clearly state the legal implications.

Whistleblowing, receiving complaints from the public and handling citizen and other redress

Within the MPA the Corporate Secretariat provided the central point for receiving complaints sent to the MPA and the Professional Standards Cases sub-committee considered complaints made about police officers. With the exception of complaints made against the Commissioner this is now the responsibility of the Metropolitan Police Service.

Complaints made about the MPA and now MOPAC are initially dealt with by the relevant line manager, being referred on to the corporate complaints officer and the Local Government Ombudsman if need be. Complaints made against members were investigated by the Standards Committee. Complaints made by the Mayor as occupant of the MOPAC or DMPC are the responsibility of the GLA's Police and Crime Committee, they have delegated this responsibility to the Monitoring Officer at the GLA, unless it is a conduct matter or serious complaint in which case it will be referred to the IPCC.

As with the MPA, MOPAC has a whistleblowing policy for its own staff and DARA is one of the contact points for reporting wrongdoing within both MOPAC and the MPS.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The MPA's appraisal process ensured that work related and personal development objectives of all staff were properly identified, managed and monitored and continues to do so as part of MOPAC's personal development process with all staff being set objectives on an annual basis, with performance reviewed at a minimum on a 6 monthly basis.

Under the MPA there was a member assessment and development process with members receiving an annual assessment of their individual performance. An appraisal process for the DMPC is currently being developed.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

MOPAC (and formally the MPA) along with the MPS are committed to getting Londoners involved in and giving them a say in how they are policed with a range of different methods being used to engage and involve individuals, groups and communities. London wide this includes policing plan consultation, corporate independent advisory groups and community consultative forums. Borough wide this includes community police engagement groups, community advisory groups and stop and search community monitoring groups. At ward level this includes safer neighbourhood panels in every ward, street briefings and youth

panels and safer schools partnerships. In addition targeted engagement takes place at both a London wide and borough wide level.

In July 2010 a joint MPA/MPS Community Engagement Commitment 2010/2013 was approved at the MPA Full Authority. The Commitment recognised that effective community engagement was fundamental to the policing of London and set out to build on the MPS confidence objectives, plans outlined in the MPA's three year strategy, MET Forward and the MPS Diversity and Equality Strategy. The community engagement requirements across MOPAC and the MPS are now being reviewed in the light of the August 2011 riots, but the key principles highlighted in the MPA/MPS (now MOPAC/MPS) Community Engagement Commitment to which both organisations aim to work remain relevant.

The MPA Community, Equalities and People Committee ensured oversight of community engagement, with the practical implementation of community engagement supported by the work of a broad section of the MOPAC, through monitoring and scrutiny work and by the specialist support of its Engagement and Partnerships Unit. Whilst the Committee no longer exists the work of the Engagement and Partnerships Unit continues.

A lead officer has been assigned within MOPAC to ensure effective oversight of community engagement, both within the MOPAC and the MPS with the practical implementation of community engagement continuing to be supported by the work of a broad section of the MOPAC, through monitoring and review and the specialist support of its Borough Engagement Team. Formal oversight of this area will be managed through MOPAC's performance and oversight framework, which includes the publication of relevant performance data and the review of key issues at MOPAC performance and business planning meetings.

Incorporating good governance arrangements in respect of partnerships

The strengthened governance arrangements for Community Policing Engagement Groups (CPEGs) put in place during the time of the MPA are now embedded and have been refined to enable the MOPAC to ensure the Groups are properly held to account for the funding they receive. The CPEG objectives and funding process for 2012/13 has been approved by the Deputy Mayor for Policing and Crime and achievement of the objectives and service level agreements will be monitored on a quarterly basis.

The MPA was the responsible Authority of each borough's crime and disorder reduction partnership (CDRP), with a link officer assigned to each of the 32 CPEGs. This helped ensure the MPA's views were represented in the general development of their work and in the development of borough based community safety priorities and their incorporation into the work of local strategic partnerships and their Local Area Agreement developments. The link officers also ensured there was two way communications between the CPEGs and the MPA. Link officers also worked with MPA members, supporting them when they were attached to Boroughs as link members. Oversight and guidance of the CDRP work was undertaken by The Community Engagement and Citizen Focus Sub Committee.

Under the Police Reform and Social Responsibility Act MOPAC is now a cooperating body, rather than a responsible authority on community safety partnerships (CSPs). The community safety duty, specifies that MOPAC must "in exercising its functions, have regard to the relevant priorities of each responsible authority", referring to the authorities named in the Crime and Disorder Act 1998 and its amendments (Probation, Health, Local Authority, Police and Fire Service). It further specifies that MOPAC and responsible authorities "must act in co-operation with each other" in exercising functions conferred by the 1998 Act. MOPAC can also require a report from a CSP on a matter of concern and has the power to call in all 32 CSPs where there are concerns of a London-wide nature.

In order to fulfil this duty MOPAC has a cadre of borough link officers to provide the link from borough to MOPAC and vice versa and to help ensure the MOPAC's views are represented in the general development of CSP work and particularly in the development of borough based community safety priorities and their alignment to the Police and Crime Plan priorities. These officers will also work with Overview & Scrutiny committees where appropriate. In addition, MOPAC is developing a partnership health check process to provide opportunities for oversight of CSP delivery.

Review of effectiveness

MOPAC has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:-

- The system of internal audit
- The system of internal control

A group of senior officers within the MOPAC have undertaken a review of effectiveness of the governance framework taking into account the work of DARA. In addition, comments made by the external auditors and other review agencies and inspectorates have informed this review. The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

MPA/MOPAC

The MPA and now MOPAC has overall responsibility for the discharge of all the powers and duties placed on it and has a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework was undertaken by the MPA's Corporate Governance Committee who referred reports to the MPA's Full Authority when it was felt necessary. During 2011/12 Corporate Governance did not refer any reports to Full Authority for consideration. The joint MOPAC/MPS audit panel has now taken on this responsibility and will continue to discuss the majority of governance issues, referring reports to the DMPC or the Mayor as occupant of the MOPAC when it is felt necessary.

The Metropolitan Police Service

The Commissioner has responsibility for conducting a review of the effectiveness of the governance framework within the MPS at least annually. This review is informed by the work of the Director of Resources, Director of Audit Risk and Assurance and managers within the MPS who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2011/12 the officers of MOPAC have placed reliance on this review and the MPS's resulting Annual Governance Statement.

Corporate Governance Committee/Audit Panel

The MPA had delegated responsibility for reviewing and maintaining the effectiveness of the governance framework to the Corporate Governance Committee, with the Committee receiving regular reports on governance issues at its quarterly meetings. In addition to the regular update reports on governance and risk issues, the Committee received a number of reports on specific governance issues in 2011/12. This included a report on raising fraud awareness in the MPA/MPS and the MPS Gifts and Hospitality Report.

The Committee has now been replaced by the MOPAC/MPS Audit Panel and will continue to receive regular reports on governance issues. This will include the review of the Annual Governance Statement for inclusion in the Annual Statement of Accounts and quarterly update reports on progress made in addressing significant governance issues included in it.

The MPA Standards Committee

The MPA Standards Committee was responsible for promoting and maintaining high

standards of conduct by members of the MPA and as part of the review and maintenance of an effective governance framework the Committee monitors key standard indicators on a regular basis. The Standards Committee met once in 2011/12 where in addition to receiving a report on the regular standard indicator reports, the committee also received an update report with regard the Coalition Government's proposals in relation to the Standards Committees. As highlighted above complaints against the Mayor as occupant of the Mayors Office for Policing and Crime or the Deputy Mayor for Policing and Crime is now the responsibility of the GLA monitoring officer.

Directorate of Audit, Risk and Assessment

In maintaining and reviewing the governance framework, the MOPAC Chief Finance Officer places reliance on the work undertaken by DARA and in particular, the Director of Audit, Risk and Assurance's independent opinion on the adequacy and effectiveness of the system of internal control. For 2011/12 the Director of Audit, Risk and Assurance is of the opinion, taking into account all available evidence that the MOPAC and MPS internal control environments are not yet fully effective, and the improvements to the governance framework need to develop further and become fully embedded to secure an effective internal control framework in support of policing priorities and objectives.

External Audit

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the MOPAC's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports. In 2011/12 the annual letter highlighted, amongst other things:

- the need for the MPA and MPS to work closely together on the governance requirements of the Police Reform and Social Responsibility Act,
- the need for the MPA and MPS not to lose focus on scrutiny during a period of significant change
- to keep the financial impact of the summer disturbances under close review

In addition to the above other review/assurance mechanisms such as Her Majesty's Inspectorate of Constabulary who are charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally and the Health and Safety Inspectorate are also relied upon.

Significant Governance Issues

Governance Issue	Action
<p>Increasing public confidence in the governance and oversight of ethical and integrity issues arising from internal and external review/scrutiny of policing activity.</p>	<p>Ensure appropriate action plans are developed to address issues of concern arising from internal and external reviews concerning ethics and integrity, in particular:</p> <ul style="list-style-type: none"> • Elizabeth Filkin's Review • HMIC's 'Without fear or favour' Report • MOPAC Anti-corruption Review • DARA Reports • Lord Leveson's report following the Inquiry. <p>Ensure actions are effectively implemented within agreed timescales.</p> <p>Keep Londoners fully informed of progress and the impact of the change that takes place.</p>

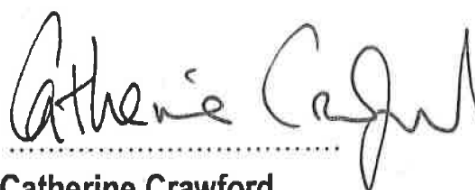
Governance Issue	Action
Developing and embedding the newly established MOPAC governance framework.	<p>Introduce public meetings of the Challenge Board to hold the Commissioner to account in maintaining an efficient and effective police service for the policing of London.</p> <p>Review the decision making framework to ensure it is proving effective and transparent to Londoners.</p> <p>Develop and embed MOPAC risk management framework in support of the Police and Crime Plan.</p> <p>Further develop the effectiveness of MOPAC internal control framework.</p>
MPS internal control framework is not fully effective and this may impact on the achievement of policing priorities and objectives.	<p>Ensure MPS governance framework develops in line with agreed actions identified in the MPS Annual Governance Statement.</p> <p>Identify interdependencies between MOPAC and MPS internal control environment ensuring they are effectively managed.</p>
Demonstrating value for money is achieved in all areas of the business.	Ensure MPS major change programme cost reduction plan is delivered whilst maintaining an efficient and effective policing service to Londoners.

We propose over the coming year to take steps to address the above matters to enhance our governance arrangements further. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed



Stephen Greenhalgh
Deputy Mayor for Policing
and Crime



Catherine Crawford
Chief Executive of the
Mayor's Office for Policing
and Crime

Group Comprehensive Income and Expenditure Statement for the Mayor's Office for Policing and Crime for 2011/12

	Notes	GROUP CIES		
		£000 Net Exp	£000 Gross Exp	£000 Income
Local policing		866,366	1,116,630	(250,264)
Dealing with the public		200,551	203,407	(2,856)
Criminal justice arrangements		266,009	279,012	(13,003)
Road policing		73,859	84,831	(10,972)
Specialist operations		293,031	412,668	(119,637)
Intelligence		164,100	169,222	(5,122)
Specialist investigation		713,491	744,022	(30,531)
Investigative support		100,979	103,668	(2,689)
National policing		116,072	557,408	(441,336)
Corporate and democratic core		14,387	14,387	0
Non distributed cost		7,805	7,805	0
Net cost of policing services before impairment/funding		2,816,650	3,693,060	(876,410)
Impairment not charged to CPM		19,014	19,014	0
Intra-group funding		0	0	0
Net cost of policing services		2,835,664	3,712,074	(876,410)
Other operating expenditure				
Net gains on disposal of fixed assets	15.1	(2,307)		
Riot Damages Act claims	15.2	84,996		
Financing and investment				
Interest payable and similar charges	12	17,548		
Police pensions interest cost	13.1	979,800		
Exceptional item	13.1	286,900		
Interest and investment income	14	(817)		
Investment properties revaluation	18	(8,614)		
Non specific grant income				
S102 GLA Act 1999 Grant	16	(1,585,264)		
Other grants	17	(1,127,736)		
Capital grants		(66,243)		
Funding of Riot Damages Act claims	11	(84,922)		
Deficit on provision of services		1,329,005		
Other income and expenditure				
(Surplus) on revaluation of non current assets		(61,657)		
Actuarial gains or losses on police pension funds	13.1	98,300		
Total comprehensive income and expenditure		1,365,648		

The statement above shows the accounting cost in the year to 31 March 2012 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.

Comprehensive Income and Expenditure Statement for the Mayor's Office for Policing and Crime for 2011/12

	Notes	£000 Net Exp	MOPAC £000 Gross Exp	£000 Income	CPM £000 Net Exp
Local policing		(250,264)	0	(250,264)	1,116,630
Dealing with the public		(2,856)	0	(2,856)	203,407
Criminal justice arrangements		(13,003)	0	(13,003)	279,012
Road policing		(10,972)	0	(10,972)	84,831
Specialist operations		(119,637)	0	(119,637)	412,668
Intelligence		(5,122)	0	(5,122)	169,222
Specialist investigation		(30,531)	0	(30,531)	744,022
Investigative support		(2,689)	0	(2,689)	103,668
National policing		(441,336)	0	(441,336)	557,408
Corporate and democratic core		12,297	12,297	0	2,090
Non distributed cost		0	0	0	7,805
Net cost of policing services before impairment/funding		(864,113)	12,297	(876,410)	3,680,763
Impairment not charged to CPM		19,014	19,014	0	0
Intra-group funding		3,680,763	3,680,763	0	(3,680,763)
Net cost of policing services		2,835,664	3,712,074	(876,410)	0
Other operating expenditure					
Net gains on disposal of fixed assets	15.1	(2,307)			
Riot Damages Act claims	15.2	84,996			
Financing and investment					
Interest payable and similar charges	12	17,548			
Police pensions interest cost	13.1	979,800			
Exceptional item	13.1	286,900			
Interest and investment income	14	(817)			
Investment properties revaluation	18	(8,614)			
Non specific grant income					
S102 GLA Act 1999 Grant	16	(1,585,264)			
Other grants	17	(1,127,736)			
Capital grants		(66,243)			
Funding of Riot Damages Act claims	11	(84,922)			
Deficit on provision of services		1,329,005			
Other income and expenditure					
(Surplus) on revaluation of non current assets		(61,657)			
Actuarial gains or losses on police pension funds	13.1	98,300			
Total comprehensive income and expenditure		1,365,648			

The statement above shows the accounting cost in the year to 31 March 2012 of providing services in accordance with generally accepted accounting practices for the MOPAC, in addition to the amount of funding by way of grant income. Resources of MOPAC consumed at the request of the CPM during 2011/12 are shown for comparative purposes. The consolidated accounting cost and funding for the MOPAC Group to 31 March 2012 is shown on the page before.

Movement in Reserves Statement for the Mayor's Office for Policing and Crime (MOPAC) and the MOPAC Group

Year ended 31 March 2012	General Fund Balance £000	Earmarked revenue reserves £000	Capital Receipts Reserve £000	Other usable capital reserves £000	Total usable reserves £000	Unusable reserves £000	Police pension funds £000	Total group reserves £000
At 1 April 2011	(47,483)	(222,131)	(5,903)	(19,439)	(294,956)	(1,188,597)	17,543,500	16,059,947
Deficit on provision of services	1,329,005	0	0	0	1,329,005	0	0	1,329,005
Other comprehensive expenditure and income	0	0	0	0	0	(61,657)	98,300	36,643
Total comprehensive expenditure and income	1,329,005	0	0	0	1,329,005	(61,657)	98,300	1,365,648
Adjustments between accounting basis & funding basis under regulations (note 33)	(1,312,005)	0	830	3,212	(1,307,963)	43,663	1,263,900	(400)
Net (increase) / decrease before transfers to earmarked reserves	17,000	0	830	3,212	21,042	(17,994)	1,362,200	1,365,248
Transfers to / from earmarked reserves (note 32.3)	(4,000)	4,000	0	0	0	0	0	0
(Increase) / decrease in year	13,000	4,000	830	3,212	21,042	(17,994)	1,362,200	1,365,248
Balance at 31 March 2012	(34,483)	(218,131)	(5,073)	(16,227)	(273,914)	(1,206,591)	18,905,700	17,425,195

This statement shows the movement in the year to 31 March 2012 on the different reserves held by the Group/MOPAC, analysed into usable reserves and unusable reserves. As there is no distinction between the Group and the MOPAC movements there is no separate statement for the MOPAC. The deficit on the Provision of Services' line shows the true economic cost of providing the Group/MOPAC's services, more details of which are shown in CIES. The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Group/MOPAC.

Balance Sheet for the Mayor's Office for Policing and Crime (MOPAC) and the MOPAC Group

		31 March 2012
		£000
	Notes	
Long term assets		
Property, plant and equipment	18	1,777,840
Heritage assets	18	1,308
Investment properties	18	57,092
Intangible assets	18	8,454
Assets under construction	18	116,590
Total fixed assets		1,961,284
Long term debtors	19	17,090
Total long term assets		1,978,374
Current assets		
Assets held for sale	20	44,317
Inventories	21	11,847
Short term debtors	22	325,265
Short term investments	23	215
Cash & cash equivalents	24	38,094
Total current assets		419,738
Current liabilities		
Short term creditors	25	(302,067)
Short term borrowing	26	(72,734)
Provisions	28.1	(125,758)
Total current liabilities		(500,559)
Long term liabilities		
Provisions	28.2	(73,951)
Long term borrowing	29	(234,292)
Capital grants receipts in advance	30	(8,625)
Long term contractor liability	31	(100,180)
Police officer pension liability	32.1	(18,905,700)
Total long term liabilities		(19,322,748)
Net assets		(17,425,195)
Financed by:		
Unusable reserves	32.1	(17,699,109)
Usable reserves	32.2-3	273,914
Total reserves		(17,425,195)

The Balance Sheet shows the value as at 31 March 2012 of the assets and liabilities recognised by the Group and MOPAC. As there is no distinction between the Group and the MOPAC movements there is no separate statement for the MOPAC. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group/MOPAC.

Cash Flow Statement for the Mayor's Office for Policing and Crime (MOPAC) and the MOPAC Group

	Notes	Year ending 31 March 2012 £000
Net (surplus) or deficit on the provision of services		1,329,005
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	34.1	(1,414,806)
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	34.2	100,753
Net cash flows from operating activities		14,952
Investing activities	34.3	88,802
Financing activities	34.4	(73,251)
Net decrease in cash and cash equivalents		30,503
Cash and cash equivalents at the beginning of the period		68,597
Cash and cash equivalents at the end of the period		38,094

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and the MOPAC during the reporting period. As there is no distinction between the Group and the MOPAC movements there is no separate statement for the MOPAC. 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 (i.e. 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 2011/12 as presented in the preceding pages 1 to 5.

1. Statement of accounting policies

1.1 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 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2003 and the Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP). 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 'corporation sole' bodies, the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). Both bodies are required to prepare separate Statement of Accounts.

The Financial Statements included here represent the accounts for the MOPAC and also those for the MOPAC Group. The financial Statements cover the 12 months to the 31 March 2012. The term 'Group' is used to indicate individual transactions and policies of MOPAC and CPM for the year ended 31 March 2012. The identification of the MOPAC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of the MOPAC under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies adopted are set out below.

1.2 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 paid for by the MOPAC including the wages of police staff and officers, the actual recognition in the respective MOPAC and CPM Accounts is based on economic benefit.

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.

1.3 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.

1.4 Provisions

Provisions are made where an event has taken place that gives the Group an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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.

Short term compensated absences - these are periods during which an employee does not provide services to the employer, but employee benefits continue to be earned (such as periods of annual leave and rest days). Short term accumulated absences are recognised in the 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 staff are entitled to carry forward leave into the following year.

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, insofar 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 IAS39 Financial Instruments because the claims involved are deemed to be estimates based on present day values.

Riot Damages Act claims - to make provision for the further claims amounts expected to be reimbursed to third parties who submitted claims, which have been assessed by Legal Services as meeting the criteria in respect of damage arising from the riots in August 2011.

1.5 Reserves

The Group maintains reserves that are either earmarked for specific purposes or held for accounting adjustments. Earmarked reserves will be established from time to time to meet specific expected revenue or capital costs as determined by 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 Services. The reserve is then appropriated back in the Movement in Reserves Statement so that there is no net charge for the expenditure.

The Code requires the maintenance of a Revaluation Reserve, Police Officer Pension Reserve, a Capital Adjustment Account and an Accumulated Absences Account within the Balance Sheet. These accounts do not form part of the cash resources available to the Group.

1.6 Government 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. Revenue Support Grant) are credited to the CIES within the provision of services.

1.7 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 the Group to account for short-term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. The accrual for untaken leave is charged to the Provision of Services, and reversed out through the Movement in Reserves Statement so that the leave is charged to CIES in the financial year in which the holiday absence is taken.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Group 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

Post employment benefits

The Group operates two pension schemes for police officers and a single scheme for police staff.

Police officers

The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The 2006 Police Pension Scheme (NPPS), which started on 1 April 2006, is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pensions Act 1976 (as amended by the Police Pensions Regulations 2007). Officers make contributions of 11% of pensionable pay. The employees' contribution is set nationally by the Home Office and is subject to triennial revaluation. A Pension Fund was set up on 1 April 2006 to administer both schemes.

The NPPS and PPS are defined benefit schemes paid from revenue (without managed pension assets). Accrued net pension liabilities have been assessed on an actuarial basis in accordance with IAS 19 Employee Benefits, the net liability and a pensions reserve for both Pension Schemes has been recognised on the Balance Sheet, as have entries in the CIES for movements in the asset/liability relating to the defined benefit scheme. Transfers into and out of the Scheme

representing joining and leaving police officers, are recorded on a cash basis in the Pension Fund, because of the length of time taken to finalise the sums involved.

Following the Code's requirements, IAS 19 has been fully recognised in the Group and MOPAC Accounts. Scheme liabilities as shown on the 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 yield on an index of long-dated AA-rated corporate bonds as at 31 March 2012. The pension liabilities in these Accounts have been calculated accordingly at a discount rate of 4.8%.

Police staff

The Group joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme but police staff may opt for a defined contribution alternative. The PCSPS is a multi-employer scheme 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.

1.8 Intangible assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Group (e.g. software licences) are capitalised where it will bring benefits to the Group for more than one financial year. The balance is amortised to the CIES over the economic life of the investment to reflect the pattern of consumption of benefits. 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.

1.9 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 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 - depreciated replacement cost
- Non-specialised operational properties - market value
- Dwellings, investment properties and surplus assets - market value
- Vehicles, plant and equipment - lower of net current replacement cost or net realisable value in existing use.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value and as a minimum revaluations are carried out every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, however increases in investment properties are taken to the CIES.

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 Comprehensive Income and Expenditure Statement. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, 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, sale proceeds over £10,000 are transferred to the Usable Capital Receipts Reserve and the gain or loss on disposal is shown in the CIES.

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		
	Category	Years
Land and buildings	Land	Not depreciated.
	Buildings - operational	10 - 50 years
	- residential	50 years.
Vehicles, plant and equipment	Information Technology and communications equipment	3 - 7 years
	Software development	3 - 5 years
	Policing support vehicles including Patrol vehicles	3 - 15 years
	Air Support Unit - helicopters	10 years
Intangible assets	Software licences.	3 years
Non operational assets	Assets under construction	Not depreciated until operational.
	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 continue to be transferred to the Capital Grants Unapplied Reserve.

1.10 Charges to revenue for property, plant and equipment

The Group CIES is charged with the following amounts, to record the real cost of holding fixed 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.

1.11 Heritage assets

Heritage assets are recognised where information is available on the cost or value of the asset and/or the cost of obtaining the information is not disproportionate. Heritage assets are normally measured on a valuation basis in accordance with FRS30. Valuations may be made by internal or external valuers, and will be carried out every 10 years due to the low level of materiality of these assets. The assets will, however, be monitored on a regular basis to ensure the valuations remain current.

MOPAC Heritage Assets are considered to have indefinite lives hence are not depreciated. Where evidence of impairment exists in relation to physical deterioration, breakage, or doubts as to the authenticity of an asset, the carrying amount of the asset will be reviewed, and any impairment recognised will be dealt with in line with the Code. Any acquisitions or disposals of existing heritage assets are updated on the Fixed Asset Register. Donated heritage assets shall be accounted for in line with the Code requirements for donated assets. If no valuation is available, disclosures will be made in respect of these assets.

1.12 Non-current assets held for sale

These assets are principally properties which are no longer in operational use and that are actively being marketed for sale. The asset value on the Balance Sheet is shown at the lower of its carrying amount or fair value less cost to sell.

1.13 Investment properties

These are properties held solely for the purpose of generating rental income or for capital appreciation and are occupied by third parties. Investment properties are not depreciated however they are subject to revaluations in line with the Group's revaluation policy although any revaluation gains or losses are taken to the CIES.

1.14 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. 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.

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

1.15 Value Added Tax (VAT)

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

1.16 Financial liabilities

Financial liabilities 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.

1.17 Financial assets

Financial assets held by the Group 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 carried at their amortised cost. Interest and other income received is based on the capital value of the investment multiplied by the rate of interest. For most of the loans that the Group 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 the Group are short-term investments consisting of fixed term deposits.

1.18 Contingent assets and liabilities

The Group recognises material contingent assets and liabilities, which arise from past events, whose existence can only be confirmed by the occurrence of one or more uncertain future events, which are not wholly within the Group's control.

1.19 Inventories

Inventories are shown in the Balance Sheet at the lower of cost or net realisable value of the separate groups of inventories.

1.20 Private Finance Initiative

The Group has entered into 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 the Group 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 the Group 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.

1.21 Cash and cash equivalents

Cash is cash in hand and deposits with the Group'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.

1.22 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.

1.23 Overhead costs

In line with Service Reporting Code of Practice (SeRCOP) and Police Objective Analysis, the costs of support services are fully allocated to the Group's services. Support service costs identified as Corporate and Democratic Core costs and Non Distributed Costs are not charged to services but are shown separately in the CIES (Note 6).

1.24 Carbon reduction commitment

The Group is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the introductory phase which will last until 31 March 2014. The Group is required to purchase and surrender allowances, currently retrospectively on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted a liability and an expense are recognised. The liability will be discharged by surrendering allowances.

The liability is measured at best estimate of the expenditure required to meet the obligation normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Group is recognised and reported in the costs of the Group's services.

1.25 Bad debt

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

The Code for 2012/13 has introduced a disclosure requirement on the transfer of financial assets that are not derecognised and where there is any continuing involvement in the transferred asset at the reporting date. This is in respect of the amendments to IFRS 7 Financial Instruments. The Group is not aware of any such transactions.

3. 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:

- Establishing the valuations of operational and residential properties (see Notes 18 and 18.1 for details of amounts and valuation process involved). Depreciation is a calculation, by the system, based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. 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. Additional estimates are used where insufficient data is gathered for each grade of police staff;
- The provision for compensation payments in Note 28 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;
- Following the publication of CIPFA guidance (LAAP 82), an estimate is made in the Statement of Accounts in regards to a deposit made with an Icelandic Bank which is in administration. A decision has been made by the Icelandic courts which enable the administrators to determine the amount to be repaid to the Group. However as the realisation of the underlying assets of the Icelandic Bank will take some time, it is not known when the Group will receive final settlement of the debt;
- The costs of a pension arrangement require estimates regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the Group as advised by their actuaries. The financial assumptions 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 judgment has been made of the expenditure allocated between the MOPAC and the CPM to reflect the financial resources of the MOPAC consumed at the request of the CPM. The basis adopted for this allocation was determined by the Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. 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 and Home Office guidance. More details included in Note 5;
- There may be additional costs in relation to the Riot (Damages) Act 1886 arising from the riots in London in August 2011. Under the Act the Group is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City). Although the Home Office has agreed to reimburse the Group with the cost of claims from persons who were uninsured, and other government assistance may be agreed in respect of claims from insurers, the Group has recently been notified that Mitsui Sumitomo Insurance Co (Europe) Ltd and Tokio Marine Europe Insurance Ltd, who are insurers of Sony Corporation, and Cresta's insurers RSA have just commenced proceedings against MOPAC for damages under the Riot Damages Act 1886. The claims are in excess of £65m and

therefore significant, and includes £16.4m which relates to consequential losses. Based on legal advice it is MOPAC's view that consequential losses are not covered under the Act. In addition three further claims totalling approximately £6m have been brought by businesses who stored DVDs and similar items at the Sony Warehouse. These lawsuits are testing the limits of the Riot Damages Act as to what extent the Group is liable to recompense organisations and individuals financially affected by the riots. The estimated costs for these cases has not been included in our accounts, as our expectation is that we will be successful in defending these cases. In the event that the claims were upheld by the Court we are still operating on the assurances given by HM Government that all legitimate claims will be 100% grant funded.

4. 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. The Code for 2011/12 has introduced a disclosure requirement for assumptions made about the future and other major sources of estimation uncertainty for which there is a significant risk of 'material' adjustment. At the date of publication of the Accounts there is only one assumption about the future for which there is a significant risk of 'material' adjustment. This 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 13 for more details of the impact of discount rate changes.

5. The creation of the new Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM).

5.1 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 'corporation sole' bodies, the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). It is the Government's intention that the reforms under the Act will be phased over a period of several years. These financial statements for 2011/12 will be the first to show the financial positions of the MOPAC and MOPAC Group following the cessation of the MPA on 16 January 2012.

5.2 Basis of transition

The transition has been accounted for in line with the CIPFA Code of Practice for Local Authority Accounting 2011/12 which advises that re-organisations of this nature are business combinations under common control and outside the scope of IFRS 3 *Business Combinations* and need to be accounted for using the principles that apply to group reorganisations. Following this approach the results have been brought into the financial statements of the new body, MOPAC, from the beginning of the year that the transfer occurred. In effect the allocation of costs to the MOPAC is accounted for as taking place on 1 April 2011 and the financial statements for the MOPAC and MOPAC Group covers the entire 12 months to 31 March 2012. Furthermore in accordance with CIPFA Code requirements for business combinations no comparative figures have been provided in these accounts. Financial transactions for the prior year can be seen in the 2010/11 accounts for the MPA (which may be accessed from the MOPAC website). A note is included on page 64 which

summarises the assets and liabilities transferred from the MPA to MOPAC which is deemed to be the successor body.

5.3 Accounting principles

The accounting recognition of assets, liabilities and reserves during the first period of transition, reflects the powers and responsibilities of the 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 2012. This accounting treatment is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 16 January 2012 the assets, liabilities and reserves of the MPA were transferred directly to the MOPAC and during this first phase of transition they remain under the MOPAC control. Statutory and local arrangements determine that the 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 the MOPAC. The 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.

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 the MOPAC operates in conjunction with the ISAB guidance, it has been deemed that 'all' the assets, liabilities and reserves are recognised on the MOPAC Balance Sheet and consequently there is a single Balance Sheet at 31 March 2012 and single Movement in Reserves Statement and Cash Flow Statement for the year representing both the MOPAC and the MOPAC-Group during this first phase of transition.

Accounting treatment

The table below shows the movement through an intra-group account within the respective Balance Sheets during 2011/12. The reader can see that there were no outstanding intra-group balances at year end, as the MOPAC paid for all the financial resources consumed at the request of the CPM and an intra-group adjustment was made to offset the CPM consumption of resources. Corresponding accounting entries in the MOPAC CIES and CPM CIES/Operating Cost Statement can be seen in the financial statement on page 2.

Accounting entries reflected in the respective balance sheets in year and at year end.

<i>Intra-group balances 2011/12</i>	<i>MOPAC £million</i>	<i>CPM £million</i>	<i>Group £million</i>
<i>Opening balance as at 1 April 2011</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>MOPAC Resources consumed at the request of the CPM</i>	<i>(3,681)</i>	<i>3,681</i>	<i>0</i>
<i>MOPAC intra-group adjustment</i>	<i>3,681</i>	<i>(3,681)</i>	<i>0</i>
<i>Closing balance as at the 31 March 2012</i>	<i>0</i>	<i>0</i>	<i>0</i>

The 2011/12 Comprehensive Income and Expenditure Statements (CIES) for the MOPAC and the Group are also identical at 'summary level'. This is because the 'net cost of policing' sub-total within 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. The decision to account for this expenditure within the MOPAC 'net cost of policing services' is in accordance with the SeRCOP definition of total cost of services. In contrast in the CPM Operating Cost Statement (OCS), the net cost of policing is nil for 2011/12 as the 'resources consumed at the request of the CPM' are completely offset by the intra-group adjustment.

6. Analysis of expenditure for the MOPAC and the MOPAC Group

6.1 Service expenditure analysis

The statement (below) shows the cost in year of providing services for the Group as shown on the Group CIES. The costs have also been split between the Commissioner of Police of the Metropolis (CPM) and the 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 the MOPAC and supporting the Mayor, Deputy Mayor and Police and Crime Committee as well as working directly with local communities and the public. All grants and income are paid directly to the MOPAC. Further details in respect of the resources consumed at the request of the Commissioner can be found in the CPM's Statement of Accounts. The costs are also categorised between the various policing activities as per the Service Reporting Code of Practice (SeRCOP).

For 2011/12 police forces have used nine SeRCOP divisions of service under which expenditure/resources should be analysed, as part of the Net Cost of Service. These figures include an overhead allocation on a consistent basis with other headings in the statement. The divisions of service (and the activities which fall within these headings) are listed below

The SeRCOP divisions of service

Local policing

- Neighbourhood policing
- Incident (response) management
- Local investigation
- Community liaison
- Local command team and support overheads

Dealing with the public

- Local call centres/front desk
- Central communications unit
- Contact management units

Road policing

- Traffic units
- Traffic wardens/police community support officer traffic
- Vehicle recovery
- Casualty reduction partnership

Specialist operations

- Central operations command team and support overheads
- Air operations
- Mounted police
- Underwater/search/marine support
- Dogs section
- Level 1 advanced public order
- Airport and ports policing unit
- Firearms unit

Intelligence

- Central intelligence command team and support overheads
- Intelligence/threat assessments
- Covert policing

Criminal justice arrangements

- Custody/prisoner handling
- Criminal justice arrangements
- Police National Computer (PNC)
- Civil disclosure/Criminal Records Bureau (CRB)
- Coroner assistance
- Fixed penalty scheme (central ticket office)
- Property officer/stores
- Civil contingencies

Specialist investigation

- Crime support command team and support overheads
- Major investigation unit
- Economic crime (including regional asset recovery team)
- Specialist investigation
- Serious and organised crime unit
- Public protection

Investigative support

- Scenes of crime officers
- External forensic costs
- Fingerprint/DNA bureau
- Photographic image recovery
- Other forensic services

National policing (See below)

- Secondments (out of force)
- Counter-terrorism/Special Branch
- ACPO projects/initiatives
- Hosting national services
- Other national policing requirements

In addition there are two separate headings defined in SeRCOP (defined in 6.3 and 6.4). These costs are provided for centrally and do not affect the nature and scale of the activities listed above and are therefore accounted for separately in the CIES as part of the Net Cost of Services.

- Corporate and democratic core
- Non-distributed costs

6.2 National policing and international and capital city functions

The Group performs a range of national and international/capital city functions. The relevant grant from central government for both activities amounted to £543 million. The CIPFA SeRCOP provides a separate category in the Service Expenditure Analysis (above) for national policing to assist comparisons between forces. The definition of national policing differs from that traditionally used by the Group for grant purposes. The SeRCOP figures include IFRS accounting adjustments for instance for impairment, depreciation and pension liabilities and incorporates some expenditure and income which is otherwise netted off for grant purposes. The SeRCOP figures also exclude some costs and grant income in relation to international and capital city functions such as:

- Support of policing activities that cross national and international borders;
- Activities undertaken outside the Metropolitan Police District;
- Support to other national government agencies;
- Responding to London being the national focus for celebration, demonstration, national history, tourism and culture, entertainment and financial activities.

6.3 Corporate and democratic core

These costs include democratic representation, governance and management by the Mayor and Deputy Mayor including costs associated with officer time spent on advising the Mayor and Deputy Mayor. Corporate Management costs concerns those activities and costs that provide the infrastructure that allows services to be provided and the information that is required for public accountability, for example treasury management and external audit.

6.4 Non-distributed costs

The cost of discretionary benefits awarded to employees retiring early, carbon reduction commitment costs and specific impairment losses relating to assets under construction and surplus assets held for disposal. These costs also include any revenue expenditure involved in holding surplus assets.

6.5 Net subjective expenditure for the MOPAC and MOPAC Group

In the table below the operating income and expenditure for the MOPAC and MOPAC Group for the year ended 31 March 2012, 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. It differs from the analysis of income and expenditure on the face of the CIES as specified by the Service Reporting Code of Practice (SeRCOP), which is by policing activity.

	MOPAC 2011/12 £000	CPM 2011/12 £000	Group 2011/12 £000
Expenditure			
Employee costs			
Police officer salaries	0	1,722,174	1,722,174
Police staff wages and salaries	4,531	651,771	656,302
Employee related expenditure	65	6,997	7,062
Net police officer pensions	0	317,968	317,968
Net police staff pensions	1,495	157,979	159,474
Premises-related	957	209,835	210,792
Transport-related	30	68,492	68,522
Supplies and services	5,050	377,649	382,699
Capital charges	19,183	167,898	187,081
Total gross expenditure	31,311	3,680,763	3,712,074
Income			
Fees and charges	(171,389)	0	(171,389)
Other income	(125,884)	0	(125,884)
Specific grants	(579,137)	0	(579,137)
Total income	(876,410)	0	(876,410)
Intra group adjustment *	3,680,763	(3,680,763)	0
Net cost of policing services	2,835,664	0	2,835,664

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

The subjective analysis statement in the table above has been split between the Commissioner of Police of the Metropolis (CPM) and the MOPAC to separately identify the financial resources of the MOPAC consumed at the request of the CPM for the year ended 31 March 2012, from those costs exclusively incurred by the Mayor's office.

7. Segmental reporting

Decisions about resource allocation within the Group are made using internal management reports which show net expenditure on a segmental basis. The segmental analysis is prepared using internal management reporting methodologies which in some cases are different from the accounting policies in the financial statements. In particular, interest, capital charges and movements on reserves are not included in the management reports. The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year. The following table shows the income and expenditure of the Group's principal business groups as recorded in Group budget monitoring reports for year 2011/12. A second table (see Note 7.2) shows a reconciliation between the management accounts and the Statement of Accounts.

7.1 Segmental note for group financial statements - Year ended 31 March 2012

	CPM										MOPAC	GROUP
	Territorial Policing	Specialist Crime	Specialist Operations	Central Operations	Olympics Security Directorate	Deputy Commissioner's Portfolio	Directorate of Public Affairs	Directorate of Information	Resources Directorate	Centrally Held Budgets		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other income	(122,191)	(35,782)	(72,084)	(14,342)	(8)	(86,479)	(58)	(1,775)	(60,689)	(1,348)	(255)	(395,011)
Specific grants	(117,040)	(14,307)	(260,956)	(26,760)	(37,044)	(2,019)	(501)	(7,618)	(14,087)	(86,659)	0	(566,991)
Total Income	(239,231)	(50,089)	(333,040)	(41,102)	(37,052)	(88,498)	(559)	(9,393)	(74,776)	(88,007)	(255)	(962,002)
Employee costs	1,528,653	390,087	303,285	218,041	31,312	78,960	3,826	41,805	167,589	79,719	7,831	2,851,108
Premises-related	2,739	381	3,980	1,832	493	76	15	3,288	203,219	0	957	216,980
Transport-related	3,147	2,935	14,498	5,904	987	288	11	235	37,423	647	32	66,107
Supplies and services	28,605	62,186	17,421	9,999	4,260	108,318	2,744	169,164	72,857	1,359	3,860	480,773
Capital charges	0	0	0	0	0	0	0	0	46,734	0	0	46,734
Discretionary pension costs	0	0	0	0	0	0	0	0	30,300	0	0	30,300
Total operating expenses	1,563,144	455,589	339,184	235,776	37,052	187,642	6,596	214,492	558,122	81,725	12,680	3,692,002
Cost of service	1,323,913	405,500	6,144	194,674	0	99,144	6,037	205,099	483,346	(6,282)	12,425	2,730,000

7.2 Reconciliation of cost of service per the segmental analysis to the cost of service for the year ended 31 March 2012 in the Statement of Accounts

The reconciliation below shows how the figures in the above segmental income and expenditure schedules relate to the amounts included in the CIES.

	2011/12
	£000
Cost of service per management accounts	2,730,000
Accounting adjustments:	
• Net interest paid	(16,731)
• Capital adjustments	136,549
• Pension adjustments	(2,909)
• Unused holiday/rest day costs	(11,279)
• Other	34
Cost of service per Statement of Accounts	2,835,664

RDA income and expenditure is included in the cost of service in the Management Accounts but is excluded from the cost of service in the CIES.

8. Police officers and police staff remuneration

8.1 Police and police staff numbers

Actual full-time equivalent police officers and police staff numbers for the Group are categorised as follows:

Police officers and staff (numbers)	2011/12
Police officers	32,159
Police staff	13,634
Police Community Support Officers	2,801

The Group faces significant financial challenge and must find considerable savings by 2014/15. To help achieve savings a significant reduction in staff posts is required and an early departure scheme is currently being operated to facilitate this. During the year, 1166 staff (in addition to senior staff in Tables 8.4) were offered and/or accepted early voluntary departure terms at a cost of £45 million including the cost of payments in lieu of notice and annual leave payments.

A schedule of exit packages is shown below which have been accepted by the Group following receipt of expressions of interest:-

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 £
£0 - £20,000	6	209	215	3,123,425
£20,001 - £40,000	-	558	558	17,267,658
£40,001 - £60,000	-	259	259	12,675,360
£60,001 - £80,000	-	70	70	4,646,181
£80,001 - £100,000	-	28	28	2,493,116
£100,001 - £150,000	-	24	24	2,757,758
£150,001 - £250,000	-	12	12	2,050,566
	6	1,160	1,166	45,014,064

The numbers in the table above exclude senior staff as defined below in Note 8.3. In these particular cases, compensation for loss of office is shown in Sections 8.4 and 8.6.

The Group uses a number of volunteers for its policing activities who are called Metropolitan Special Constables (MSC). They are expected to spend a minimum of 200 hours a year fulfilling the duties of police officers in line with their training and part time involvement. The role of the MSC is to provide additional uniformed support to Boroughs and other Command Units in their work to implement the Commissioner's priorities, values, mission and behaviours. This will normally be through their work within a Safer Transport, Safer Neighborhoods, Safer Schools or Safer Town Centre Team. The number of these volunteers in the Group for 2011/12 is 5,752. This includes a number of MSCs who are also police staff and were willing to volunteer their time in the service of the force and these numbered 586 in 2011/12. In addition there is a Metropolitan Volunteer Programme (MVP) which provides volunteers to support the Commissioner in making London safe. It was established in 2001 with the aim of increasing contact between local communities and the police, building upon Safer Neighborhoods to improve the service to the public. The number of MVP volunteers at the 31st March 2012 for the Group is 1,543. Similarly there is a Metropolitan Police Volunteer Police Cadets (VPC) which is open to young people aged 14 to 19 years. Cadets are drawn from all parts of society including referrals from Child Protection and Youth Offending Teams. There are approximately 2,409 Volunteer Cadets. Currently there are 46 VPC Units. All boroughs have at

least one unit. The cadets often perform duties in support of local policing plan objectives. This is particularly so in relation to Safer Neighbourhood initiatives.

8.2 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 £	2011/12
50,000 - 54,999	5,810
55,000 - 59,999	2,788
60,000 - 64,999	2,036
65,000 - 69,999	689
70,000 - 74,999	288
75,000 - 79,999	188
80,000 - 84,999	138
85,000 - 89,999	91
90,000 - 94,999	53
95,000 - 99,999	18
100,000 - 104,999	6
105,000 - 109,999	8
110,000 - 114,999	11
115,000 - 119,999	7
120,000 - 124,999	2
125,000 - 129,999	2
130,000 - 134,999	1
135,000 - 139,999	0
140,000 - 144,999	2
145,000 - 149,999	4
150,000 - 259,000	0
260,000 - 264,999	1

The banding scale is based on all 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 8.3. In these particular cases, a more detailed analysis of remuneration for 2011/12 is shown on the following pages.

8.3 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 year 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 the Group.

8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2012

Post holder information (post title)	Name	Notes	Salary (including fees & allowances)	Bonuses relates to previous year 2011/12	Compensation for loss of office	Benefits in kind	Total remuneration excluding pension contributions 2011/12	Pension contributions	Total remuneration including pension contributions 2011/12
			£	£	£	£	£	£	£
Commissioner	P Stephenson	1	98,363	0	176,838	62	275,263	0	275,263
Commissioner	B Hogan-Howe	2	176,932	0	0	1,130	178,062	41,655	219,717
Deputy Commissioner	T Godwin	3	205,333	0	0	2,250	207,583	29,603	237,186
Deputy Commissioner	C Mackey	4	43,459	0	0	0	43,459	10,047	53,506
Assistant Commissioner	C Allison		192,741	0	0	1,007	193,748	44,463	238,211
Assistant Commissioner	C Dick	5	199,014	0	0	(1,731)	197,283	45,981	243,264
Assistant Commissioner	M Rowley	6	62,810	0	0	277	63,087	14,403	77,490
Assistant Commissioner	J Yates	7	120,493	0	86,382	2,526	209,401	27,843	237,244
Assistant Commissioner	L Owens	8	160,617	0	0	4,139	164,756	26,136	190,892
Assistant Commissioner	I McPherson	9	131,771	0	25,603	3,987	161,361	27,572	188,933
Assistant Commissioner	S Byrne	10	62,810	0	0	914	63,724	14,403	78,127
Deputy Assistant Commissioner	J Kaye	11	43,402	0	0	1,265	44,667	8,554	53,221
Deputy Assistant Commissioner	S Akers		151,554	0	0	1,856	153,410	22,812	176,222
Deputy Assistant Commissioner	S Osborne		168,477	0	0	2,724	171,201	30,447	201,648
Director of Resources	A McMeel		175,493	0	0	1,265	176,758	31,493	208,251
Director of Information	A Beaton		193,756	0	0	2,063	195,819	31,493	227,312
Director of Human Resources	M Tiplady	12	15,919	0	259,462	603	275,984	2,624	278,608
Chief Medical Officer	E Cahill-Canning		167,137	0	0	3,630	170,767	40,614	211,381

8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2012

Notes

Note 1: P Stephenson resigned on 26/7/11 with an annualised salary of £260,088. A driver for the Commissioner's vehicle(s) is provided for security purposes and excluded from benefits in kind in the table above. One off amounts payable for loss of office are shown in the table above.

Note 2 : B Hogan-Howe joined on 25/7/11 as acting Deputy Commissioner and was appointed as Commissioner on 26/9/11 with an annualised salary of £260,088

Note 3 : T Godwin was Acting Commissioner from 15/12/10 to 15/5/11 and again from 27/7/11 to 25/9/11 with an annualised salary of £260,088. His annualised Deputy Commissioners salary is £214,722.

Note 4 : C Mackey joined on 23/1/12 as Deputy Commissioner with an annualised salary of £214,722

Note 5 : C Dick was acting Deputy Commissioner from 15/11/11 to 8/1/12 with an annualised salary as deputy of £214,722.

Note 6 : M Rowley joined on 5/12/11 as Assistant Commissioner with an annualised salary of £181,455

Note 7 : J Yates resigned on 7/11/11 with an annualised salary of £181,455. One off amounts payable for loss of office are shown in the table above.

Note 8 : L Owens resigned on 31/1/12 with an annualised salary of £181,455.

Note 9 : I. McPherson resigned on 13/11/11 with an annualised salary of £181,455. One off amounts payable for loss of office are shown in the table above.

Note 10 : S Byrne joined on 5/12/11 as Assistant Commissioner with an annualised salary of £181,455

Note 11 : J Kaye resigned on 30/6/11 as Deputy Assistant Commissioner with an annualised salary of £139,119

Note 12 : M Tiplady resigned 30/4/11 with an annualised salary of £189,091. One off amounts payable for loss of office are shown in the table above.

Additional information

Benefits in kind may include health care benefits 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). Medical care may include screening which is paid bi-annually from the date of joining the scheme. The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and two Assistant Commissioners required in the effective execution of their duties.

During 2011/12 no bonus payments were accepted by senior police officers and senior police staff in the above table.

8.5 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2011

Post Holder Information (Post Title)	Name	Notes	Salary (including fees & allowances) £	Bonuses relates to previous year 2009/10 £	Compensation for loss of office £	Benefits in kind £	Total remuneration excluding pension contributions 2010/11 £	Pension contributions £	Total remuneration including pension contributions 2010/11 £
Commissioner	P Stephenson	1	276,588	0	0	14,840	291,428	15,478	306,906
Deputy Commissioner	T Godwin	2	243,503	0	0	10,875	254,378	55,227	309,605
Assistant Commissioner	C Allison		190,846	0	0	6,212	197,058	44,004	241,062
Assistant Commissioner	C Dick		190,846	0	0	3,025	193,871	44,004	237,875
Assistant Commissioner	J Yates	3	200,713	0	0	5,295	206,008	46,392	252,400
Assistant Commissioner	L Owens	4	160,097	0	0	1,380	161,477	29,911	191,388
Assistant Commissioner	I McPherson	5	192,917	0	0	2,883	195,800	44,004	239,804
Deputy Assistant Commissioner	J Kaye	6	150,806	0	0	0	150,806	33,865	184,671
Deputy Assistant Commissioner	S Akers		150,098	0	0	751	150,849	33,865	184,714
Deputy Assistant Commissioner	S Osborne		158,873	0	0	2,834	161,707	33,865	195,572
Director of Resources	A McMeel		175,493	0	0	0	175,493	30,034	205,527
Director of Information	A Beaton		194,555	0	0	0	194,555	30,034	224,589
Director of Human Resources	M Tiplady		191,031	0	0	1,341	192,372	30,034	222,406
Chief Medical Officer	E Cahill-Canning		167,136	0	0	0	167,136	40,614	207,750

8.5 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2011

Notes

Note 1: A driver for the Commissioner's vehicle(s) is provided for security purposes and excluded from benefits in kind in the table above.

Note 2: T. Godwin: was Acting Commissioner from 15/12/10 to 15/5/11 with an annualised salary of £260,088.

Note 3: J Yates was Acting Deputy Commissioner from 15/12/10 to 17/4/11 with an annualised salary of £214,722.

Note 4: L Owens became Assistant Commissioner on 20/12/10 with an annualised salary of £181,455.

Note 5: I McPherson salary includes an element of backdated rent and housing allowance.

Note 6: J Kaye is currently seconded to Her Majesty's Inspectorate of Constabulary.

Additional information:

Benefits in kind may include health care benefits and provision of a vehicle and driver to certain police officers ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes). Medical care may include screening which is paid bi-annually from the date of joining the scheme. The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and two Assistant Commissioners required in the effective execution of their duties.

During 2010/11 no bonus payments were accepted by senior police officers and senior police staff in the above table.

8.6 Senior staff where salary is between £50,000 to £150,000 per annum 2011/12

Post	Note	Salary inc fees and allowances £	Bonuses relates to previous year 2010/11 £	Benefits in kind £	Compensation for loss of office £	Other payments £	Total remuneration (excl pension contributions) 2011/12 £	Employers pension contribution £	Total remuneration incl pension contributions 2011/12 £
<u>CPM</u>									
Director of Public Affairs	1	143,831	0	1,645	50,503	0	195,979	31,493	227,472
<u>MOPAC</u>									
Chief Executive		142,360	0	0	0	0	142,360	34,593	176,953
Deputy Chief Executive		116,150	0	1,529	0	0	117,679	28,224	145,903
Chief Financial Officer		120,000	0	0	0	0	120,000	29,160	149,160
Director of Audit, Risk and Assurance		100,000	0	0	0	0	100,000	24,300	124,300

Notes

1. Director of Public Affairs resigned on 31/3/12

Benefits in kind represents health care benefits.

8.7 Senior staff where salary is between £50,000 to £150,000 per annum 2010/11

Post	Note	Salary inc fees and allowances £	Bonuses relates to previous year 2009/10 £	Benefits in kind £	Compensation for loss of office £	Other payments £	Total remuneration (excl pension contributions) 2010/11 £	Employers pension contribution £	Total remuneration incl pension contributions 2010/11 £
<u>CPM</u>									
Director of Public Affairs		143,831	0	1,341	0	0	145,172	30,034	175,206
<u>MOPAC</u>									
Chief Executive		142,860	0	0	0	0	142,860	34,593	177,453
Deputy Chief Executive		116,150	0	1,581	0	0	117,731	28,224	145,955
Treasurer		120,000	0	0	0	0	120,000	29,160	149,160
Director of Audit, Risk and Assurance		100,508	0	0	0	0	100,508	24,300	124,808

Notes

Benefits in kind represents health care benefits.

9. Members Allowances

A total of £398,568 was paid for the year ended 31 March 2012 in respect of allowances and expenditure payable to Members of the MPA prior to the creation of MOPAC

9.1 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 the Group. 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 2012, in respect of related party transactions.

Central Government and other public bodies

Central Government has 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 6.5. Other significant grants and payments are:

	2011/12 £000	2011/12 £000
Income (Net)	Income	Debtor
UK Border Agency	547	43
Special Service Agreements	58,551	3,092
National Identification Service	506	364
City of London Police	240	66
Serious Organised Crime Agency	103	1
Seconded Officers	8,519	49

	2011/12 £000	2011/12 £000
Expenditure	Expense	Creditor
Forensic Science Services	20,216	0

GLA

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

The London Assembly approves the 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 the MOPAC. The Committee's responsibilities include reviewing the draft Police and Crime Plan and scrutiny of particular decisions made or actions taken by the MOPAC in the discharge of its responsibilities. Monies received from the GLA in the form of grants and precepts are disclosed in Note 16.

The net receipts from Transport for London are:

	2011/12 £000	2011/12 £000
Income (Net)	Income	Debtor
Transport for London	82,724	17,016

Other bodies

The Group's transactions with other bodies are primarily with ACPO TAM. The remainder of transactions are with various bodies which individually are not deemed to be significant.

	2011/12 £000	2011/12 £000
Income (Net)	Income	Debtor
ACPO TAM	37,945	10,566

The Group is represented at both Cabinet and Director levels on the Association of Chief Police Officers (ACPO) which is an independent professional body of chief police officers and senior staff equivalents. Any work performed for ACPO by individuals is on top of their normal duties and does not attract any additional remuneration.

The ACPO Terrorism and Allied Matters (TAM) business area leads for the police service on counter-terrorism and related issues through, among other activities, the development of police service policy and strategy in respect of relevant counter terrorism, domestic extremism and other policing themes. As part of this role, the business area liaises with Government and other partners on behalf of the police service. C Dick, Assistant Commissioner is the current head of ACPO TAM.

The Group provided £40,000 to the Safer London Foundation in the year ended 31 March 2012. B Hogan-Howe, Commissioner, is the president and C Butts (former MPA member) and T Godwin (former Deputy Commissioner) are both on the board of trustees.

10. Auditors' remuneration

The audit fee payable to the Audit Commission during the year totalled £527,000 for the Group, while the portion relating to the MOPAC is £286,000. In addition there was non audit work amounting to £31,500 for the Group of which £15,750 was in respect of MOPAC.

11. Specific operational activities - Olympics, partnerships

The Group is involved in the security of the Olympics in 2012 in conjunction with the Home Office. Costs spent for 2011/12 amount to £37.1 million. The Group is on course to meeting its commitments in time for the start of the Olympics in July 2012.

In addition the Group is involved in numerous other partnership agreements where it receives funding in return for specific operational activities. The value of this funding in 2011/12 amounted to £6.9 million.

12. Interest payable and similar charges

	2011/12
	£000
PWLB loans	7,699
PFI and finance lease	12,830
Landsbanki impairment adjustment	(3,017)
Other interest cost	36
Total	17,548

13. Pension costs

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

13.1 Police officers

There are two pension schemes for police officers, the 2006 new Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS); both 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 any shortfall is met by a top up grant from the Home Office. Further details of the schemes can be found in the Police Officer Pension Fund Accounts.

Income and expenditure

The Group pays employer contributions at a rate of 24.2% of pensionable salary into the Fund. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

	2011/12
Income and expenditure	£000
Current service cost	549,500
Past service cost	1,100
Past service cost (treated as an exceptional item -see note A below)	286,900
Interest cost	979,800
Actuarial loss/(gain) -excluding injury pensions	98,300
Actuarial loss/(gain) - injury pensions	(29,400)
Total charges to expenditure	1,886,200

Note A: there has been a change in the commutation factors with effect from 20 April 2011 which has resulted in this additional past service cost.

- Current/past service costs, past service gains and the actuarial loss/(gain) have been produced by actuaries.
- 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 Services together with other related charges (see below for analysis of movements on liabilities for both funds).

Police officers contributions to the schemes amounted to £129.4 million in the year ended 31 March 2012. In the year ended 31 March 2012, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £295.1 million.

In the year to 31 March 2012 the net costs of pensions and other benefits amounted to £529.9 million, representing 42.9% of pensionable pay.

Assets and liabilities in relation to retirement benefits

In accordance with IAS 19 requirements, a reserve showing 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 2012 that have been included in the Balance Sheet:

	2011/12 £ million
Officer members	(8,703)
Deferred pensioners	(523)
Pensioners	(8,694)
Injury pensions	(986)
Total value of scheme liabilities	(18,906)

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 2012. The movement in the present value of the scheme liabilities for the year to 31 March 2012 can be reconciled as follows:

	Excluding injury benefits 2011/12 £ million	Injury benefits only 2011/12 £ million
Scheme liabilities at 1 April	(16,601)	(943)
Movement in year:		
Current service cost including Home Office contribution.	(517)	(32)
Officer contributions	(130)	0
Benefits paid	628	0
Injury award expenditure	0	26
Transfers from / to other authorities	0	0
Past service gain (see note 1 below)	(274)	(13)
Past service cost (injury benefits)	(1)	0
Interest cost on pension liabilities.	(927)	(53)
Actuarial gain / (loss)	(98)	29
Scheme liabilities at 31 March	(17,920)	(986)

Actuarial assumptions

The value of the liabilities for IAS19 purposes is heavily dependent on assumptions made by the Group'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 depend on how long they are assumed to be in-payment. The disclosures have been prepared using the Actuarial Profession's Continuous Mortality Investigation Board (CMIB) 'year of birth' tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin.

The principal actuarial assumptions used in their calculations are:

Assumptions	2011/12
Rate of inflation	3.3%
Rate of increase of salary (note i)	3.5%
Rate of increase in pensions	2.5%
Rate for discounting scheme liabilities (note ii)	4.8%

i. Future salary increases are assumed to be within an acceptable range.
ii. The current discount rate is based on the yield available on a basket of AA-rated bonds with long terms to maturity.

The actuarial mortality rate assumptions used in their calculations are:

Mortality rate	Males	Females
Current pensioners	27.9 years	30.8 years
Future pensioners	29.5 years	32.3 years

The effect of changing the assumption regarding life expectancy by one year longer than the disclosed table would be to increase the assessed value of whole Fund liabilities by around 3%.

Current and future pensioners are assumed to be aged 45 in 2012.

The Group cumulative amount of actuarial gains and losses for defined benefit obligations (including injury pensions) are as follows:

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
	£000	£000	£000	£000	£000	£000
Actuarial gain/(losses)	(69)	1,355	(6,400)	1,005	3,115	1,092
Cumulative actuarial Gains/(losses)	(3,693)	(3,624)	(4,976)	1,424	419	(2,696)

The Present Value of scheme liabilities and gains and losses for the Group are as follows:

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
	£million	£million	£million	£million	£million	£million
Present value of defined benefits obligation	(18,906)	(17,544)	(19,909)	(12,598)	(12,434)	(14,574)
Surplus/(deficit)	(18,906)	(17,544)	(19,909)	(12,598)	(12,434)	(14,574)
Experience gains/(losses) on liabilities	694	248	(242)	420	55	106
Experience gains/(losses) as % of Liabilities	3.7%	1.4%	(1.2%)	3.3%	0.4%	0.7%

An estimate of contributions expected to be paid to the scheme for the year to 31 March 2013 is:

	£ million
Projected current service cost	563
Interest on obligation	904
Total	1,467

Sensitivity analysis

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

Financial assumptions	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in real discount rate	10%	1,765,000
1 year increase in member life expectancy	3%	567,200
0.5% increase in the salary increase rate	2%	333,300
0.5% increase in the pension increase rate (CPI)	8%	1,473,700

13.2 Police staff

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme (see accounting policies note 1.7 for details of membership). The Group is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation as carried out as at 31 March 2012 can be found in the Resource Accounts of the Cabinet Office, who administer the fund. For the year ended 31 March 2012, employer's contributions of £110.4 million were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 percent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme. In the year to 31 March 2012, the net costs of pensions amounted to £159.5 million, representing 27.5% of pensionable pay.

14. Interest and investment income

Interest and investment income for the year ended 31 March 2012 consisted of interest on short term deposits and call accounts.

15. Other operating expenditure

15.1 Gains and losses on disposal

The following gains and losses were made on disposal of property plant and equipment during the year:

	Property £000	Vehicles £000	2011/12 Total £000
Losses	5,546	0	5,546
Gains	(7,807)	(46)	(7,853)
Net gain	(2,261)	(46)	(2,307)

The gains and losses on disposal of assets, as disclosed above, include equity share proceeds and exclude all minor proceeds below £10,000 from the sale of vehicles that have reached the end of their useful economic life. Equity shares represent a share in the equity value of police properties bought under the scheme whereby tenants can buy the properties they occupy.

15.2 Riot Act claims settlements

An estimate has been made for the cost of reimbursing Londoners who suffered financial loss as a result of damage caused by the August 2011 riots. The Group is responsible for settling all valid claims under the Riot Damages Act 1866. The Group accounts include an estimate of the amounts to be paid to claimants in future years. The basis of this provision is assessments made by reputable loss adjustors who will have estimated the cost of repairing buildings, replacing stock and fittings for damaged properties. This does not necessarily reflect the final cost of settling the claims. The Home Office is committed to fund the Group for 100% of the accepted claim amounts. Where the claims are in dispute a contingent liability has been identified in the notes to these accounts.

16. S102 Greater London Authority Act 1999 Grant

The Greater London Authority precepts London Boroughs for Council Tax and receives Revenue Support Grant and National Non-Domestic Rates directly from central government. The GLA provides funding to the Group in the form of instalments through a Section 102 Grant. The central funding allocated and the police precept for the year ended 31 March 2012 was:

	2011/12 £000
Revenue Support Grant	(211,997)
National Non-Domestic Rates	(685,847)
Police precept	(687,420)
Total	(1,585,264)

17. Other grants

Other revenue grants received during the year ended 31 March 2012 were:

	2011/12
	£000
Police Revenue Grant (including amendment grants)	(1,127,736)
Total	(1,127,736)

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.

18. Group and MOPAC long term assets

	Property	Plant and equipment	Sub total	Heritage assets	Investment properties	Intangible assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2011	1,595,139	697,713	2,292,852	1,319	56,567	29,891	162,676	2,543,305
Transfers - (reclassification)	58,273	69,361	127,634	0	0	4,522	(132,156)	0
Transfer assets held for sale	(44,021)	0	(44,021)	0	0	0	0	(44,021)
Additions	38,389	64,557	102,946	0	0	553	89,409	192,908
Other additions	0	256	256	0	0	0	96	352
Disposals	(36,761)	(10,170)	(46,931)	0	(2,505)	0	(3)	(49,439)
Impairment	0	(1,839)	(1,839)	0	0	0	(3,432)	(5,271)
Revaluation movements through CIES	(19,031)	0	(19,031)	0	8,614	0	0	(10,417)
Revaluation movements in reserves	8,576	0	8,576	0	0	0	0	8,576
Cost or valuation at 31 March 2012	1,600,564	819,878	2,420,442	1,319	62,676	34,966	116,590	2,635,993
Depreciation at 1 April 2011	(91,725)	(461,346)	(553,071)	(11)	(5,600)	(19,661)	0	(578,343)
Depreciation for the year	(55,162)	(100,782)	(155,944)	0	0	(6,851)	0	(162,795)
Redundant depreciation	53,081	0	53,081	0	0	0	0	53,081
Depreciation on assets sold	3,409	10,153	13,562	0	16	0	0	13,578
Depreciation on transferred assets	222	(452)	(230)	0	0	0	0	(230)
Depreciation at 31 March 2012	(90,175)	(552,427)	(642,602)	(11)	(5,584)	(26,512)	0	(674,709)
Net Book Value at 31 March 2012	1,510,389	267,451	1,777,840	1,308	57,092	8,454	116,590	1,961,284
Net Book Value at 31 March 2011	1,503,414	236,367	1,739,781	1,308	50,967	10,230	162,676	1,964,962

The Group's property portfolio which is located throughout London's 32 boroughs includes 139 police stations, 335 residential properties, 247 investment properties and 400 other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. The Group also operates 5,936 patrol cars, motorbikes and other vehicles, 33 boats including inflatables and dinghies and 3 helicopters.

18.1 Basis of valuation

The operational property portfolio was revalued as at 30 September 2011 as 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 whilst 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by G. L. Hearn Ltd (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 portfolios have been subjected to a revaluation exercise by Drivers Jonas (member of the Royal Institute of Chartered Surveyors) and their values shown in the Accounts as at 31 March 2012 in line with accounting policies.

Buildings under construction are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2012.

Short life assets such as vehicles, helicopters, plant, furniture and equipment are included at depreciated historic 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 £132.2 million were made for those assets under construction, which were completed and became operating assets.

18.2 Redundant depreciation

The redundant depreciation figure totalling £53.1 million, shown in table 18, is an offset to amounts arising from the new valuation for property, which gives a more accurate figure for the value of land and buildings. The balances for accumulated depreciation for these buildings become redundant and should not be carried forward in the Balance Sheet, but are offset against the Revaluation Reserve.

18.3 Impairment

The Group has recognised impairments within a number of fixed asset categories. The impairments relate to assets under construction and disposal net book values for assets with a receipt value of £10,000 or less. Impairment reviews were also performed at the year-end on land and buildings and on vehicles, plant and equipment.

18.4 Capital expenditure

Items of capital expenditure for the year were:

	2011/12
	£000
Intangible assets	553
Tangible assets	
Land and buildings	38,389
Plant and equipment	239
Information technology	50,466
Vehicles	13,852
Assets under construction	89,409
Total capital expenditure	192,908

18.5 Sources of capital finance

	2011/12
	£000
Capital payments to be financed	192,908
Supported borrowing	0
Unsupported borrowing	57,870
Other contributions	5,165
Capital grants	64,434
Capital receipts	41,026
Revenue contribution	24,413
Total financing	192,908

In carrying out its duties under Part 1 of the Local Government Act 2003 the Group is required to have regard to the Prudential Code. The Code was developed by CIPFA as a professional code of practice to support local authorities in taking decisions for capital investment in fixed assets. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The Authorised Limit for the year ended 31 March 2012 was £504.5 million. The Operational Boundary was £453.7 million. All Prudential Code indicators are approved by the Mayor of London (for 2011/12 MOPAC) prior to the start of the financial year as required by statute and are monitored on a monthly basis throughout the financial year.

18.6 PFI assets

These assets form part of the Land and Buildings - operational category within Note 18 above. 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, either by market testing or by benchmarking. The Agreement also includes provisions for step in and termination in defined circumstances. The costs of asset replacement and both planned and unplanned maintenance are borne by the Contractor. 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, either by market testing or by benchmarking. The Agreement also includes provisions for step in and termination in defined circumstances. The police stations are to be available throughout the 25 year period, on a 24/7 basis. The cost of asset replacement is at the contractor's risk and both planned and unplanned maintenance costs are borne by the contractor. 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 the MOPAC Balance Sheet broken down by movements in year.

	2011/12 £000
Balance as at 1 April	137,253
Additions	2,791
Depreciation for year	(8,906)
Redundant depreciation	10,941
Revaluation movement	1,919
Balance as at 31 March	143,998

18.7 Payment analysis

The PFI agreements impose 25 year commitments on the Group from occupation/use of the new facilities from 2003. The unitary payments to be made under the PFI contracts as at 31 March 2012 are shown below. PFI liabilities are shown in Note 31.

Payment Analysis 2011/12				
	Liability £000	Interest £000	Service charge £000	Total £000
Within 1 year	3,166	10,634	10,070	23,870
2 to 5 years	16,304	43,777	41,519	101,600
6 to 10 years	23,844	53,806	64,309	141,959
11 to 15 years	37,016	53,966	69,631	160,613
16 to 20 years	17,085	19,105	19,235	55,425
Total	97,415	181,288	204,764	483,467

18.8 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 many safer neighborhood offices, most of which have 10 year lives. In the year to 31 March 2012, the Group spent £44.4 million on operating leases for property and £1.5 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:

	2011/12	
	Property £000	Vehicles £000
Operating leases		
Not later than 1 year	36,847	560
Later than 1 year and not later than 5 years	132,063	334
Later than 5 years	107,002	0
Total	275,912	894

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 2012 in order to determine whether they are a finance lease or an operating lease for land and/or for building. There are, in total, six property leases for which the building element is classified as a finance lease. There are also four long-term ground leases of land of more than 125 years included as finance leases. The movements for the current year are shown below:

	2011/12
	£000
Opening value 1 April	54,836
Additions	1,051
Revaluations	5,662
Impairment	(185)
Depreciation	(1,348)
Net carrying value 31 March	60,016

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 also the 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 2011/12 £1.2 million contingent rents were payable by the Group. The Group has sub-let shop units located at a garage which are held under a finance lease. At 31 March 2012 the minimum payments expected to be received under non cancellable sub-leases were £0.05 million.

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

	2011/12
	£000
Current liability	111
Long term liability	5,931
Finance costs payable in future years	19,358
Total of minimum lease payments (Net Present Value)	25,400

The minimum lease payments payable over the following periods are:

	Minimum lease payments	Finance lease liabilities
	2011/12	2011/12
	£000	£000
Not later than 1 year	859	111
Later than 1 year and not later than 5 years	3,434	567
Later than 5 years	21,107	5,364
Total	25,400	6,042

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 £11.6 million in 2011/12. The current lease payments receivable under non-cancellable leases in future years are:

Future Periods	2011/12 £000
Not later than 1 year	5,812
Later than 1 year and not later than 5 years	20,250
Later than 5 years	5,318
Total	31,380

The Group has not granted any finance leases.

18.9 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.

18.10 Donated assets

The Group did not recognise any donated assets in 2011/12.

18.11 Heritage assets

For 2011/12 the Group is required to have an accounting policy for heritage assets and to recognise them at valuation. Previously, heritage assets were recognised as community assets in the Balance Sheet. Heritage Assets (that were formerly classified as community assets) were donated or purchased and are held at valuation as a proxy for historical cost. In applying the new accounting policy, the Group has identified that the assets that were previously held as community assets at £1.3 million should now be recognised as heritage assets and measured at £1.3 million resulting in no change in value. Accordingly no restatement schedule has been produced.

The Group has a large museum collection in excess of 15,000 items, 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 by an independent valuer and are currently held on the balance sheet at a value of £1.2 million. The MOPAC also has a collection of exhibits from high profile/noteworthy crimes held in the Crime Museum at New Scotland Yard. It is not open to the public and is used primarily as a learning resource for MOPAC officers/staff and for persons from other parts of the UK judiciary system and worldwide distinguished criminal justice people. 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 also owns an historic vehicle fleet consisting of 16 vehicles, currently housed at a secure garage at Hampton Police Station. They are not operational but are used in public events and maintained as part of the MOPAC fleet. They are currently held on the Balance Sheet at a value of £0.7 million.

18.12 Future capital expenditure commitments

Capital expenditure where there is a commitment to future costs;

	2012/13 and later years
	£000
IT various projects	18,787
Building works	33,836
Vehicles, plant and equipment	5,453
Total	58,076

18.13 Investment properties

The following schedule shows the level of income received and expenditure incurred as part of operational costs in respect of the Group's investment properties:

	2011/12
	£000
Rental income	(607)
Direct operating costs	820
Net	213

19. Long term debtors

'Long term debtors' consists of £17.1 million which represents an Icelandic debt less expected impairment, arising from the transfer into administration of Landsbanki bank with whom the Group had invested on a short term basis. After the decision of the Icelandic Supreme Court had been delivered in favour of the priority status of local authorities, the administrators made a distribution of £9 million to the MOPAC in part settlement of the debt. Although the administrators anticipated that recoveries of debt will exceed the book value of the priority claims, full repayment is not expected to be completed until December 2018.

20. 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.

	2011/12
	£000
Opening balance	2,094
Additional assets identified for disposal	44,251
Assets disposed in year	(2,028)
Total	44,317

21. Inventories

The opening value of inventories for both the Group and MOPAC is listed as below:

Group and MOPAC	Balance at 1 April 2011	Purchases	Issues	Other adjustments	Balance at 31 March 2012
	£000	£000	£000	£000	£000
Uniforms	5,018	11,182	(8,916)	0	7,284
Transport and Air Support Unit - fuel	521	4,326	(3,956)	(12)	879
Transport and Air Support Unit - parts	831	1,290	(1,093)	13	1,041
Heating oil	1,673	1,031	(683)	356	2,377
Catering goods	293	539	(566)	0	266
Total	8,336	18,368	(15,214)	357	11,847

22. Short term debtors

	2011/12 £000
Central Government bodies (see note below)	261,396
Local authorities	27,457
Public corporations	50
Health bodies	31
Other debtors	36,455
Total before bad debt provision	325,389
Less bad debt provision	(124)
Balance per balance sheet	325,265

'Short term debtors' represent assets which are expected to be realised within 12 months after the reporting date. Central Government bodies includes two large amounts due from the Home Office in respect of funding for payment of Riot Damage Act claims (£84.8 million) and police pensions fund top up grant (£99 million).

23. Short term investments

Short term investments represent monies received from the administrators of Landsbanki bank in the currency of Iceland. This money is held in an escrow account until a suitable date when it can be converted into sterling and used to repay part of the debt outstanding.

24. Cash and cash equivalents

'Cash and cash equivalents' consist of cash in hand, balances with banks, and investments in the money market for less than three months. Cash and cash equivalents in the cash flow statement comprise the following:

	2011/12
	£000
Banks and financial institutions	38,094

25. Short term creditors

	2011/12
	£000
Central Government bodies	(82,405)
Local authorities	(10,759)
Public corporations	(927)
Health bodies	(27)
Other creditors	(207,949)
Balance	(302,067)

The category named 'Other creditors' in the table above is comprised of 8,176 individual creditors.

26. 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.	2011/12
	£000
Public Works Loan Board	(59,457)
Local authorities	(10,000)
PFI liabilities	(3,166)
Finance lease Liabilities	(111)
Balance	(72,734)

27. Third party monies

Fund Name	Income £000	Expenditure £000	Assets £000	Liabilities £000
MOPAC Property Act Fund	1,678	1,856	4,765	147
MOPAC Detained Monies Account	1,666	1,699	7,106	22
Metropolitan Police Benevolent Fund	2,358	3,460	3,463	0
Metropolitan Police Commissioner's Fund	17	12	419	5
Metropolitan Police Sports Fund	1,084	1,383	341	43
Metropolitan Police Staff Welfare Fund	33	34	262	1
Metropolitan Police Athletic Association	1,559	1,556	3,040	234
Metropolitan Police Sports Club	825	870	501	258
COMETS	86	74	117	4
Total	9,306	10,944	20,014	714

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 2012 and values at their financial year-end dates, are given below. Not all of the figures have been audited.

Mayor's Office for Policing and Crime Property Act Fund

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 force's authority. The Fund is used for this purpose. Until 31 March 2004 it was also used to hold for the time being money that had been detained from persons suspected of criminal activity. Since 1 April 2004 such money has been paid into the Mayor's Office for Policing and Crime Detained Monies Account (see below).

Mayor's Office for Policing and Crime Detained Monies Account

This fund is 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.

Metropolitan Police Benevolent Fund

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 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. Former police officers are also eligible for assistance (by grant only).

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.

Contributions deducted from police officer's 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

This registered charity was established to help promote the efficiency and well being 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

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

This registered charity provides financial assistance to members and past members of police staff, their families and dependants who are in need.

Metropolitan Police Athletic Association

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

Metropolitan Police Sports Clubs

There were four principal Metropolitan Police sports clubs located at Bushey, Chigwell, Hayes and Imber Court. The former three have become their own unincorporated company and Imber Court remains part of the MOPAC estate.

COMETS Metropolitan Police Sports and Social Association

The Comets (Metropolitan Police Sports and Social Association) have several sporting and social sections. Subsidies for Comets events and financial support for the sections is provided from membership subscriptions. Membership is open to all Metropolitan Police officers and staff.

Operational responsibilities

The 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:

	2011/12
	£000
Proceeds Of Crime Act monies	25,923
Prisoners' property and lost cash	1,442
Other	688
Total	28,053

In addition, the 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 2012 and has therefore been stated separately from the Police Property Act Fund value.

28. Provisions

28.1 Short term provisions

	Accumulated absences £000	Third party liabilities £000	Riot damage claims £000	Other provisions £000	Total £000
Balance at 1 April 2011	(98,890)	(4,669)	0	(2,700)	(106,259)
Additional provisions made in 2011/12	(87,611)	(3,139)	(22,000)	(9,192)	(121,942)
Amounts used in 2011/12	98,890	3,303	0	250	102,443
Balance at 31 March 2012	(87,611)	(4,505)	(22,000)	(11,642)	(125,758)

28.2 Long term provisions

	Third party liabilities £000	Riot damage claims £000	Other provisions £000	Total £000
Balance at 1 April 2011	(14,933)	0	(913)	(15,846)
Additional provisions made in 2011/12	(9,981)	(57,873)	(711)	(68,565)
Amounts used in 2011/12	10,460	0	0	10,460
Balance at 31 March 2012	(14,454)	(57,873)	(1,624)	(73,951)

In accordance with IAS 19 MOPAC has created a provision for accumulated compensated absences representing the cost of police officers and staff who have not taken their full leave entitlement before the financial year end. Other absences such as flexi-leave are not considered material. Police officers and staff are entitled to carry forward untaken annual leave and officers are entitled to carry forward untaken rest days outstanding. The CIPFA Code permits the creation and use of an Accumulated Absences Account, included in reserves, to offset the charge to revenue created by the accumulated absences provision.

The 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 made at 31 March 2012 for £19 million. Over the course of the year agreed claims have been paid from this account amounting to £13.1 million. A provision for third party claims, in respect of damages arising from the riots in August 2011, under the Riot Damages Act has been made at 31 March 2012 for £79.9 million.

Other provisions consist of:

- A provision for exit packages of £8.9 million;
- A provision for the reimbursement to officers of tax deducted in respect of Compensatory Grant - £1 million;
- A provision for a repayment of tax and National Insurance - £1.8 million;
- A provision of £1 million in respect of licence costs;
- Other - £0.6 million.

29. Long term borrowing

These are loans primarily from the Public Works Loans Board (PWLB), but includes £10 million from Inter Local Authority Borrowing. They are raised to support capital expenditure on MOPAC assets, and are analysed below:

	2011/12 £000
Loans	(234,292)
Analysis of loans by maturity:	
Between 1 and 2 years	(14,457)
Between 2 and 5 years	(60,371)
Between 5 and 10 years	(71,714)
Over 10 years	(87,750)

30. Capital grants received in advance

This account holds capital grants received before the year-end to finance capital investment schemes where either conditions have not yet been met but are expected to be achieved or where the grant has conditions attached which may require the monies to be refunded if the conditions are not met.

	2011/12 £000
Balance at 1 April	(5,291)
IFRS movement	0
Movements	(32,325)
Financing	28,991
Balance at 31 March	(8,625)

31. Long term contractor liability

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

	2011/12 £000
PFI liability	(94,249)
Finance lease liability	(5,931)
Balance at 31 March	(100,180)

31.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

	2011/12 PFI liability £000	2011/12 finance lease liability £000
Balance as at 1 April	(101,393)	(6,142)
Net movement in year	3,978	100
Total liability	(97,415)	(6,042)
Classified as;		
Short term liability	(3,166)	(111)
Long term liability	(94,249)	(5,931)

32. Reserves

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

32.1 Unusable reserves

Movements on unusable reserves 2011/12					
	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Total
	£000	£000	£000	£000	£000
Balance as at 1 April 2011	(119,064)	(1,168,423)	98,890	17,543,500	16,354,903
Upward revaluation of assets	(84,197)	0	0	0	(84,197)
Difference between fair value and historic cost depreciation	6,689	(6,689)	0	0	0
Accumulated gains on assets disposed	2,076	(2,076)	0	0	0
Downward revaluation of assets and impairment losses	22,540	19,031	0	0	41,571
Statutory provision for financing capital investment charged against CIES (MRP)	0	(26,136)	0	0	(26,136)
Depreciation and impairment	0	161,215	0	0	161,215
Amortisation of intangible assets	0	6,851	0	0	6,851
Movements in market value of investment property	0	(8,614)	0	0	(8,614)
Amounts written out on disposal	0	37,889	0	0	37,889
Capital grants and contributions credited to CIES applied to capital finance	0	(58,650)	0	0	(58,650)
Application of grants from capital grants unapplied account	0	(11,206)	0	0	(11,206)
Use of capital receipts reserve	0	(41,025)	0	0	(41,025)
Capital expenditure charged against CIES	0	(24,413)	0	0	(24,413)
Movement of reserves	0	0	(11,279)	1,362,200	1,350,921
Balance as at 31 March 2012	(171,956)	(1,122,246)	87,611	18,905,700	17,699,109

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 2012. 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 2012.

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. The year-end balance shows that capital finance has been set aside at a faster rate than fixed assets have been consumed. This account shows a reduction in value due to an increase in depreciation and amortisation charges during 2011/12.

Accumulated Absences Account.

The Accumulated Absences Account represents the value of the future obligation of the Group to pay officers and staff in respect of unused accumulated absences as at 31 March 2012. This represents an offset to the accounting charge to the revenue account which is reflected in the Accumulated Absences Provision (see Note 28).

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.

32.2 Usable capital reserves

Movements on usable capital reserves 2011/12					
	Capital Receipts Reserve	Earmarked Capital Reserve	Capital Grant Reserve	Capital Grants Unapplied	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2011	(5,903)	(3,251)	(9,741)	(6,447)	(25,342)
Proceeds of disposals	(40,196)	0	0	0	(40,196)
Financing of fixed assets	41,026	2,255	27,146	11,205	81,632
Movement of reserves	0	(451)	(26,495)	(10,449)	(37,395)
Balance at 31 March 2012	(5,073)	(1,447)	(9,090)	(5,691)	(21,301)
Net movement for year	830	1,804	651	756	4,041

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.

Earmarked Capital Reserve

This reserve deals with funds assigned for specific areas of expenditure that remain unspent at the end of the financial year. The monies are required to be carried forward to be reassigned to named projects in future financial years. The Earmarked Capital Reserve presently operates for MOPAC estate improvements, and third party contributions to property refurbishment.

Capital Grant Reserve

Capital grant is credited to this account and used as appropriate to fund capital expenditure.

Capital Grants Unapplied

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

32.3 Usable earmarked revenue reserves

	Balance at 1 April 2011 £000	Transfer To £000	Transfer from £000	Balance at 31 March 2012 £000
Earmarked revenue reserves				
Accommodation strategy/property related costs				
Dilapidations	(12,727)	(8,650)	7,000	(14,377)
Property related costs	(23,162)	0	2,839	(20,323)
Total accommodation strategy /property related	(35,889)	(8,650)	9,839	(34,700)
Operational costs				
Communications project	(3,081)	0	427	(2,654)
Airwave	(5,344)	0	278	(5,066)
Insurance Indemnity Fund	(1,599)	(455)	855	(1,199)
ICT contract issues	(733)	0	0	(733)
Kickz	(510)	(688)	224	(974)
National Domestic Extremism Unit	(3,603)	0	2,175	(1,428)
Motor insurance	(5,000)	0	0	(5,000)
Operational costs	(35,063)	(3,961)	11,450	(27,574)
Proceeds of Crime Act	(1,512)	(2,200)	0	(3,712)
Protective clothing	(211)	0	0	(211)
Publicity	(50)	0	50	0
Systems	(192)	0	0	(192)
Vehicle recovery services	(1,850)	0	0	(1,850)
TP youth violent crime	(446)	0	446	0
Total of operational costs	(59,194)	(7,304)	15,905	(50,593)
Budget pressures				
Budget pressures	(72,729)	(62,665)	67,596	(67,798)
Emergencies Contingency Fund	(23,093)	0	0	(23,093)
Total of budget pressures	(95,822)	(62,665)	67,596	(90,891)
Major change programmes				
Modernisation programmes	(27,881)	(32,241)	21,305	(38,817)
Total of major change programmes	(27,881)	(32,241)	21,305	(38,817)
MOPAC initiatives	(3,112)	(548)	764	(2,896)
Legal costs	(233)	0	0	(233)
Total of MOPAC Initiatives	(3,345)	(548)	764	(3,129)
Total earmarked revenue reserves	(222,131)	(111,408)	115,409	(218,130)
Net Movement in Earmarked Reserves			4,001	
General revenue reserve	(47,483)		13,000	(34,483)
Total revenue reserves	(269,614)	(111,408)	128,409	(252,613)

Accommodation strategy/property related costsDilapidations

To fund future expenditure on properties the leases for which have been terminated and result in additional costs.

Property related costs

This reflects the requirement to provide for the cost of various building related projects.

Operational costs

Communications project

To provide for the development of an integrated communications system for the CPM.

Airwave

To provide for the implementation, enhancement and development of radio communication.

Insurance Indemnity Fund

To provide for the cost of a Personal Insurance Indemnity Reserve 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.

Kickz

To provide for crime reduction projects jointly funded with the Football Association, to be rolled out over all London Boroughs.

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.

POCA

Proceeds Of Crime Act - A reserve funded from proceeds of crime to provide for certain categories of operational activities.

Protective clothing

To provide for the cost of protective clothing for officers including research and development costs.

Publicity

To cover the implementation of the MOPAC Scrutiny report regarding media handling.

Systems

This contributes to the cost of developing financial systems.

Vehicle recovery services

Allocated to fund operations targeting clamping of uninsured vehicles.

TP youth violent crime

This relates to funds set aside to deliver the prevention and reassurance strategy to address serious youth violence.

Budget pressures

Budget pressures

This reserve was to meet specific unbudgeted pressures, including cover for early departures.

Emergencies Contingency Fund

An earmarked reserve available to assist in exceptional circumstances to support operational requirements, which will normally not have been budgeted for.

Major change programmes

Modernisation programmes

This reserve is set aside to fund various modernisation programmes.

MOPAC initiatives

The reserve will be used to support projects that the MOPAC expects to undertake in 2012/13.

Legal costs

To provide for the cost of potential lawsuits.

32.4 General revenue reserve

The Group 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. CIPFA guidance confirms that, on the advice of their treasurers, authorities should make their own judgements on such matters, taking into account all relevant matters. The Group's policy is to hold the General Reserve and the Emergency Contingency Fund to meet unforeseen or emergency expenditure which cannot be contained within the approved budget. The General Reserve is £34.5 million at 31 March 2012 and the Emergency Contingency Fund is £23.1 million. Together these uncommitted reserves total £57.6 million, 2.1% of the 2011/12 budget requirements.

33. Adjustments between accounting basis and funding basis under regulation.

This note identifies the adjustments that are made to the Comprehensive Income and Expenditure Statement recognised by the Group in the year in accordance with proper 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 2011/12:

Group and MOPAC	General fund	Capital receipts reserve	Usable capital reserves	Unusable capital reserve	Total
	£000	£000	£000	£000	£000
Capital Adjustment Account					
Adjustments					
Reversal of items adjusted in CIES					
Depreciation of non current assets	(155,944)	0	0	155,944	0
Amortised costs	(6,851)	0	0	6,851	0
Impairments	(5,271)	0	0	5,271	0
Investment properties	8,614	0	0	(8,614)	0
Revaluation losses	(19,031)	0	0	19,031	0
Net book value of disposals	(37,889)	0	0	37,889	0
Capital grants applied*	55,794	41,026	13,804	(110,881)	(257)
Minimum revenue contribution	26,136	0	0	(26,136)	0
Capital expenditure charged against General Fund	24,413	0	0	(24,413)	0
Capital grants unapplied*	10,449	0	(10,592)	0	(143)
Cash sale proceeds	40,196	(40,196)	0	0	0
Police pensions	(1,263,900)	0	0	1,263,900	0
Accumulated absences movement	11,279	0	0	(11,279)	0
Total	(1,312,005)	830	3,212	1,307,563	(400)

*These capital grants total to £66,243,000 and can be seen on page 1 and 2 in the CIES for the Group and MOPAC.

34. Notes to the cash flow statement

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

	31 March 2012
	£000
Depreciation of non current assets	(155,944)
Impairment and revaluations of non current assets	(24,302)
Amortisation of intangible assets	(6,851)
Reversal of pension service costs and interest	(1,263,900)
(Increase)/decrease in impairment for provision for bad debts	17
(Increase)/decrease in creditors	(2,292)
Increase/(decrease) in debtors	154,056
Increase/(decrease) in inventories	3,512
Carrying amount of property, plant and equipment, investment property and intangible assets sold	(32,203)
Other non-cash items	(86,899)
	(1,414,806)

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

Group and MOPAC	31 March 2012
	£000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	34,510
Capital grants adjustment	66,243
	100,753

34.3 Cash flows from investing activities

Group and MOPAC	31 March 2012
	£000
Investing activities	
Purchase of fixed assets	208,033
Proceeds from the sale of fixed assets	(34,510)
Proceeds from short term and long term investments	(15,000)
Other receipts from investing activities	(69,721)
	88,802

34.4 Cash flows from financing activities

	31 March 2012
	£000
Financing activities	
Cash receipts of short and long-term borrowing	(110,000)
Other receipts from financing activities	(8,929)
Cash payments for the reduction of the outstanding liabilities relating to finance leases on on-balance sheet PFI contracts (principle)	4,078
Repayments of short and long-term borrowing	41,600
	(73,251)

34.5 Interest and dividend cash flows

	31 March 2012
	£000
Operating activities	
Interest received	(1,002)
Interest paid	4,363
Interest element of finance lease and PFI rental payments	12,810
	16,171

35. Contingent liabilities and assets**August 2011 Riot Damage Claims**

There may be additional costs in relation to the Riot (Damages) Act 1886 arising from the riots in London in August 2011. Under the Act the Group is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City). Although the Home Office has agreed to reimburse the Group with the cost of claims from persons who were uninsured, and other government assistance may be agreed in respect of claims from insurers, the Group is aware that a number of lawsuits have commenced against the Group. These lawsuits are testing the limits of the Riot Damages Act as to what extent the Group is liable to recompense organisations and individuals financially affected by the riots. An estimate of the costs is not disclosed as the costs are difficult to estimate accurately at present, when the final number and value of claims and the extent of government assistance is unknown.

Injury pensions

There is a possible legal challenge following recent decisions by the Administrative Court and Court of Appeal. A liability will arise for the Group if a legal challenge is made and the court rules in favour of retired police officers who have requested to have their injury pensions reinstated to their original levels. An estimate of the costs (legal costs and potential claims) has not been disclosed as it is very difficult to estimate, when the exact number of challenges is unknown. If all the claims are settled the effect will be immaterial.

36. Minimum Revenue Provision

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 the Group to charge to the Statement of Movement in General Fund balance a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For the year ended 31 March 2012 the MOPAC has made an MRP charge based on:

- the capital financing requirement method for borrowing undertaken prior to 2011/12, and any borrowing undertaken during the year supported through the revenue grant settlement; and
- the depreciation method for unsupported borrowing undertaken in 2011/12 as permitted by the flexibilities provided under the Prudential Code.

An Annual Statement detailing how MRP should be calculated forms part of the formal setting and review of the Prudential Indicators, which are included in the annual Treasury Management Strategy. The MRP amount for the year ended 31 March 2012 was £26.1 million with a corresponding charge to the Capital Adjustment Account.

37. Post year-end accounts signing

Early departure scheme

The Group needs to make a significant reduction in staff posts to achieve the programmed savings (as planned in the 2012/13 budget) and is currently operating an early departure scheme to facilitate this process. At the time of publication of the Accounts it is not possible to estimate the likely numbers or cost of staff reductions.

38. Financial instruments

The financial instruments recognised by the Group include creditors and debtors, borrowings, bank deposits and 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:

	Long term	Current (within 12 months)
	2011/12	2011/12
	£000	£000
Investments		
Investments	0	215
Debtors		
Loans and receivables	17,090	349,610
Total investments & debtors	17,090	349,825
Borrowings		
Financial liabilities	(234,292)	(69,457)
Other long term liabilities		
PFI and finance lease liabilities	(100,180)	(3,277)
Creditors		
Financial liabilities	0	(245,314)
Total borrowings & liabilities	(334,472)	(318,048)

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

	2011/12 £000
Expenses	
Interest expense	20,565
Impairment (losses)/gains	(3,017)
Total expense in surplus on the provision of services	17,548
Income	
Interest income	(817)
Total income in surplus on the provision of services	(817)
Net gain/(loss) for the year	16,731

Financial liabilities (fixed and variable rate borrowings) and financial assets (represented by loans and receivables) are carried in the Balance Sheet for Group at amortised cost. Their 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:

- The weighted average interest rate, which at 31 March 2012 is calculated as 3.09% for fixed and variable rate borrowings. All borrowings are from the Public Works Loan Board (PWLB) with the exception of two loans from local authorities.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. The short term loans made by the Group fall into this category.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount as stated in the table above for current receivables.

The fair values calculated for PWLB financial liabilities are as follows:

	2011/12 Carrying amount £000	2011/12 Fair value £000
Financial liabilities	283,750	324,805

The fair value is more 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 commitment to pay interest above current market rates increases the amount that the Group would have to pay if either the lender (PWLB) requested or agreed to early repayment of the loans.

38.1 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. Risk management is carried out by a central treasury team, under policy approved by the Group and set out in the annual 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.

The Group does not generally allow credit for general debtors beyond 30 days, such that of the debtors balance, £587,000 is past its due date for payment, and can be analysed by age as follows.

	2011/12
	£000
Less than three months	569
Three to six months	3
Six months to one year	15
More than one year	0
Total	587

Following the downgrade of international banks generally and events in the financial markets, the Treasury Management Strategy was realigned by way of reviewing the credit rating criteria following the advice of Arlingclose.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. Deposits are made with banks and financial institutions that have been rated by Fitch Ratings Ltd, Moody's credit ratings and Standard and Poor's and have a minimum score of A+ (long term) and F1 (short term) by Fitch, A1 (long term) and P-1 (short term) by Moody's, and A+(long term) and A-1 (short term) by Standard and Poor's. In assessing minimum risk the lowest common denominator from the three agencies is used. The rating agencies also advise when an institution's ratings are under review. Additionally in view of guaranteed support from their Central Governments, only UK and Euro zone banks will be considered as suitable counterparties and where the sovereign rating is AA+. Also only building societies that provide high credit ratings are included on the lending list. The Group's policy of lending its surplus funds is £10 million lending limit in total with foreign banks and an individual lending limit of £35 million for UK banks and building societies and is for no longer than three months. The Group has reduced funds held with the Debt Management Office. Arlingclose continues to provide additional monitoring of credit risk.

The following analysis summarises the Group's potential maximum exposure to credit risk, based on experience of default and un-collectability over previous financial years, adjusted to reflect current market conditions. No credit limits were exceeded during the reporting period.

	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default and uncollectability
	£000 A	% B	% C	£000 (A X C)
Deposits with banks and financial institutions	55,184	21.73%	30.97%	17,090
Customers (general debtors)	64,208	0.22%	0.19%	124

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 has also negotiated access to short term funding from within the GLA Group and can also access funding from the market. Instead, the risk is that the Group will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Group has undertaken £100 million of new borrowings during 2011/12 with long term fixed rate loans. The maturity analysis of all the PWLB borrowings is as per Note 29.

Additionally, to cover short-term commitments, the Group maintains three instant access accounts, reducing the requirement to realise an investment before it reaches final maturity.

All trade creditors and other payables are due to be paid by the Group in less than one year.

Interest rate risk

The Group is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. 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, upper limits on fixed interest rate and variable interest rate exposures giving ranges that will limit exposure to interest rate movement. Fixed interest rate exposure is managed within a 70% to 95% range and variable interest rate exposures within a 5% to 30% range. Furthermore upper limits for variable rate exposure are set for gross borrowings at 30% and for investments at 100%.

39. Acquisition assets, liabilities and reserves

The MOPAC was formed on 16 January 2012 together with the CPM as a result of the Police Reform and Social Responsibility Act 2011. Together they form the 'Group'. In line with the CIPFA Code of Practice for Local Authority Accounting using the principles that apply to group reorganisations, the carrying values of the assets and liabilities have not been adjusted to fair value on the transfer date and that the results and cashflows have been brought into the financial statements of the new body from the beginning of the year that the transfer occurred which is 1 April 2011. The note below summarises the assets and liabilities transferred from the MPA to the MOPAC at the beginning of the year that the transfer occurred.

	1 April 2011	
	£000	£000
Long term assets		
Property, plant and equipment	1,739,781	
Heritage assets	1,308	
Investment properties	50,967	
Intangible assets	10,230	
Assets under construction	162,676	
Total fixed assets		1,964,962
Long term debtors		25,286
Total long term assets		1,990,248
Current assets		
Assets held for sale	2,094	
Inventories	8,336	
Short term debtors	169,335	
Short term investments	15,000	
Cash & cash equivalents	75,000	
Total current assets		269,765
Current liabilities		
Short term creditors	(299,774)	
Short term borrowing	(45,697)	
Provisions	(106,259)	
Cash & cash equivalents	(6,403)	
Total current liabilities		(458,133)
Long term liabilities		
Provisions	(15,846)	
Long term borrowing	(193,750)	
Capital grants receipts in advance	(5,292)	
Long term contractor liability	(103,438)	
Police officer pension liability	(17,543,500)	
Total long term liabilities		(17,861,826)
Net assets transferred		(16,059,946)
Net reserves transferred		(16,059,946)

Police officer pension fund

1. Police officer pension fund revenue account

The Police Officer Pension Fund is administered by the Commissioner in accordance with the Police Reform and Social Responsibility Act 2011. Further information can be found in the Statement of Accounts for the Commissioner of Police of the Metropolis.

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 Movement in Reserves Statement 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 either a bank, building society, 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, e.g. 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 Movement in Reserves Statement.

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 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, program 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 and police 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)

The 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.

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, House of Lords/Commons, Palace of Westminster are the main items included under this heading.