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# Mayor's Office For Policing And Crime and Group

Statement of Accounts 2017/18

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

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## Narrative report

### Introduction

The Police Reform and Social Responsibility Act 2011 established a Police and Crime Commissioner for each police force area across England and Wales. In London, the elected Mayor of London is the equivalent of the Police and Crime Commissioner and is responsible for the totality of policing in the capital (outside of the City of London).

The Mayor delivers the responsibilities given to him via the Act through the Mayor's Office for Policing and Crime (MOPAC), which was established as a Corporation Sole in January 2012. The Mayor has appointed a statutory Deputy Mayor for Policing and Crime - Sophie Linden - to lead MOPAC. A separate body of the Commissioner of Police of the Metropolis (CPM) remains, currently occupied by Cressida Dick.

The Mayor has several key roles in his capacity of Police and Crime Commissioner - most importantly setting the strategic direction and accountability for policing. The Mayor is responsible for the formal oversight of the Metropolitan Police Service (MPS), including budget-setting, performance scrutiny and strategic policy development, and for ensuring the MPS is run efficiently and effectively, so that Londoners are getting the best service possible from their police. The Mayor also has a role working with communities providing guidance and generating confidence, not only holding the Met to account for delivering its priorities, but he also has overarching responsibilities for crime reduction in the capital and delivering commissioning services including crime prevention, and victims services. Operational decision-making on day-to-day policing remains the responsibility of the Commissioner.

On 5 May 2016, London elected Sadiq Khan as Mayor and therefore as the occupant of the Mayor's Office for Police and Crime for the metropolitan police district. The Policing and Crime Plan for his term - launched in March 2017 - sets out how the Mayor plans to discharge his responsibilities through MOPAC and his commitments to Londoners over the four years following the Mayor's appointment as Police and Crime Commissioner for London.

These Accounts reflect the administration's priorities to meet the objectives within MOPAC's published Policing and Crime Plan for 2017-2021 and savings that will balance the budget in the medium-term.

All the financial transactions incurred during 2017/18 for Metropolitan Police services in London have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of MOPAC and the MOPAC Group for the year ending 31 March 2018. The term 'Group' refers to the consolidated accounts of the MOPAC and its subsidiary, CPM. Where the Group's position differs from MOPAC's position this is made clear in the statements and notes. Separate statutory accounts are prepared for the CPM.

This narrative report provides an overview of the accounting arrangements and outlines the financial performance of MOPAC and the MOPAC Group during 2017/18.

### Delivering our priorities - highlights of 2017/18

2017/18 was a difficult year for London. The city endured terror attacks in London Bridge, Finsbury Park and Parsons Green. London was horrified by the dreadful fire at Grenfell Tower. The Mayor also continues the fight against violence and knife crime, which has been increasing in London since 2014 and continues to take lives. In these difficult times, never has the dedication, heroism and skill of our police service - and all of our emergency services - been more clearly on display. The Mayor will continue to work with the Met. Police Commissioner, our partner agencies and communities to make our city a safer place for all.

### A better police service for London

- The Mayor has agreed a new budget for 2018/19 - providing an additional £110million to the Met Police from council tax and business rates. This is to be spent on; - combatting knife crime (£15m); funding the two percent police pay increase (£20.2m); funding towards the capital programme (£55m); improving police response to mental health (£3.3m), boosting police officer numbers (£13.7m) and on process of recruiting additional police officers (£5m).
- From 2019/20, the Mayor will invest in an additional £59m annually raised predominantly from business rates to support an extra 1000 police officer posts than would otherwise be affordable. The Met has had to make savings of £700million since 2010 following Government budget cuts, and it must save a further £325million by 2021. The Mayor continues to fight tooth and nail to get more funding from the Government - who provide roughly three-quarters of the Met's overall funding.
- The Mayor met his commitment to put two Dedicated Ward Officers (DWOs) and one Police Community Support Officer (PCSO) in every London ward, and to work with local councils and police teams to agree policing priorities for every borough in the city.
- The rollout of body-worn video to all frontline officers in the Met was completed, providing more transparency and accountability in all interactions between the police and the public. The Mayor and Deputy Mayor for Policing and Crime continue to hold the Met to account for public confidence.
- Further investments were made to ensure that the Met is fit for the future. This includes: a public access strategy, closing costly and decreasingly visited police stations, and investing in the telephone and online methods of contact that Londoners increasingly want; the purchase of a new counter-terrorism and organised crime hub for London; and new technologies coming into service such as digital forensics kiosks and mobile tablets for officers.
- Following the completion of pathfinder projects in two areas of London, the Met is restructuring from a system of 32 individual Borough commands into 12 larger Basic Command Units to tackle the most serious and harmful crimes. One element of these changes is increasing the number of officers working on safeguarding the most vulnerable and managing the most dangerous offenders.
- Following the publication of Lord Harris' independent review into London's preparedness for a terror attack, published in October 2016, more than two thirds of his recommendations have been met. The Met also completed the recruitment of an additional 600 firearms officers - one of the Mayor's first commitments upon coming to office.

### A better criminal justice service for London

The Mayor:

- together with the Ministry of Justice and London Councils agreed a ground-breaking Memorandum of Understanding for the devolution of powers and responsibilities over elements of the London criminal justice service from the Government to the Mayor - ensuring that London has a greater say of how justice is done in the city.
- appointed London's first independent Victims Commissioner, Claire Waxman, championing the rights of victims of crime and working to improve the service they receive from the police and justice service. She has launched a review of compliance with the Victims Code of Practice to drive forward this work.

- invested £47 million into victims' services across the capital over three years a £6 million increase on the budget allocated to these services in the previous Police and Crime Plan. For the first time, this funding, previously provided on an annual basis, has been allocated for three years to provide longer-term support.
- launched a pilot scheme with a budget of £150,000 to use GPS tags to monitor some of London's most prolific offenders, who are responsible for a significant percentage of all the crime in London. This is the first scheme of its kind in the UK.

### Keeping children and young people safe

- After extensive consultation, the Mayor launched his Knife Crime Strategy in June 2017 - a comprehensive, public-health approach to drive down these appalling crimes and protect young Londoners.
- City Hall hosted a Community Meeting on serious youth violence with over 100 front line organisations to hear about their experiences, including those whose families have been directly affected by serious youth violence.
- Following the HMIC report on Child Protection, MOPAC continues to drive improvement through ensuring regular oversight of child protection in the Mayor's regular formal meetings with senior Met leaders

### Prevention

- The Mayor created a new Young Londoners Fund - providing a £45 million investment in vital youth services. The fund will help children and young people to fulfil their potential, particularly those at risk of getting caught up in crime. It will support a range of education, sport, cultural and other activities for children and young people. The 3-year fund will see £30m made available for projects in local communities. The remaining £15m will be invested to expand existing projects funded by City Hall that support young Londoners.
- The Mayor's Office for Policing and Crime extended an offer to provide a metal detecting knife wand, free of charge, to every school and college in London. 150 of these wands have been distributed so far.
- The Mayor's Office for Policing and Crime lobbied OFSTED to develop a thematic inspection on knife crime, to ensure schools have the right safeguarding measures in place.
- The Mayor's Anti-knife crime movement '*London Needs You Alive*' was launched in November 2017. Working with some of London's most influential young artists and campaigners - from grime and rap stars to poets, bloggers and photographers-the campaign puts forward a positive message to influence young Londoners in making an active choice not to carry a knife.
- The Mayor has allocated a total amount of funding of £1.4m towards 43 community projects through the Young Londoners Fund and Knife Crime Community Seed Fund to support work with young people.
- The Mayor's Office for Policing and Crime and the Met hosted a retailers' workshop to discuss what more the business community can do to prevent knives getting into the wrong hands.

### Enforcement

- An additional £15million funding has been targeted to support the police in tackling knife crime in London's communities. The Met has used some of this funding to launch a new Violent Crime Task Force to tackle the most dangerous individuals and groups in London. The Met is also doubling the use of 'Operation Sceptre' anti-knife crime activities from monthly to fortnightly.
- Every London borough now has a bespoke knife crime action plan created in partnership with the Met police.

### Intervention

- £1.4million has already been committed to maintaining specialist youth support provision in metropolitan town centres and we will be extending this programme to key A & E departments in boroughs that have high levels of knife crime to maximise the power and value of this teachable moment.
- The Mayor's Office for Policing and crime has committed £1million to commission London Gang Exit services for 150 young people up to September 2019. It will be committing an additional £1million to this work to further extend its reach and effectiveness.

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

- The Mayor published his strategy to tackle violence against women and girls in March 2017, backed by a record £44million investment up to 2020. Initiatives include:
  - Piloting a 'whole school' approach to ending violence against women and girls and Serious Youth Violence (SYV). This will take place between December 2017 and September 2020, using education to help young people: recognise the signs of abusive behaviour; what to do if they need help; and to build healthy relationships.
  - The Mayor's Office for Policing and Crime, the Met. Police Service, Hampshire and Cheshire Police and Crime Commissioner and Forces, Probation, the Crown Prosecution Service and Suzy Lamplugh Trust have bid successfully for £4million in shared funding to open a Stalking Threat Assessment Centre - enabling the authorities to tackle the underlying causes driving the fixated behaviour of stalkers and helping to prevent further offending.
  - MOPAC embarked on a new project - Drive - with the MPS to challenge the behaviour of perpetrators of domestic abuse and reduce offending, after successfully bidding for national funding. Drive challenges perpetrators of domestic abuse to fundamentally change their behaviour to make victims and families safe. Its first principle is to move the response to a crime from 'why doesn't she leave?' to 'why doesn't he stop?'
  - £600k to support a new campaign to challenge the attitudes and behaviours behind Violence Against Women and Girls in all its forms, such as: street-based harassment and abuse; domestic and sexual violence; modern slavery; and female genital mutilation (FGM).

### **Standing together against hate crime, intolerance and extremism**

- The Online Hate Crime Hub - a specialist unit focusing on tackling online hate - has been delivered successfully and was mainstreamed into core Met. Police Service business from April 2018. It has supported investigations into 567 cases in the last year.

- Hosted an Online Hate Crime Summit at City Hall, bringing together police, criminal justice agencies, technology firms and communities to discuss how to tackle this emerging problem. The Summit was the first of its kind in the UK.
- The Mayor unveiled a new work programme on Countering Violent Extremism to improve and renew efforts to tackle violent extremism across London. This programme will aim to tackle violent extremism - from both the far-right to the so-called Islamic State/Daesh - in the capital.

### The financial statements

Like all public services, policing has faced a challenging financial environment over the last few years. In spite of ongoing financial pressures we have continued our investment in projects and programmes to deliver transformation. These include investment in mobility, body worn video and firearms. The Balance Sheet reflects the planned release of under-utilised buildings and investment in modern facilities and IT to support officers on the front line. The majority of investment has been funded from receipts from the disposal of properties, and long term borrowing has reduced as debt has been repaid, lowering future financing costs. Before the police officer pension liability, which is subject to a separate year on year funding arrangement agreed with the Home Office, the Balance Sheet shows a positive net worth of £1,688 million, an increase of £19 million from last year (£1,669 million). Finally, general reserves have been maintained and earmarked reserves have decreased.

More specifically, the consolidated financial statements consist of:

- The Comprehensive Income and Expenditure Statement (CIES) for the Group and MOPAC - this summarises the resources generated and consumed in the year. Whilst it shows a deficit on the provision of services of £1,025 million, after taking accounting adjustments into consideration there is a balanced position after transfers from earmarked reserves of £36 million;
- The Movement in Reserves Statement (MIRS) for the Group and MOPAC - this shows how the £1,025 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 reduced from £590 million to £222 million during 2017/18 which reflects the fact that MOPAC has reduced its usable capital reserves by £332 million and its earmarked revenue reserves by £36 million.
- The Balance Sheet for the Group and MOPAC - this sets out the assets, liabilities owed by MOPAC to others, and the usable and unusable reserves which MOPAC maintains. The Balance Sheet shows a negative net worth of £30,111 million. This figure however includes the cost of police officer pensioners' liabilities which are subject to a separate year on year funding arrangement agreed with the Home Office. If the police pension liabilities are excluded, the Balance Sheet would show a positive net worth of £1,688 million;
- The Cash Flow Statement for the Group and MOPAC - this shows the inflows and outflows of cash to and from MOPAC. During 2017/18 there was a net cash outflow from MOPAC of £68 million. This outflow of cash was mainly due to financing the capital investment programme and use of earmarked reserves offset by a decrease in short term investments of £252 million.

In addition to the financial statements the Annual Accounts include a Statement of Responsibilities for the Accounts and are accompanied by MOPAC's Annual Governance Statement for 2017/18.

## Financial performance of the Group

### Setting the budget

The Deputy Mayor for Policing and Crime recommends an annual budget to the Mayor, following consultation with the Commissioner. The approved budget for 2017/18 for the whole MOPAC Group provided for gross expenditure of £3,269 million. Within this amount, £61m was attributable to MOPAC, and included some £43m relating to London initiatives such as crime prevention, rape crisis centres, safer neighbourhood boards and for delivering victims services which became a MOPAC responsibility with effect from 1 October 2014. The MOPAC Group net budget, after taking into account income, specific grant before reserve usage, was £2,585 million

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

### Performance against the Revenue Budget

The financial year 2017/18 presented a number of key operational challenges, which are outlined below. In addition savings of £82 million were required to balance the budget. This was part of a programme of savings totalling circa £730 million between 2013/14 and 2017/18.

Table 1 provides a summary of the final MOPAC outturn position for 2017/18 compared with the revised budget. Figures in brackets in the variance column represent reduced expenditure or increased income against the revised budget.

**Table 1 MOPAC Group - Final outturn position for 2017/18 compared with 2016/17 and the revised budget**

Outturn 2016/17	£000	Approved annual budget 2017/18	Revised annual budget 2017/18	Outturn 2017/18	Variance Overspend / (underspend) 2017/18	Variance % 2017/18
1,880,555	Pay Police officer pay and overtime	1,869,967	1,875,567	1,880,491	4,924	0.3
544,696	MOPAC and police staff pay and overtime	547,517	553,794	519,254	(34,540)	(6.2)
<b>2,425,251</b>	<b>Total pay</b>	<b>2,417,484</b>	<b>2,429,361</b>	<b>2,399,745</b>	<b>(29,616)</b>	<b>(1.2)</b>
51,994	Running expenses Employee related expenditure	31,382	26,046	26,693	647	2.5
171,149	Premises costs	174,884	173,741	172,143	(1,598)	(0.9)
66,043	Transport costs	59,888	69,622	73,909	4,287	6.2
501,282	Supplies & services	506,635	525,044	545,081	20,037	3.8
42,957	Capital financing costs	42,957	46,159	46,608	449	1.0
33,242	Discretionary pension costs	35,875	34,434	33,695	(739)	(2.1)
866,667	Total running expenses	851,621	875,046	898,129	23,083	2.6
3,291,918	Total gross expenditure	3,269,105	3,304,407	3,297,874	(6,533)	(0.2)
(736,607)	Total income and grants	(683,705)	(739,886)	(755,551)	(15,665)	2.1
<b>2,555,311</b>	<b>Net expenditure</b>	<b>2,585,400</b>	<b>2,564,521</b>	<b>2,542,323</b>	<b>(22,198)</b>	<b>(0.9)</b>
(56,950)	Transfer to/(from) earmarked reserve	(81,800)	(60,867)	(38,669)	22,198	36.5
0	Transfer to/(from) general reserve	0	0	0	0	0.0
<b>2,498,361</b>	<b>Budget requirement</b>	<b>2,503,600</b>	<b>2,503,654</b>	<b>2,503,654</b>	<b>0</b>	<b>0</b>
(2,498,361)	Total Funding	(2,503,600)	(2,503,654)	(2,503,654)	0	0.0
<b>0</b>	<b>Total MOPAC Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



In overall terms underspends on pay together with additional grants (to cover the terrorist events and the Grenfell Tower operation and enquiry) offset overspends on running costs. At the start of the financial year, uncertainty over the medium term police officer establishment led to the early decision to transfer £27 million of police pay budget to reserves. This, coupled with the additional funding provided by the Mayor for 2018/19 and beyond has now allowed a period of stability for the officer establishment. The overall overspend of police officer pay and overtime is made up of an overspend of £12.1 million on officer overtime which is offset by an underspend on police officer pay. A total of £6.5 million, of the officer overtime overspend was funded from external sources leaving £5.6 million, due to operational pressures (serious crime) and to cover vacancies.

The MOPAC Group also had an underspend of £38.4 million on police staff pay (and an overspend of £3.9 million on police staff overtime). The underspend was driven by vacancies within a number of areas - Met Detention, Designated Detention Officers, Forensic Health Care Nurses, Public Access Officers, Met CC, Forensics and Met Intelligence. The shortfall in police staff pay was partly managed through other devolved budgets such as supplies and services, for example using Forensic Medical Officers to cover for the nurse vacancies and police officer overtime (to provide cover in Met Detention and Dedicated Detention Officers). Recruitment campaigns are underway to address the significant number of vacancies across the MPS.

The budget for running costs was overspent by £23.1 million, due in the main to an overspend on the BSS contract, part of which was for a one-off settlement (for which the MPS will receive a reduction in expenditure in future years) with the balance for higher than anticipated recruitment volumes in the final quarter. In addition, the transition to the new PSOP system took longer than anticipated, driving further additional costs. A commercial dispute is outstanding regarding additional costs incurred and the MPS and SSCL will imminently be entering into a facilitated mediation process. Further details are within the Contingent Liabilities section on page 33.

The MOPAC Group received Special Grant Funding from the Home Office for the terrorist incidents in 2017 (£7.8m) and the Grenfell Tower operation and subsequent investigation (£10.5m). Additional grant was also received to cover Counter-Terrorism and Protective Security costs. The MPS also received extra income for items seized under Proceeds of Crime Act (POCA), driver awareness courses, direct entry Superintendents and the settlement of a legal claim. However these achievements were offset partially by a number of smaller under-recoveries of income including International Protect and Prepare vacancies.

The net movement on earmarked and general reserves during 2017/18 is a reduction of £36 million as shown in Table 2 below.

**Table 2 Net movement on earmarked and general reserves 2017/18**

Description	£ million
Opening reserves balance 1 April 2017	240.3
Transfers to/from reserves	(38.7)
Transfers to/from reserves - NPCC/NPOC	2.5
<b>Closing reserves balance 31 March 2018</b>	<b>204.1</b>

The £36 million net reduction to the earmarked reserves for this financial year is principally as a result of the following:

Transfers from Reserves:

- £63.6m to cover the costs of transition and change programmes linked to the delivery of the modernisation programme;
- £3.6m to cover the firearms uplift;
- £3.5m to fund redundancy costs linked to the delivery of the modernisation programme;
- £1.9m to cover property dilapidations and the central estates strategy;

- £0.4m to the Proceeds of Crime Act Reserve to fund future crime prevention initiatives;
- £2.5m national functions to NPCC/NPOC.

Offset by transfers to reserves:

- £1.1 m to cover the costs of Vetting;
- £27.1m to manage Officer FTEs;
- £0.9m MOPAC underspend to be used for future commitments;
- £13.7m underspend to manage formally agreed initiatives.

## Performance against the 2017/18 Capital Programme

### Capital expenditure 2017/18

Capital expenditure for 2017/18 was financed in accordance with the Prudential code from capital grants, third party contributions, capital receipts and borrowing. Capital expenditure for 2017/18 was £431.5 million. This compares with the revised annual budget of £268 million. The difference is accounted for by the decision to bring forward the purchase of Empress State Building into 2017/18 from 2018/19 as had been assumed within our capital programme. Further detail on this purchase is contained within the accounts in Note 17. Purchasing the freehold of Empress State Building (ESB) via share acquisition secured the long term future of the building, enabled much needed investment into the building whilst offering better value for money than signing a 15 year lease. MOPAC took the opportunity to purchase the freehold of the building via share acquisition in the final week of 2017/18 (rather than 2018/19 as initially planned) delivering a revenue saving of £300k on rent that would otherwise have been payable.

Table 3 Capital Outturn position 2017/18

Actual expenditure 2016/17	Summary by programme	Approved budget 2017/18	Actual expenditure 2017/18	Actual v approved programme
£000				
74,639	Property Services	85,300	294,321	209,021
0	NCTPHQ	28,500	13,133	(15,367)
81,379	Digital Policing	122,800	105,666	(17,134)
21,029	Fleet Services	31,400	18,399	(13,001)
<b>177,047</b>	<b>Total</b>	<b>268,000</b>	<b>431,519</b>	<b>163,519</b>

**Property based programme** Property Services capital expenditure was £294.3m for the year against a budgeted spend of £85.3m. The overspend position is due mainly to the purchase of Empress State Building via share acquisition for £250m which was brought forward from 2018/19 into 2017/18. There were other main variances which include;

- Deferral of some police station refurbishments;
- Delays in the programming to align with the outcome of public access consultation;
- Delays in commencing works at Hammersmith;

**Digital Policing based programmes** - In supporting the Mayor's Police and Crime Plan and the MPS objective to "Make London the Safest Global City", Digital Policing spent £105.7m on capital programmes in the year. This is providing new information technology tools, solutions and the appropriate infrastructure to provide the MPS what it needs to be a 21st-century crime-fighting organisation to support Londoners and our national responsibilities.

Digital Policing Programmes for 2017/18 included:

- 20,000 Body Worn Video cameras launched completed, including docking stations, clipping software, and sharing up to 4,500 clips per month with CPS through cloud links.
- Case Overview and Preparation Application (COPA) Traffic application is available to all 30,000 officers, processing 200 collision reports per day and COPA Crime is processing 425 criminal cases per day.
- Corporate WiFi roll-out in major buildings (including New Scotland Yard, Empress State Building) and now rolling out estate wide.
- New In-Vehicle Mobile Applications (IVMA) deployed to 725 vehicles including new in-boot equipment, wiring and fitment to replace the legacy technology.
- 10,000 plus mobile laptops and tablets deployed to front line officers and police staff with core intelligence and custody record applications.
- Telephone Digital Investigation Unit went live and has investigated over 100,000 crimes, some third of reported crime significantly reducing the number of front line deployments.
- Launch of new Health & Safety and Occupational Health solutions to support outsourcing of functions, deployment of new Security Operations Centre managing IT security across the estate.

For 2018/19 the capital plan has been built up from prioritisation work within the One Met Model to build on the investments in mobility, build out the first modules of the new Met Integrated Policing Solution (MiPS) replacing in a single system the seven separate current systems and continue to invest in the new tools to support the MPS journey to a data driven organisation.

**Fleet Services based programme** - Investment in transport for 2017/18 was £18 million. The transport programme includes the purchase and conversion of the standard MOPAC fleet, vehicles purchased using funds provided by third parties (e.g. counter terrorism vehicles and vehicles purchased from funds provided by Transport for London) as well as vehicles and other Armed uplift equipment. The slippage against the budget does not have a detrimental operational impact on the delivery of policing. The Met also continue to support the Mayor's commitment to improve air quality in London through investing and deploying greener vehicles across the fleet.

### Capital financing

During 2017/18 MOPAC has increased borrowing by £84 million and the outstanding debt increased from £159 million at 31 March 2017 to £243 million at 31 March 2018.

Capital receipts of £41.8 million were generated from the disposal of assets during the year against the set target of £37.3 million. Capital expenditure of £431.3 million on non-current assets in 2017/18 was financed in accordance with the Prudential Code, from capital grants and other third party contributions of £36.5 million, capital receipts applied of £377 million, and revenue contributions of £5 million.

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

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

Under the Framework MOPAC is legally obliged to set aside an amount called the Minimum Revenue Position (MRP). For 2017/18 the MRP was £22.7 million. The MRP is the prudent amount that the Group is legally required to set aside from revenue to meet the borrowing repayments

undertaken to support capital investment. In 2017/18 MOPAC's capital expenditure for the year was fully funded by capital receipts, government grants and revenue contributions.

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

### Operational Performance

Crime is increasing across the country. Analysis from the Office for National Statistics published in April 2018 showed that, in the calendar year to December 2017, total offences across England and Wales increased by 17.2%.

In the MPS area, the increase over the same period was 7.1%. The MPS are working hard to counter these increases in London. The Mayor is giving his full support to those efforts, with an unprecedented £110m investment from City Hall to the Met in 2018/19, and other significant investments in preventing crime and strengthening enforcement.

The latest statistics from Metropolitan Police Service - which cover the financial year 2017/18, show that trend of significant increases in crime nationally, with less marked increases in London, continues:

#### Total Notifiable Offences 2017/18

Figures show that in the financial year 2017/18, overall crime in the MPS area - total notifiable offences - has increased by 6.4 per cent (777,458 to 827,225 offences).

#### Violence against the person / homicide

Violence against the person increased by 5.26 per cent (237,774 to 250,287 offences). Under this category, homicides increased by 44 per cent (109 to 157 offences). Eight of these were as a result of the appalling terror attacks that occurred at London Bridge and Finsbury Park.

Assault with injury increased by 0.54 per cent (50,836 to 51,110 offences). Knife crime offences are up by 21.2 per cent (12,115 to 14,680 offences) and knife crime with injury offences are up by 5.7 per cent (4,446 to 4,700 offences). Knife crime injuries to under 25s have stabilised and recorded offences at present have increased by 3 per cent compared to a 24 per cent increase for the same period last year.

In June 2017, the Mayor published The Knife Crime Strategy, which is a comprehensive approach to tackling the problem of knife crime in the capital. The Knife Crime Strategy was drawn up in collaboration with many organisations, groups, communities and individuals. Measures include empowering communities with funds to do more to protect young people, and more prevention and police work to crack down on offenders and get dangerous weapons off the streets.

Conversely, gun crime offences are down by 4.6 per cent over the comparison period (2,553 to 2,435 offences), although there was an increase in the discharge of lethal barrelled guns by 23.3 per cent (313 to 386 offences).

Funded with additional investment from the Mayor, a Violent Crime Task Force has been set up to tackle violent crime, weapon-enabled crime and serious criminality. These officers will use a full range of tactics to identify, locate and confront street-level offenders, gangs and knife crime offenders. This unit will be supported by borough officers, Trident and Area Crime Command and specialist units, as well as community partners.

Operation Sceptre will continue to target those people known to routinely carry knives through intelligence-led operations, the increased and proper use of 'stop and search', community weapons sweeps and targeting the shops and markets that sell knives to children.

### Sexual offences

Sexual offences are up by 11.04 per cent (17,880 to 19,854 offences); within that, recorded rape is up by 18.39 per cent (6,510 to 7,707 offences) and other sexual offences are up by 6.83 per cent (11,370 to 12,147 offences). The MPS Child Abuse and Sexual Offences Command has been working within the diverse communities to address under reporting of offences, particularly through a social media campaign: #ITSNOTOK.

In March, the Mayor published a Violence Against Women and Girls Strategy for London, setting out an ambitious programme of work to tackle sexual offences, harassment, domestic abuse, stalking, FGM and other crimes that particularly affect women and girls in the capital. Work is now underway to deliver those ambitions and make London a safer city for women and girls.

### Burglary / Robbery

Burglary of homes and businesses is up by 11.65 per cent (69,528 to 77,626 offences). The MPS is committed to reducing the number of burglaries across London. It deploys patrols to hotspot areas, carries out proactive operations in east and south London against organised criminal groups who commit these offences, and collaborates with the home-counties forces to tackle cross-border offending.

The highly successful MetTrace property marking kits (traceable forensic liquid which can be used to invisibly tag valuables and possessions) are being rolled out for a third year. Over a quarter of a million homes have already been provided with MetTrace.

Total robbery is up by 35.81 per cent (24,202 to 32,869 offences), with robbery of personal property up by at 36.17 per cent (22,479 to 30,609 offences). Theft is up by 8.05 per cent (305,876 to 330,511 offences) with theft from person at 25.19 per cent, (38,013 to 47,587 offences).

Some of the increase in robbery and theft is attributable to scooter-related crime. The MPS has been putting a huge amount of effort into stemming the rise in these offences. In October, new tactics such as DNA spray, light-weight police motorcycles, and remote control tyre deflation devices were introduced. As a result, reductions in scooter-related crime are being experienced. In April 2017, there were 1,512 scooter, moped and motorcycle thefts. In less than a year this number was reduced - March 2018 saw 756 thefts - a 50 per cent reduction.

In July 2017, the number of crimes committed using scooter, moped and motorcycle peaked at 2,592. In less than a year this number was reduced - the month of March 2018 saw 1,238 - a 52 per cent reduction.

## The Balance Sheet

The net worth of MOPAC and the MOPAC Group (excluding the cost of Police Officer pensions liabilities which are subject to a separate funding arrangement agreed year on year with the Home Office) increased by £19 million (from £1,669 million to £1,688 million) during 2017/18. MOPAC considers that the Balance Sheet remains 'robust' as evidenced by earmarked reserves and the General Reserves Reserve maintained at prudent levels and high levels of income collection.

### Reserves

MOPAC's policy is to have a General Reserve and an Emergency Contingency Fund, the latter of which is to meet unforeseen or emergency expenditure which cannot be contained within the budget. The General Reserve is £23.5 million at 31 March 2018 and the Emergencies Contingency Reserve is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.9% of the 2017/18 budget requirement. The intention is to maintain the balance of these reserves above 1.5%.

MOPAC also hold Earmarked reserves, the balance of which was £154.4m as at 31 March 2018. Earmarked reserves are being held for specific purposes, including facilitating the transformation programme, managing one-off impacts against the medium-term budget, and statutorily ring-fenced accounts (such as the Proceeds of Crime Act income).

### Pensions

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed on the Group Balance Sheet, reflect the cost of paying police officers in the future to the extent they had earned entitlement to pension benefits for periods up to and including 2017/18 in line with IAS 19. Police pension costs are recognised in the Commissioner of Police of the Metropolis CIES in the first instance along with other employee costs but are ultimately funded by MOPAC. Recognition of the total liability has a substantial impact on the net worth of the MOPAC Group. The fund valuation shows an increase in liabilities due in the main to the change in actuarial assumptions used to calculate the pensions liability. Pension contributions of 21.3% of pensionable pay are made to finance the liability, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Revenue Account. The shortfall on the pension fund between contributions and other income receivable and benefits payable was met by the Home Office in 2017/18.

### Outlook for 2018/19

The 2018/19 gross revenue budget has been set at £3,331.6 million, an increase of 0.8% from the revised 2017/18 budgeted figure of £3,304.4 million to reflect increases in our overall funding sources. The budget is funded by a general government grant of £1,882.1 million, retained business rates of £92.0 million and council tax income of £641.4 million. Additionally, MOPAC is budgeting to receive £687.0 million in specific grants and income, and is planning to utilise £29.0 million of reserves. The policing element of the Band D council tax precept for 2018/19 is £218.13 (2017/18 £206.13).

The Mayor approved a balanced budget for 2018/19. The MPS Management Board, in conversation with the Mayor, has agreed a medium term plan for officer FTEs based on existing funding assumptions. This includes increasing officer numbers from a base of 30,000 FTEs in 2018/19 to approximately 30,750 in 2019/20 and then holding at this level for the next 2 years, managing affordability through reserves. This will allow the organisation a level of certainty that will be the basis for future plans.

Whilst the revenue budget is balanced in 2018/19, there remain significant savings requirements from 2019/20 to 2021/22. A budget process will begin in the summer 2018 that will examine all aspects of the revenue and capital budget and identify savings that will balance the budget in the medium-term. This will be aligned to the MPS One Met Model programme and the Mayor's Police and Crime Plan.

Capital investments of £420.8 million are planned for 2018/19 and will be utilised to deliver the modernisation of policing's IT infrastructure and estate, both of which will deliver revenue savings in years to come.

### The Statement of Accounts

The 2017/18 MOPAC Group Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2017/18.

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

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

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

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

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

The accounting arrangements between MOPAC and the CPM are detailed more fully in Note 6 to the Accounts on page 26.

### **Accounting Changes for 2017/18**

There were no changes in the CIPFA Code 2017/18 which materially affected the MOPAC Statement of Accounts.

### **Annual Governance Statement**

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

## Independent auditor's report to the Mayor's Office for Policing and Crime

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Mayor's Office for Policing and Crime ('MOPAC') and its subsidiary the Commissioner of Police of the Metropolis (the 'group') for the year ended 31 March 2018. The financial statements comprise the MOPAC Group Comprehensive Income and Expenditure Statement, the MOPAC Comprehensive Income and Expenditure Statement, the MOPAC Group Movement in Reserves Statement, the MOPAC Movement in Reserves Statement, the MOPAC Group Balance Sheet, the MOPAC Balance Sheet, the MOPAC Group and MOPAC Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the Police Officer Pension Fund financial statements comprising the police officer pension fund revenue account, the police officer pension fund asset statement and related notes 3 to 7. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of MOPAC as at 31 March 2018 and of the group's expenditure and income and MOPAC's 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 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and MOPAC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Who we are reporting to

This report is made solely to MOPAC, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to MOPAC those matters we are required to state to MOPAC in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than MOPAC as a body, for our audit work, for this report, or for the opinions we have formed.



### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or MOPAC's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the group's and MOPAC's financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and MOPAC obtained in the course of our work, including that gained through work in relation to MOPAC's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of MOPAC gained through our work in relation to MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to MOPAC under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

### **Responsibilities of MOPAC and the Chief Financial Officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Accounts, MOPAC is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and MOPAC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or MOPAC lacks funding for its continued existence, or when policy decisions have been made that affect the services provided by the group or MOPAC.

The Deputy Mayor for Policing and Crime is Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements - Conclusion on MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that MOPAC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Responsibilities of MOPAC**

MOPAC is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that MOPAC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects MOPAC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether MOPAC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that MOPAC has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Mayor's Office for Policing and Crime and Commissioner of Police of the Metropolis for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

*Paul Grady*

**Paul Grady**  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2A 1AG

30 July 2018

## Statement of responsibilities for the Accounts

### Deputy Mayor's Responsibilities

The Deputy Mayor For Policing And Crime is required to:

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

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



Signed  
Sophie Linden  
Deputy Mayor for Policing and Crime  
Dated: 23 July 2018

### Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, MOPAC has:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of MOPAC and MOPAC Group at the accounting date and of the income and expenditure for the year ended 31 March 2018.



Signed  
Siobhan Peters  
Chief Financial Officer  
Dated: 23 July 2018

## MOPAC Group Comprehensive Income and Expenditure Statement (CIES) for 2017/18

£000	Notes	Year ending	Year ending	Year ending	Year ending	Year ending	Year ending
		31 March 2018	31 March 2018	31 March 2018	31 March 2017	31 March 2017	31 March 2017
		Gross exp	Income	Net exp	Gross exp	Income	Net exp
Territorial Policing		1,447,843	(126,534)	1,321,309	1,343,045	(135,043)	1,208,002
Specialist Crime and Operations		761,527	(88,277)	673,250	773,238	(83,156)	690,082
Specialist Operations		464,395	(430,452)	33,943	414,261	(405,068)	9,193
Met HQ		544,404	(54,566)	489,838	494,537	(60,620)	433,917
Digital Policing		199,435	(3,830)	195,605	202,972	(4,745)	198,227
Centrally Held		83,749	(46,517)	37,232	105,457	(41,385)	64,072
MOPAC		53,977	(17,602)	36,375	51,004	(15,352)	35,652
<b>Cost of services</b>	1.1	<b>3,555,330</b>	<b>(767,778)</b>	<b>2,787,552</b>	<b>3,384,514</b>	<b>(745,369)</b>	<b>2,639,145</b>
<b>Other operating expenditure</b>							
Net gains on disposal of non-current assets	13.1			(360)			(160,933)
Riot Damages Act claims				(461)			0
<b>Financing and investment</b>							
Interest payable and similar charges	11			18,867			19,629
Interest on Police Officer Pension Defined Benefit Liability	6.2 12.1			766,700			925,100
Interest and investment income				(2,091)			(2,305)
Investment properties revaluation	16			173			(558)
<b>Grants</b>							
Non Specific Grants	14			(2,503,654)			(2,498,361)
Capital grants	14.1			(41,541)			(39,887)
Funding of Riot Damages Act claims				360			0
<b>Deficit on provision of services</b>				<b>1,025,545</b>			<b>881,830</b>
<b>Other comprehensive income and expenditure</b>							
(Surplus) on revaluation of non-current assets				(113,275)			(43,443)
Re-measurements of the defined benefit liability	6.2 12.1			1,445,500			2,059,600
<b>Other comprehensive income and expenditure</b>				<b>1,332,225</b>			<b>2,016,157</b>
<b>Total comprehensive income and expenditure</b>				<b>2,357,770</b>			<b>2,897,987</b>

The statement above shows the accounting cost for the period 1 April 2017 to 31 March 2018 (with prior year as a comparative year) of providing services for the Group, in accordance with generally accepted accounting practices, in addition to the amount of funding by way of grant income.

## MOPAC Comprehensive Income and Expenditure Statement (CIES) For Policing And Crime for 2017/18

£000	Notes	Year ending	Year ending	Year ending	Year ending	Year ending	Year ending
		31 March 2018	31 March 2018	31 March 2018	31 March 2017	31 March 2017	31 March 2017
		Gross exp	Income	Net exp	Gross exp	Income	Net exp
Intra-group funding -policing		3,516,365	(751,426)	2,764,939	3,359,126	(731,867)	2,627,259
Other		53,977	(17,602)	36,375	51,004	(15,352)	35,652
Revaluation loss (gain to reverse previous losses) not charged to CPM		(13,762)	0	(13,762)	(23,766)	0	(23,766)
<b>Cost of services</b>	1.2	<b>3,556,580</b>	<b>(769,028)</b>	<b>2,787,552</b>	<b>3,386,364</b>	<b>(747,219)</b>	<b>2,639,145</b>
<b>Other operating expenditure</b>							
Net gains on disposal of non-current assets	13.1			(360)			(160,933)
Riot Damages Act claims				(461)			0
Interest on Police Officer Pension Defined Benefit Liability - intra-group funding	6.2, 12.1			766,700			925,100
Re-measurements of the defined benefit liability - intra-group funding	6.2, 12.1			1,445,500			2,059,600
<b>Financing and investment</b>							
Interest payable and similar charges	11			18,867			19,629
Interest and investment income				(2,091)			(2,305)
Investment properties revaluation	16			173			(558)
<b>Grants</b>							
Non Specific Grants	14			(2,503,654)			(2,498,361)
Capital grants	14.1			(41,541)			(39,887)
Funding of Riot Damages Act claims				360			0
<b>(Surplus) or Deficit on provision of services</b>				<b>2,471,045</b>			<b>2,941,430</b>
<b>Other income and expenditure</b>							
(Surplus) or Deficit on revaluation of non current assets				(113,275)			(43,443)
<b>Total comprehensive income and expenditure</b>				<b>2,357,770</b>			<b>2,897,987</b>

The statement above shows the accounting cost for the period 1 April 2017 to 31 March 2018 (with prior year as a comparative year) of providing services in accordance with generally accepted accounting practices for MOPAC, in addition to the amount of funding by way of grant income. The consolidated accounting cost and funding for the MOPAC Group to 31 March 2018 is shown on the page before.

## MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2018

£000	General Reserves Balance	Earmarked revenue reserves	Total General and Earmarked reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
At 31 March 2017	(46,576)	(193,667)	(240,243)	(337,296)	(12,482)	(590,021)	28,343,095	27,753,074
Movement in reserves during 2017/18								
Total comprehensive income and expenditure	1,025,545	0	1,025,545	0	0	1,025,545	1,332,225	2,357,770
Adjustments between accounting basis & funding basis under regulations (note 30)	(989,396)	0	(989,396)	337,296	(5,085)	(657,185)	657,185	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>36,149</b>	<b>0</b>	<b>36,149</b>	<b>337,296</b>	<b>(5,085)</b>	<b>368,360</b>	<b>1,989,410</b>	<b>2,357,770</b>
Transfers (to) / from earmarked reserves (note 29.3)	(36,149)	36,149	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>36,149</b>	<b>36,149</b>	<b>337,296</b>	<b>(5,085)</b>	<b>368,360</b>	<b>1,989,410</b>	<b>2,357,770</b>
<b>Balance at 31 March 2018</b>	<b>(46,576)</b>	<b>(157,518)</b>	<b>(204,094)</b>	<b>0</b>	<b>(17,567)</b>	<b>(221,661)</b>	<b>30,332,505</b>	<b>30,110,844</b>

This statement shows the movement in the year to 31 March 2018 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Reserves Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by the Group.

## MOPAC Movement in Reserves Statement (MIRS) for the year ended 31 March 2018

£000	General Reserves Balance	Earmarked revenue reserves	Total General and Earmarked reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
At 31 March 2017	(46,576)	(193,667)	(240,243)	(337,296)	(12,482)	(590,021)	28,343,095	27,753,074
Movement in reserves during 2017/18								
Total comprehensive income and expenditure	2,471,045	0	2,471,045	0	0	2,471,045	(113,275)	2,357,770
Adjustments between accounting basis & funding basis under regulations (note 30)	(2,434,896)	0	(2,434,896)	337,296	(5,085)	(2,102,685)	2,102,685	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>36,149</b>	<b>0</b>	<b>36,149</b>	<b>337,296</b>	<b>(5,085)</b>	<b>368,360</b>	<b>1,989,410</b>	<b>2,357,770</b>
Transfers (to) / from earmarked reserves (note 29.3)	(36,149)	36,149	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>36,149</b>	<b>36,149</b>	<b>337,296</b>	<b>(5,085)</b>	<b>368,360</b>	<b>1,989,410</b>	<b>2,357,770</b>
<b>Balance at 31 March 2018</b>	<b>(46,576)</b>	<b>(157,518)</b>	<b>(204,094)</b>	<b>0</b>	<b>(17,567)</b>	<b>(221,661)</b>	<b>30,332,505</b>	<b>30,110,844</b>

This statement shows the movement in the year to 31 March 2018 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Reserves Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by MOPAC.



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

£000	General Reserves Balance (restated)	Earmarked revenue reserves (restated)	Total General and Earmarked reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
At 31 March 2016	(46,576)	(251,342)	(297,918)	0	(4,503)	(302,421)	25,157,508	24,855,087
Movement in reserves during 2016/17								
Total comprehensive income and expenditure	881,830	0	881,830	0	0	881,830	2,016,157	2,897,987
Adjustments between accounting basis & funding basis under regulations (note 30)	(824,155)	0	(824,155)	(337,296)	(7,979)	(1,169,430)	1,169,430	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>57,675</b>	<b>0</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
Transfers (to) / from earmarked reserves (note 29.3)	(57,675)	57,675	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>57,675</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
<b>Balance at 31 March 2017</b>	<b>(46,576)</b>	<b>(193,667)</b>	<b>(240,243)</b>	<b>(337,296)</b>	<b>(12,482)</b>	<b>(590,021)</b>	<b>28,343,095</b>	<b>27,753,074</b>

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

Following a fundamental review of reserves undertaken in 2017/18, the General reserves and Earmarked Reserves balances have been represented in the MIRS to align with the presentation in the MPS/MOPAC Reserves Strategy. There is no overall change to the General and Earmarked Reserves totals. Further details of the review are contained in Note 29.3.

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

£000	General Reserves Balance (restated)	Earmarked revenue reserves (restated)	Total General and Earmarked reserves	Capital receipts reserve	Other useable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
At 31 March 2016	(46,576)	(251,342)	(297,918)	0	(4,503)	(302,421)	25,157,508	24,855,087
Movement in reserves during 2016/17								
Total comprehensive income and expenditure	2,941,430	0	2,941,430	0	0	2,941,430	(43,443)	2,897,987
Adjustments between accounting basis & funding basis under regulations (note 30)	(2,883,755)	0	(2,883,755)	(337,296)	(7,979)	(3,229,030)	3,229,030	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>57,675</b>	<b>0</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
Transfers (to) / from earmarked reserves (note 29.3)	(57,675)	57,675	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>57,675</b>	<b>57,675</b>	<b>(337,296)</b>	<b>(7,979)</b>	<b>(287,600)</b>	<b>3,185,587</b>	<b>2,897,987</b>
<b>Balance at 31 March 2017</b>	<b>(46,576)</b>	<b>(193,667)</b>	<b>(240,243)</b>	<b>(337,296)</b>	<b>(12,482)</b>	<b>(590,021)</b>	<b>28,343,095</b>	<b>27,753,074</b>

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

Following a fundamental review of reserves undertaken in 2017/18, the General reserves and Earmarked Reserves balances have been represented in the MIRS to align with the presentation in the MPS/MOPAC Reserves Strategy. There is no overall change to the General and Earmarked Reserves totals. Further details of the review are contained in Note 29.3.

## MOPAC Group Balance Sheet

£000	Notes	31 March 2018	31 March 2017
<b>Non current assets</b>			
Property, plant and equipment	16	2,163,162	1,776,192
Heritage assets	16	1,310	1,310
Investment properties	16	5,930	13,303
Intangible assets	16	1,235	1,785
<b>Total non current assets</b>		<b>2,171,637</b>	<b>1,792,590</b>
Long term debtors	18	634	1,426
<b>Total long term assets</b>		<b>2,172,271</b>	<b>1,794,016</b>
<b>Current assets</b>			
Assets held for sale	19	176	110
Inventories		4,350	4,138
Short term debtors	20	316,586	274,492
Short term investments	21	1,468	203,057
Cash & cash equivalents	22	16,316	84,531
<b>Total current assets</b>		<b>338,896</b>	<b>566,328</b>
<b>Current liabilities</b>			
Short term creditors	23	(456,378)	(386,155)
Short term borrowing	24	(129,493)	(20,521)
Provisions	26.1	(22,106)	(39,695)
<b>Total current liabilities</b>		<b>(607,977)</b>	<b>(446,371)</b>
<b>Long term liabilities</b>			
Provisions	26.2	(17,267)	(17,788)
Long term borrowing	27	(116,550)	(143,007)
Capital grants receipts in advance		(5,007)	(5,007)
Long term contractor liability	28	(76,210)	(79,245)
Police officer pension liability	6.2	(31,799,000)	(29,422,000)
<b>Total long term liabilities</b>		<b>(32,014,034)</b>	<b>(29,667,047)</b>
<b>Net assets</b>		<b>(30,110,844)</b>	<b>(27,753,074)</b>
<b>Financed by:</b>			
Unusable Reserves	29.1	(30,332,505)	(28,343,095)
Usable reserves	29.2-3	221,661	590,021
<b>Total reserves</b>		<b>(30,110,844)</b>	<b>(27,753,074)</b>

The Balance Sheet shows the value as at 31 March 2018 (with prior year as a comparative year) of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

## MOPAC Balance Sheet

£000	Notes	31 March 2018	31 March 2017
<b>Non current assets</b>			
Property, plant and equipment	16	1,911,325	1,776,192
Heritage assets	16	1,310	1,310
Investment properties	16	5,930	13,303
Intangible assets	16	1,235	1,785
<b>Total non current assets</b>		<b>1,919,800</b>	<b>1,792,590</b>
Investment in subsidiaries	17	251,837	0
Long term debtors	18	634	1,426
<b>Total long term assets</b>		<b>2,172,271</b>	<b>1,794,016</b>
<b>Current assets</b>			
Assets held for sale	19	176	110
Inventories		4,350	4,138
Short term debtors	20	316,586	274,492
Short term investments	21	1,468	203,057
Cash & cash equivalents	22	16,316	84,531
<b>Total current assets</b>		<b>338,896</b>	<b>566,328</b>
<b>Current liabilities</b>			
Short term creditors	23	(351,481)	(282,863)
Short term borrowing	24	(129,493)	(20,521)
Provisions	26.1	(22,106)	(39,695)
Intra-group Creditor	6.2	(104,897)	(103,292)
<b>Total current liabilities</b>		<b>(607,977)</b>	<b>(446,371)</b>
<b>Long term liabilities</b>			
Provisions	26.2	(17,267)	(17,788)
Long term borrowing	27	(116,550)	(143,007)
Capital grants receipts in advance		(5,007)	(5,007)
Long term contractor liability	28	(76,210)	(79,245)
Police officer pension liability - Intra-group liability	6.2	(31,799,000)	(29,422,000)
<b>Total long term liabilities</b>		<b>(32,014,034)</b>	<b>(29,667,047)</b>
<b>Net assets</b>		<b>(30,110,844)</b>	<b>(27,753,074)</b>
<b>Financed by:</b>			
Unusable Reserves	29.1	(30,332,505)	(28,343,095)
Usable reserves	29.2-3	221,661	590,021
<b>Total reserves</b>		<b>(30,110,844)</b>	<b>(27,753,074)</b>

The Balance Sheet shows the value as at 31 March 2018 (with prior year as a comparative year) of the assets and liabilities recognised by MOPAC. The net assets of MOPAC (assets less liabilities) are matched by the reserves held by MOPAC.

## MOPAC Group and MOPAC Cash Flow Statement

£000	Notes	Year ending 31 March 2018-Group	Year ending 31 March 2017-Group	Year ending 31 March 2018-MOPAC	Year ending 31 March 2017-MOPAC
Net (surplus) or deficit on the provision of services		1,025,545	881,830	2,471,045	2,941,430
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	31.2	(1,107,655)	(1,290,866)	(2,553,155)	(3,350,466)
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	31.3	81,523	482,984	81,523	482,984
<b>Net cash flows from operating activities</b>		<b>(587)</b>	<b>73,948</b>	<b>(587)</b>	<b>73,948</b>
Investing activities	31.4	148,282	(173,670)	148,282	(173,670)
Financing activities	31.5	(79,480)	20,923	(79,480)	20,923
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>68,215</b>	<b>(78,799)</b>	<b>68,215</b>	<b>(78,799)</b>
Cash and cash equivalents at the beginning of the period		84,531	5,732	84,531	5,732
<b>Cash and cash equivalents at the end of the period</b>		<b>16,316</b>	<b>84,531</b>	<b>16,316</b>	<b>84,531</b>

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

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

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

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

This set of notes represents the consolidated notes for the Statement of Accounts for 2017/18 as presented in the preceding pages 1 to 9.

## 1. Expenditure and Funding Analysis

### 1.1 Group expenditure and funding analysis

	As reported for resource management	Adjustments to arrive at the amount chargeable to the General Reserves balances	Net Expenditure chargeable to the General Reserves balance	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>Group expenditure and funding analysis 2017/18</b>		Note 1			
£000					
Territorial policing	1,141,165	2,749	1,143,914	177,395	1,321,309
Specialist crime and operations	608,337	1,987	610,324	62,926	673,250
Specialist operations	(1,732)	(242)	(1,974)	35,917	33,943
Met HQ	460,558	19,634	480,192	9,646	489,838
Digital policing	195,237	0	195,237	368	195,605
Centrally held	62,812	(3,751)	59,061	(21,829)	37,232
MOPAC	37,277	(902)	36,375	0	36,375
<b>Net cost of service</b>	<b>2,503,654</b>	<b>19,475</b>	<b>2,523,129</b>	<b>264,423</b>	<b>2,787,552</b>
Other income and expenditure	(2,503,654)	16,674	(2,486,980)	724,973	(1,762,007)
<b>Surplus or deficit on General Fund</b>	<b>0</b>	<b>36,149</b>	<b>36,149</b>	<b>989,396</b>	<b>1,025,545</b>
Opening General Reserves at 31 March			(46,576)		
Less deficit on General Reserves in year			36,149		
Transfers to/from Earmarked Reserve			(36,149)		
<b>Closing General Reserves balance at 31 March</b>			<b>(46,576)</b>		
<b>Adjustments between funding and accounting basis</b>	<b>Adjustments for capital purposes</b>	<b>Net change for the pensions adjustments</b>	<b>Other differences</b>	<b>Total Adjustments</b>	
2017/18	Note 2	Note 3	Note 4		
£000					
Territorial policing	68,907	106,961	1,527	177,395	
Specialist crime and operations	31,177	31,634	115	62,926	
Specialist operations	14,591	21,090	236	35,917	
Met HQ	4,810	5,054	(218)	9,646	
Digital policing	376	11	(19)	368	
Centrally held	(21,842)	50	(37)	(21,829)	
MOPAC	0	0	0	0	
<b>Net cost of service</b>	<b>98,019</b>	<b>164,800</b>	<b>1,604</b>	<b>264,423</b>	
Other income and expenditure	(41,727)	766,700	0	724,973	
Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services	56,292	931,500	1,604	989,396	

## Notes to the Financial Statements

	As reported for resource management	Adjustments to arrive at the amount chargeable to the General Reserves balances	Net Expenditure chargeable to the General Reserves balance	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>Group expenditure and funding analysis 2016/17</b>					
£000					
		Note 1			
Territorial policing	1,139,745	888	1,140,633	67,369	1,208,002
Specialist crime and operations	659,508	(3,698)	655,810	34,272	690,082
Specialist operations	(1,983)	(518)	(2,501)	11,694	9,193
Met HQ	412,665	16,052	428,717	5,200	433,917
Digital policing	174,527	23,222	197,749	478	198,227
Centrally held	76,889	5,523	82,412	(18,340)	64,072
MOPAC	37,010	(1,118)	35,892	(240)	35,652
<b>Net cost of service</b>	<b>2,498,361</b>	<b>40,351</b>	<b>2,538,712</b>	<b>100,433</b>	<b>2,639,145</b>
Other income and expenditure	(2,498,361)	17,324	(2,481,037)	723,722	(1,757,315)
<b>Surplus or deficit on General Reserves</b>	<b>0</b>	<b>57,675</b>	<b>57,675</b>	<b>824,155</b>	<b>881,830</b>
Opening General Reserves at 31 March			(46,576)		
Less deficit on General Reserves in year			57,675		
Transfers to/from Earmarked Reserve			(57,675)		
<b>Closing General Reserves balance at 31 March</b>			<b>(46,576)</b>		
<b>Adjustments between funding and accounting basis</b>	<b>Adjustments for capital purposes</b>	<b>Net change for the pensions adjustments</b>	<b>Other differences</b>	<b>Total Adjustments</b>	
2016/17	Note 2	Note 3	Note 4		
£000					
Territorial policing	56,708	8,203	2,458	67,369	
Specialist crime and operations	29,718	2,893	1,661	34,272	
Specialist operations	9,682	1,459	553	11,694	
Met HQ	3,891	283	1,026	5,200	
Digital policing	431	4	43	478	
Centrally held	(18,424)	58	26	(18,340)	
MOPAC	(240)	0	0	(240)	
<b>Net cost of service</b>	<b>81,766</b>	<b>12,900</b>	<b>5,767</b>	<b>100,433</b>	
Other income and expenditure	(201,378)	925,100	0	723,722	
Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services	(119,612)	938,000	5,767	824,155	

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

Note 1 This column shows the adjustments required to arrive at the net amount chargeable to the General Reserves from the financial outturn reported as part of the Group's internal financial reporting arrangements. This includes adjustments for movements to and from reserves which are included against the cost of service and the removal of interest income and expenses from the net cost of service and reflection in other income and expenditure in line with generally accepted accounting practices.

Note 2 Adjustments for capital purposes - this column adds depreciation in the services line and removes MRP and other revenue contributions to capital which are not chargeable under generally accepted accounting practices. In Other income and expenditure:

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

Note 3 Net change for the pensions adjustments - this is the net change for the removal of pensions contributions made by the Group and the replacement with accounting entries under IAS 19.

Note 4 Other differences - this column adds back the estimate for untaken annual leave at the end of the financial year in line with generally accepted accounting practices.



## 1.2 MOPAC expenditure and funding analysis

	As reported for resource management	Adjustments to arrive at the amount chargeable to the General Reserves balances  Note 1	Net Expenditure chargeable to the General Reserves balance	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>MOPAC expenditure and funding analysis 2017/18</b>					
£000					
Intra-group funding policing	2,466,376	34,140	2,500,516	264,423	2,764,939
Other	37,277	(902)	36,375	0	36,375
Revaluation loss (gain to reverse previous losses) not charged to CPM	0	(13,762)	(13,762)	0	(13,762)
<b>Net cost of service</b>	<b>2,503,653</b>	<b>19,476</b>	<b>2,523,129</b>	<b>264,423</b>	<b>2,787,552</b>
Other income and expenditure	(2,503,653)	16,673	(2,486,980)	2,170,473	(316,507)
<b>Surplus or deficit on General Reserves</b>	<b>0</b>	<b>36,149</b>	<b>36,149</b>	<b>2,434,896</b>	<b>2,471,045</b>
Opening General Reserves at 31 March			(46,576)		
Less deficit on General Reserves in year			36,149		
Transfer to/from Earmarked reserves			(36,149)		
<b>Closing General Reserves balance at 31 March</b>			<b>(46,576)</b>		

	Adjustments for capital purposes  Note 2	Net change for the pensions adjustments  Note 3	Other differences  Note 4	Total Adjustments
<b>Adjustments between funding and accounting basis 2017/18</b>				
£000				
Intra-group funding policing	98,019	164,800	1,604	264,423
MOPAC	0	0	0	0
Revaluation loss (gain to reverse previous losses) not charged to CPM	0	0	0	0
<b>Net cost of service</b>	<b>98,019</b>	<b>164,800</b>	<b>1,604</b>	<b>264,423</b>
Other income and expenditure	(41,727)	2,212,200	0	2,170,473
Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services	56,292	2,377,000	1,604	2,434,896

## Notes to the Financial Statements

	As reported for resource management	Adjustments to arrive at the amount chargeable to the General Reserves balances	Net Expenditure chargeable to the General Reserves balance	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>MOPAC expenditure and funding analysis 2016/17</b>					
£000					
Intra-group funding policing	2,461,351	65,235	2,526,586	100,673	2,627,259
Other	37,010	(1,118)	35,892	(240)	35,652
Revaluation loss (gain to reverse previous losses) not charged to CPM		(23,766)	(23,766)	0	(23,766)
<b>Net cost of service</b>	<b>2,498,361</b>	<b>40,351</b>	<b>2,538,712</b>	<b>100,433</b>	<b>2,639,145</b>
Other income and expenditure	(2,498,361)	17,324	(2,481,037)	2,783,322	302,285
<b>Surplus or deficit on General Reserves</b>	<b>0</b>	<b>57,675</b>	<b>57,675</b>	<b>2,883,755</b>	<b>2,941,430</b>
Opening General Reserves at 31 March			(46,576)		
Less deficit on General Reserves in year			57,675		
Transfer to/from Earmarked reserves			(57,675)		
<b>Closing General Reserves balance at 31 March</b>			<b>(46,576)</b>		
<b>Adjustments between funding and accounting basis</b>	<b>Adjustments for capital purposes</b>	<b>Net change for the pensions adjustments</b>	<b>Other differences</b>	<b>Total Adjustments</b>	
<b>2016/17</b>	<b>Note 2</b>	<b>Note 3</b>	<b>Note 4</b>		
£000					
Intra-group funding policing	82,006	12,900	5,767	100,673	
MOPAC	(240)	0	0	(240)	
Revaluation loss (gain to reverse previous losses) not charged to CPM	0	0	0	0	
<b>Net cost of service</b>	<b>81,766</b>	<b>12,900</b>	<b>5,767</b>	<b>100,433</b>	
Other income and expenditure	(201,378)	2,984,700	0	2,783,322	
Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services	(119,612)	2,997,600	5,767	2,883,755	

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

Note 1 This column shows the adjustments required to arrive at the net amount chargeable to the General Reserves from the financial outturn reported as part of the Group's internal financial reporting arrangements. This includes adjustments for movements to and from reserves which are included against the cost of service and the removal of interest income and expenses from the net cost of service and reflection in other income and expenditure in line with generally accepted accounting practices.

Note 2 Adjustments for capital purposes - this column adds depreciation in the services line and removes MRP and other revenue contributions to capital which are not chargeable under generally accepted accounting practices. In Other income and expenditure:

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

Note 3 Net change for the pensions adjustments - this is the net change for the removal of pensions contributions made by MOPAC and the replacement with accounting entries under IAS 19.

Note 4 Other differences - this column adds back the estimate for untaken annual leave at the end of the financial year in line with generally accepted accounting practices.

## 2. Statement of accounting policies

### 2.1 General principles

These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom 2017/18 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015. The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

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

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

The Financial Statements included here represent the accounts for MOPAC and also those for the MOPAC Group, consolidating the financial activities of MOPAC and the CPM. The Financial Statements cover the 12 months to the 31 March 2018 (with prior year as a comparative year). The term 'Group' is used to indicate combined transactions and policies of MOPAC and CPM for the year ended 31 March 2018. The identification of MOPAC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of MOPAC under the Police Reform and Social Responsibility Act 2011.

The significant accounting policies adopted are set out below.

### 2.2 Revenue and expenditure recognition

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

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

### 2.3 Accruals of income and expenditure

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

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

### 2.4 Provisions

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

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

*Legal challenges around employment law* - During 2017/18 there were a number of legal challenges in other forces around employment law that have financial consequences for all police forces in England and Wales. These mainly concern backdated and future payments of overtime and allowances. Provisions have been recognised in 2017/18 for retrospective claims.

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

### 2.5 Reserves

Reserves consist of two elements: usable and unusable. Usable reserves are those which can be applied to fund expenditure. They are made up of the General Reserves, Earmarked Reserves, Capital Receipts Reserve and the Capital Grants Unapplied Account. Earmarked reserves are established from time to time to meet specific expected revenue or capital costs as determined by MOPAC. Unusable reserves cannot be applied to fund expenditure. They include the Capital Adjustment Account, Pension Reserve, Accumulated Absences Account, Revaluation Reserves and Deferred Capital Receipts Reserve. These accounts do not form part of the cash resources available to the Group.

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

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

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

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

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

### 2.7 Employee benefits

#### Benefits payable during employment

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

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

#### Termination benefits

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

#### Post employment benefits

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

#### *Police officers*

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

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

liabilities in these Accounts have been calculated accordingly at a discount rate of 2.7% for all schemes.

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

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

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

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

### *Police staff*

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

## 2.8 Property, plant and equipment

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year end. Property revaluations are based on a rolling review programme. Properties are revalued at 30 September each year; the top 20 properties in value as well as 20% of the assets are physically inspected whilst 80% are revalued on a desktop basis. A further review is carried out at 31 March each year to determine whether the value at 31 March is materially different to the value at 30 September. This approach complies with the CIPFA Code of Practice on Local Authority Accounting 2017/18 requirements on measurement of property plant and equipment.

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

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

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

**Disposals:** When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal. The written off carrying value of the asset is transferred from the General

Reserves to the Capital Adjustment Account in the MIRS. Sale proceeds over £10,000 are categorised as capital receipts and are transferred from the General Reserves Balance to the Capital Receipts Reserve in the MIRS.

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

### Principal asset categories and their useful economic lives

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

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

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

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

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

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

### 2.10 Non-current assets held for sale

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



## 2.11 Investment properties

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

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

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

## 2.12 Surplus Assets

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

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

## 2.13 Fair value measurement

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

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

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

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

## 2.14 Leases

All leases are evaluated at inception in accordance with IAS 17 'Leases', to determine whether they are a finance lease or an operating lease. Leases are classified as finance leases when substantially

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

### *Finance leases*

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

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

### *Operating leases*

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

### *The Group as lessor*

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

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

## **2.15 Value Added Tax (VAT)**

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

## **2.16 Financial liabilities**

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

## **2.17 Financial assets**

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

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

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

### **2.18 Contingent assets and liabilities**

The Group recognises material contingent liabilities as either:

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

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

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

### **2.19 Private Finance Initiative**

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

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

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

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

### **2.21 Events after the reporting period**

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

## 2.22 Overhead costs

The costs of overheads and support services are charged to service segments within the Group CIES in accordance with the Group's arrangements for accountability and financial performance. In practice this means support costs other than Corporate and Democratic Core (CDC) are recognised in the intra-group funding - policing line of the MOPAC CIES on the basis that all services to which support costs are allocated were delivered by the CPM in 2017/18.

## 2.23 Bad debt provision

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

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

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

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

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

## 2.25 Interests in Companies and Other Entities

The Group has material interests in a company that has the nature of a subsidiary and require it to prepare group accounts. In MOPAC's own single-entity accounts, the interests in the company is recorded as financial assets at cost.

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

There are a number of accounting standards that have been issued but not yet adopted and amendments to an existing accounting standard which has not been adopted yet that will apply to the Group and MOPAC in 2018/19

- IFRS 9 Financial Instruments, replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes:

A single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed.

A forward looking 'expected loss' model for impairment rather than the 'the incurred loss' model' under IAS 39, and

New provisions on hedge accounting.

It is anticipated that this standard will not have a material impact on the Statement of Accounts.

- IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 requires that revenue is recognised in a way that represents the transfer of promised goods or services to the customer in an amount that reflects the

consideration to which the Group and MOPAC expect to be entitled in exchange for those goods and services. It is anticipated that this standard will not have a material impact on the Statement of Accounts.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative, which requires the Group and MOPAC to provide a new disclosure on the changes in liabilities arising from financing activities.

## 4. Significant estimates and judgements in applying the accounting policies

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

### Estimates

- Establishing the valuations of operational and residential properties (see Notes 16 and 16.1 for details of amounts and valuation process involved). Depreciation is calculated based on the asset value and expected useful life of the asset. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year;
- In respect of police staff when estimates are required, the calculation of unused holidays is based on a sample of staff and average cost of each grade of staff. The cost of absences due but not taken at the reporting date are recognised in the CPM Accounts in the first instance as described in Note 6 in more detail;
- The provision for compensation payments to third parties and ex-personnel in Note 26 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.
- The costs of providing pension benefits to police officers, requires estimates regarding future cash flows that will arise to meet the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the MOPAC CFO as advised by the scheme actuaries. The financial assumptions used by the actuaries are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population;

### Judgements

- 2.2 Revenue Recognition; A judgement has been made of the expenditure allocated between MOPAC and the CPM to reflect the financial resources of MOPAC consumed at the request of the CPM. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance. More details are included in Note 6;
- 2.7 Employee Benefits; A liability has been recognised on the MOPAC Balance Sheet equivalent to the liability for police officer pensions recognised on the CPM Balance Sheet

under IAS 19 Retirement Benefits. The costs and liability relating to police pensions are recognised in the CPM Accounts in the first instance because police officers are under the direction of the CPM. As MOPAC has a statutory obligation to provide funds to meet police pension liabilities, a corresponding liability has been included in the MOPAC Accounts. The intra-group adjustments are removed from consolidation to show only the IAS 19 liability itself in the Group Balance Sheet. This liability is offset in the Group Balance Sheet by the Police Officer Pension Reserve because under statute MOPAC can only charge to the Police Fund actual amounts paid as contributions in the Police Officer Pension Fund in the year and not the full amount under IAS 19.

- This judgement is consistent with IAS1 - 'the going concern concept'. The assessment of whether or not the CPM is a going concern is based on its ability to discharge liabilities in the normal course of its business. In this case the CPM is reliant upon MOPAC to discharge its liabilities in the normal course of its business. This expectation is necessary to enable the CPM to continue as a going concern.
- 2.25 Interests in Companies and Other Entities; On 26 March 2018 MOPAC acquired the entire issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group") which holds the freehold interest in the Empress State Building. As result of this purchase, a judgement has been made that the Empress Holdings Group is a subsidiary of the Group and its material assets, liabilities and reserves have been consolidated into the MOPAC Group Accounts.

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

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

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

### 6.1 Introduction

Following the Police Reform and Social Responsibility Act 2011 (The Act), the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two corporations sole, the Mayor's Office for Policing And Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). These financial statements for 2017/18 show the financial positions of the MOPAC and MOPAC Group together with comparative figures for 2016/17.

### 6.2 Accounting principles

The accounting recognition of assets, liabilities and reserves in 2017/18 reflects the powers and responsibilities of MOPAC as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2013. This accounting treatment is also underpinned by the working relationship between the

Deputy Mayor and the Commissioner as defined by local regulations, (MOPAC Financial Regulations and Scheme of Consent and Delegation), local agreement and practice. On 16 January 2012 the assets, liabilities and reserves of the MPA were transferred directly to MOPAC and during 2017/18 they remain under MOPAC control. Statutory and local arrangements determine that MOPAC holds all the assets, liabilities and the reserves and is responsible for the police pension liability. All payments for the Group are made by MOPAC from the MOPAC Police Fund and all income and funding received by MOPAC. MOPAC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

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

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

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

### Accounting treatment

The table below shows the movement through an intra-group account within the respective CIES during 2017/18. Corresponding accounting entries in the MOPAC CIES and CPM CIES can be seen in the financial statements.

Intra-group adjustments between MOPAC and CPM within the CIES			
Intra-group - total transactions for 2017/18 £million	MOPAC	CPM	Group
IAS 19 pension costs within net cost of services	0	847	847
Accumulated absences	0	2	2
Other costs within net cost of services	0	1,916	1,916
Intra-group adjustment (MOPAC funding)	2,765	(2,765)	0
Pension interest cost	0	767	767
Intra-group adjustment (MOPAC funding pension)	767	(767)	0
Actuarial losses on police fund	0	1,446	1,446
Intra-group adjustment (MOPAC funding pension)	1,446	(1,446)	0
<b>Total transactions for the year</b>	<b>4,978</b>	<b>0</b>	<b>4,978</b>
Intra-group - total transactions for 2016/17 £million	MOPAC	CPM	Group
IAS 19 pension costs within net cost of services	0	653	653
Accumulated absences	0	6	6
Other costs within net cost of services	0	1,968	1,968
Intra-group adjustment (MOPAC funding)	2,627	(2,627)	0
Pension interest cost	0	925	925

Intra-group adjustment (MOPAC funding pension)	925	(925)	0
Actuarial losses on police fund	0	2,060	2,060
Intra-group adjustment (MOPAC funding pension)	2,060	(2,060)	0
<b>Total transactions for the year</b>	<b>5,612</b>	<b>0</b>	<b>5,612</b>

Accounting entries reflected in the respective Balance Sheet at year end

Intra-group - total transactions for 2017/18			
£million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	31,799	0
CPM - Short term Intra-group Debtor	0	105	0
CPM - Police Officer pension liability	0	(31,799)	(31,799)
CPM - Creditor - accumulated absences	0	(105)	(105)
MOPAC - Long term Intra-group Creditor	(31,799)	0	0
MOPAC - Short term Intra-group Creditor	(105)	0	0
MOPAC - Unusable Reserves	31,799	0	31,799
MOPAC - Unusable Reserves	105	0	105

  

Intra-group - total transactions for 2016/17			
£million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	29,422	0
CPM - Short term Intra-group Debtor	0	103	0
CPM - Police Officer pension liability	0	(29,422)	(29,422)
CPM - Creditor - accumulated absences	0	(103)	(103)
MOPAC - Long term Intra-group Creditor	(29,422)	0	0
MOPAC - Short term Intra-group Creditor	(103)	0	0
MOPAC - Unusable Reserves	29,422	0	29,422
MOPAC - Unusable Reserves	103	0	103

The 2017/18 CIES for MOPAC and the Group are similar at 'summary level'. The MOPAC CIES includes not only the cost of administering the MOPAC itself, but also payment for MOPAC resources consumed at the request of the CPM. Correspondingly in the CPM CIES, total Comprehensive Income and Expenditure is nil for 2017/18 as the 'resources consumed at the request of the CPM' are completely offset by the intra-group adjustment.

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

### 7.1 Service expenditure analysis

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

### 7.2 Income

Income received by MOPAC includes fees and charges, interest, investments, contributions, specific grants and other service income. A breakdown under these headings for 2017/18 is shown in the table in Section 7.3 below.

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

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



- The provision of police services to other agencies such as the Home Office Border Force (previously the UK Border Agency) or the prison service;
- The provision of mutual aid to other forces.

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

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

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

In the table below the operating income and expenditure for MOPAC and the MOPAC Group for the period 1 April 2017 to 31 March 2018, is presented in a subjective analysis format. The subjective analysis format is used by management to make decisions about resource allocation in internal management reports.

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

	MOPAC	CPM	Group	Group
£000	2017/18	2017/18	2017/18	2016/17
<b>Expenditure</b>				
Employee costs				
Police officer salaries	0	1,634,370	1,634,370	1,625,615
MOPAC and Police staff wages and salaries	7,104	438,174	445,278	472,493
Employee related expenditure	311	6,084	6,395	10,926
Net police officer pensions	0	460,221	460,221	311,289
Net MOPAC police staff pensions	1,212	78,054	79,266	107,604
Premises related	1,328	171,183	172,511	172,209
Transport related	12	74,132	74,144	66,230
Supplies and services*	43,549	513,787	556,086	509,916
Depreciation, amortisation, impairment	(13,762)	140,360	126,598	108,233
Actuarial losses on police pensions funds - intra group funding	1,445,500	(1,445,500)	0	0
Interest payments	785,740	0	785,740	944,170
Gains on the disposal of assets	(360)	0	(360)	(160,933)
<b>Total gross expenditure</b>	<b>2,270,634</b>	<b>2,070,865</b>	<b>4,340,249</b>	<b>4,167,752</b>
<b>Income</b>				
Fees and charges and other service income	(1,077)	(248,903)	(248,730)	(256,969)
Interest and investment income	(2,091)	0	(2,091)	(2,305)
Government grants and contributions	(2,561,360)	(502,523)	(3,063,883)	(3,026,648)
<b>Total income</b>	<b>(2,564,528)</b>	<b>(751,426)</b>	<b>(3,314,704)</b>	<b>(3,285,922)</b>
Intra group adjustment **	2,764,939	(2,764,939)	0	0
<b>Net cost of policing services</b>	<b>2,471,045</b>	<b>(1,445,500)</b>	<b>1,025,545</b>	<b>881,830</b>

\* £44 million supplies and services incurred by MOPAC includes costs of working with local communities, victims support and payments by MOPAC of crime prevention grants

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

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

## 8. Police officers and police staff remuneration

### 8.1 Police and police staff remuneration

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

Remuneration band £ MOPAC	2017/18		2016/17	
	Number of employees exc exit packages	Number of employees inc exit packages	Number of employees exc exit packages	Number of employees inc exit packages restated
50,000 - 54,999	4,720	4,715	4,548	4,583
55,000 - 59,999	2,293	2,286	1,990	2,022
60,000 - 64,999	1,888	1,884	1,655	1,666
65,000 - 69,999	962	963	725	747
70,000 - 74,999	471	473	337	352
75,000 - 79,999	306	304	209	221
80,000 - 84,999	195	197	133	148
85,000 - 89,999	133	135	99	105
90,000 - 94,999	86	90	81	92
95,000 - 99,999	38	40	28	31
100,000 - 104,999	14	17	13	20
105,000 - 109,999	5	8	7	12
110,000 - 114,999	11	15	10	14
115,000 - 119,999	5	6	13	17
120,000 - 124,999	4	6	9	12
125,000 - 129,999	2	8	12	16
130,000 - 134,999	3	4	7	13
135,000 - 139,999	4	7	6	9
140,000 - 144,999	0	2	3	4
145,000 - 149,999	0	2	0	0
150,000 - 154,999	0	2	1	4
155,000 - 159,999	0	0	0	3
160,000 - 164,999	0	0	1	2
165,000 - 169,999	0	0	0	0
170,000 - 174,999	0	1	0	0
175,000 - 179,999	0	1	0	0
180,000 - 184,999	0	0	0	0
185,000 - 189,999	0	0	0	0
190,000 - 194,999	0	1	0	1
195,000 - 199,999	0	0	0	0
200,000 - 204,999	0	0	0	0
205,000 - 209,999	0	0	0	0

## Notes to the Financial Statements

210,000 - 214,999	0	0	0	1
215,000 - 224,999	0	0	0	0
225,000 +	0	0	0	0

The banding scale is based on taxable remuneration, excluding pension costs, paid in the year rather than annual salary. Taxable remuneration includes overtime, compensation for loss of office and may also include back dated pay awards, which relate to previous years but were actually paid in the year in question. The numbers in the table above exclude senior staff and relevant police officers as defined below in Note 8.2. In these particular cases, a more detailed analysis of remuneration for 2017/18 is shown on the following pages. The comparative year has been updated and restated in the table above to show the precise values of exit packages received through the Civil Service Scheme in year.

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0 - £20,000	1	4	3	74	4	78	64,824	1,080,561
£20,001 - £40,000	2	9	14	138	16	147	513,208	4,308,554
£40,001 - £60,000	0	1	17	129	17	130	862,298	6,335,208
£60,001 - £80,000	0	0	15	30	15	30	1,053,432	2,080,332
£80,001 - £100,000	0	1	7	30	7	31	646,318	2,707,214
£100,001 - £150,000	0	1	2	5	2	6	228,464	724,448
£150,001 - £200,000	0	2	0	0	0	2	0	358,866
	3	18	58	406	61	424	3,368,544	17,595,183

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

### 8.2 Relevant police officers and senior staff remuneration

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

**8.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2018**

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Benefits (£)	Other Payments (£)	Total remuneration excluding pension contributions 2017/18 (£)	Pension contributions (£)	Total remuneration including pension contributions 2017/18 (£)
<b>CPM</b>								
Commissioner	C Dick	1	225,573	4,019	0	229,592	0	229,592
Deputy Commissioner	C Mackey	2	243,267	7,961	0	251,228	0	251,228
Assistant Commissioner	P Gallan		200,243	5,970	0	206,213	40,962	247,175
Assistant Commissioner	M Hewitt		200,243	8,432	0	208,675	40,962	249,637
Acting Deputy Commissioner	M Rowley	3	214,145	6,285	0	220,430	40,443	260,873
Assistant Commissioner	H Ball	4	190,651	4,466	0	195,117	37,506	232,623
T/Assistant Commissioner	F Taylor	5	137,969	4,019	0	141,988	22,674	164,662
Assistant Commissioner	A Basu	6	173,469	5,009	0	178,478	31,524	210,002
Assistant Commissioner	S House	7	15,093	0	0	15,093	3,391	18,484
Deputy Assistant Commissioner	M Simmons		155,932	8,684	0	164,616	13,059	177,675
Deputy Assistant Commissioner	S Rodhouse		166,432	4,019	0	170,451	31,524	201,975
Deputy Assistant Commissioner	L D'Orsi		163,485	4,019	0	167,504	31,524	199,028
Deputy Assistant Commissioner	P Terry	8	151,619	4,019	0	155,638	0	155,638
T/Deputy Assistant Commissioner	R Martin	9	168,595	4,019	0	172,614	26,405	199,019
T/Deputy Assistant Commissioner	D Ball	10	150,291	4,019	0	154,310	28,569	182,879
Deputy Assistant Commissioner	G McNulty		166,432	4,019	0	170,451	31,524	201,975
Deputy Assistant Commissioner	A Newcomb	11	166,666	4,019	0	170,685	15,671	186,356
Deputy Assistant Commissioner	M Twist	12	126,212	4,019	0	130,231	23,322	153,553
T/Deputy Assistant Commissioner	D Haydon	13	123,880	7,371	0	131,251	24,802	156,053
Director of Commercial & Finance	L McMullan		159,093	0	0	159,093	38,978	198,071
Director of Digital Policing	A McCallum		227,667	0	0	227,667	0	227,667
Director of Solution Delivery	D Pitty		151,493	0	0	151,493	27,806	179,299
Director of Service Delivery	A Blatchford		151,493	0	0	151,493	27,806	179,299
Director of Technology	D Scates		151,493	0	0	151,493	27,806	179,299
Director of Media and Communication	J Helm	14	23,988	0	0	23,988	5,688	29,676
<b>NPCC</b>								
Assistant Commissioner	S Thornton		206,601	4,019	0	210,620	0	210,620
<b>MOPAC</b>								
Chief Executive	R Lawrence	15	157,137	0	0	157,137	38,498	195,635

### 8.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2018

#### Notes

1. C.Dick joined 10/4/17 with an annualized salary of £225,528
2. C Mackey was acting Commissioner from 22/2/17 to 9/4/17
3. M Rowley was appointed Acting Deputy Commissioner on 26/2/17 and in accordance with Regulation 27 received payment in respect of the temporary promotion for the period 26/3/17 to 9/4/17. He also acted as Deputy Commissioner 8/9/17 to 24/9/17 inclusive to cover a period of leave taken by C Mackey and in accordance with Regulation 27 received payment in respect of this temporary promotion for the full period.  
M Rowley retired on 20/3/18
4. H Ball returned from an attachment with the College of Policing and was promoted to Assistant Commissioner on 14/8/17 with an annualized salary of £190,710
5. F Taylor was temporarily appointed to Assistant Commissioner though resumed her substantive rank of Deputy Assistant Commissioner on 31/8/17 and retired on 20/12/17 with an annualized salary of £146,217
6. A Basu was promoted to Assistant Commissioner on 21/3/18 with an annualized salary of £190,710
7. S House joined on 5/3/18 with an annualized salary of £190,710
8. P Terry was seconded to the Ministry of Defense on 1/10/17 until retirement on 28/2/18 with an annualized salary of £146,217
9. R Martin was promoted permanently to Deputy Assistant Commissioner on 16/3/18 with an annualized salary of £146,217
10. D Ball was promoted permanently to Deputy Assistant Commissioner on 16/3/18 with an annualized salary of £146,217
11. A Newcomb retired on 31/3/2018
12. M Twist was promoted to Deputy Assistant Commissioner on 13/3/18 with an annualized salary of £146,217
13. D Haydon was temporarily promoted to Deputy Assistant Commissioner on 21/3/18 with an annualized salary of £146,217
14. J Helm joined as Director of Media and Communication on 5/2/18 with an annualized salary of £150,000 plus a sector allowance of £5,000
15. R. Lawrence received an element of backpay related to financial year 2016/17, the annualized salary is £150,000

#### Additional information

Benefits may include car allowance, relocation expenses, other travel costs and provision of a vehicle and driver to certain police ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes). Benefits in Kind information relating to MPS provided accommodation has not been included in this Remuneration Table as calculations were still underway at the time of being published.

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

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

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

#### Notes

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

Benefits may include car allowance, relocation expenses, other travel costs and provision of a vehicle and driver to certain police ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes).

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**8.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2018**

Post	Note	Salary inc fees and allowances (£)	Benefits (£)	Compensation for loss of office (£)	Total remuneration (excl pension contributions) 2017/18 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2017/18 (£)
<b>CPM</b>							
Director of Media and Communication	1	67,391	0	0	67,391	16,511	83,902
T/Director of Media and Communication	2	86,945	0	0	86,945	20,535	107,480
Director of People and Change		137,003	0	0	137,003	33,565	170,568
Director of Legal Services	3	104,043	0	0	104,043	25,491	129,534
T/Director of Legal Services	4	107,448	0	0	107,448	27,145	134,593
T/Director of Legal Services	4	121,604	0	0	121,604	30,121	151,725
Director of Legal Services	5	7,527	0	0	7,527	1,844	9,371
<b>MOPAC</b>							
Deputy Mayor for Policing And Crime		125,000	0	0	125,000	30,625	155,625
Chief Finance Officer		125,000	0	0	125,000	30,625	155,625
Head of Strategy	6	95,427	0	0	95,427	21,216	116,643
Director of Strategy	7	101,089	0	0	101,089	24,280	125,369
Director of Audit, Risk and Assurance		115,810	0	0	115,810	28,373	144,183
Director of Integrated Offender Management, Programmes & Neighbourhoods	8	61,329	0	0	61,329	15,026	76,355
Interim Director of Integrated Offender Management, Programmes & Neighbourhoods	9	105,000	0	0	105,000	25,725	130,725



### 8.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2018

#### Notes

1. The Director of Media and Communication left on 4/10/17 with an annualized salary of £133,656
2. The Temporary Director of Media and Communication was appointed on 11/9/17 for 6 months with an annualized salary of £95,196
3. The Director of Legal Services left on 31/12/17 with an annualized salary of £139,944
4. The two Temporary Director of Legal Services jointly undertook additional responsibilities from 11/12/17 to 31/3/18 with an annualized salary of £121,099 and £130,351 respectively
5. The Director of Legal Services was appointed on 12/3/18 with an annualized salary of £140,000
6. The Head of Strategy was appointed as the acting Director of Strategy for the period 1st of April to the 31st of May, on an annualised salary of £105,000. They were further appointed as the interim Director of Integrated Offender Management, Programmes & Neighbourhoods on the 16/10/17 with an annualised salary of £95,358.
7. The new Director of Strategy was appointed on the 15/5/17 with an annualized salary of £115,000
8. The Director of Integrated Offender Management, Programmes & Neighbourhoods was on maternity leave up to October 2017. The post holder took unpaid leave for the remainder of the financial year. The annualised salary is £115,000.
9. The Acting Director of Integrated Offender Management, Programmes and Neighbourhoods was appointed with effect from 1/1/17, on an annualised salary of £105,000

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

Post	Note	Salary inc fees and allowances (£)	Benefits (£)	Compensation for loss of office (£)	Total remuneration (excl pension contributions) 2016/17 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2016/17 (£)
<u>CPM</u>							
Director of Media and Communication		131,385	0	0	131,385	32,104	163,489
Director of People and Change		135,550	0	0	135,550	33,124	168,674
Director of Legal Services		137,550	0	0	137,550	33,614	171,164
<u>MOPAC</u>							
Deputy Mayor for Policing And Crime	1	13,842	0	54,414	68,256	0	68,256
Deputy Mayor for Policing And Crime	2	101,042	0	0	101,042	24,755	125,797
Interim Director of Police Resources and Performance	3	-	-	-	-	-	-
Chief Finance Officer	4	23,857	0	0	23,857	5,845	29,702
Acting Director of Strategy	5	91,810	0	0	91,810	20,716	112,526
Director of Integrated Offender Management, Programmes & Neighbourhoods		86,857	0	0	86,857	21,280	108,137
Director of Services	6	-	-	-	-	-	-
Acting Director of Integrated Offender Management, Programmes & Neighbourhoods	7	95,820	0	0	95,820	21,253	117,073
Director of Audit, Risk and Assurance		115,810	0	0	115,810	28,373	144,183

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

### Notes

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

IAS 24 (Related Party Transactions) requires the Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Group or to be controlled or influenced by key individuals of the Group including the Mayor and Deputy Mayor, the Commissioner and members of the MOPAC Senior Management Team and MPS Management Board. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Group. This disclosure note has been prepared on the basis of specific declarations obtained for the year ended 31 March 2018, in respect of related party transactions.

### CPM and MOPAC

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

### Central Government and other public bodies

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

### Greater London Authority

The MOPAC Group is one of the functional bodies of the Greater London Authority (GLA), the other bodies being the London Fire and Emergency Planning Authority, (replaced on 1 April 2018 by the London Fire Commissioner), Transport for London, Old Oak and Park Royal Development Corporation and the London Legacy Development Corporation.

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

The net receipts from Transport for London were £86.655 million in 2017/18 (£96.534 million in 2016/17). At 31 March 2018 £0.183 million was owed to the Group (£16.182 million at 31 March 2017).

### Other bodies

The Safer London Foundation is included here as a related party as MOPAC provided £954,208 and was owed £136,500 by the Group at 31 March 2018. Cressida Dick, Commissioner, was the president of the organisation. The Deputy Commissioner Craig Mackey is also a trustee.

The London Digital Security Centre (LDSC) is included here as a related party as MOPAC provided it with £300k in 2017/18, a significant element of its funding, and the Chief Executive of MOPAC and the Deputy Commissioner are board members. Police Now was established in January 2016 to run the National Graduate Leadership Development Programme. It received funding from MPS/MOPAC as part of the HO Police Innovation Fund of £3,416k and was owed £632k at 31 March 2018. Two of its trustees are employed by the MPS. During the year the Chief Executive of MOPAC was one of 14 Board members for the Police ICT Company to manage and deliver Home Office contracts. She resigned from this position in December 2017. MOPAC pays a flat rate of £60,000 paid by each of the 43 PCCs and paid £929,343 for software licenses, owing £4k at 31 March 2018. The College of Policing is the professional body for the police services in England and Wales and the Director of People and Change is a member of the Board. MOPAC received a net amount of £548k in 2017/18 and had a creditor at the year-end of £205k.

MOPAC is the member of the Police Crime Prevention Initiatives Ltd (T/A Secured by Design) which is a company limited by guarantee without share capital. The Chief Executive of MOPAC and the Assistant Commissioner for Territorial Policing are directors on the Company and have influence over the operation and running of the company. Secured by Design supports the principles of ‘designing out crime’ through physical security and processes. In total, MOPAC received a net amount of £95k from Police Crime Prevention Initiatives Ltd in 2017/18.

The MOPAC Group administers a number of charities on behalf of third parties. Full details of the charities and their purpose are disclosed in Note 25. The Director of Commercial and Finance and the Director of People and Change are Trustees of the Staff Welfare Fund. In 2017/18 the MOPAC Group paid £10k to the Staff Welfare Fund. The Assistant Commissioner - Territorial Policing is a trustee of the Metropolitan Police Sports Fund. In 2017/18 the MOPAC Group paid £30k to the MPS Sports Fund.

On 26 March 2018 MOPAC purchased the entire issued share capital of Empress Holdings Limited and its subsidiaries (“Empress Holdings Group”), which holds the freehold interest in the Empress State Building (ESB), for £250 million. The MOPAC CFO and MPS Director of Property Services are directors of the companies which were acquired to facilitate the acquisition of ESB.

## 10. Auditors’ remuneration

The audit fee payable to Grant Thornton UK LLP for audit fees during the year totalled £251,828 (£251,828 in 2016/17) for the Group, of which £131,828 related to MOPAC and £120,000 related to the CPM (£131,828 for MOPAC in 2016/17, £120,000 for CPM).

The Group also incurred fees payable to Grant Thornton UK LLP in respect of other services provided during the year of £27,350 (£100,500 in 2016/17).

## 11. Interest payable and similar charges

Interest paid in 2017/18 and 2016/17 is as follows:

£000	2017/18	2016/17
Public Work Loans Board	6,423	6,844
PFI and finance lease	12,424	12,784
Other interest cost	20	1
<b>Total</b>	<b>18,867</b>	<b>19,629</b>

## 12. Pension costs

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

### 12.1 Police officers

There are three pension schemes for police officers, the Police Pension Scheme 2015, the 2006 New Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS), all of which are unfunded, defined benefit schemes. An unfunded, defined benefit scheme has no investment assets to meet its pension liability and must generate cash to meet the actual pension payments as they fall due. These benefits payable are funded by contributions from employers and police officers and as a rule any shortfall is met by a top up grant from the Home Office, as was the case in 2017/18. The Group pays employer contributions at a rate of 21.3% of pensionable salary into the Fund. Further details of the schemes can be found in the Police Officer Pension Fund Accounts.

The Commissioner is the administering body under the Police Reform and Social Responsibility Act 2011. The Police Officer Pension Fund's Financial Statements and notes are included on Pages 75-77 of this document.

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

### Police officers' pensions income and expenditure

£000	2017/18	2016/17
<i>Comprehensive Income and Expenditure Statement</i>		
Cost of Services:		
Service cost comprising:		
Current Service Cost	815,700	584,700
Past service cost	2,800	2,700
Transfers in/(out)	3,300	4,400
Actuarial loss/(gain) - injury pensions	24,800	61,100
Financing and Investment Income and Expenditure		
Interest Expense	766,700	925,100
<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,613,300</b>	<b>1,578,000</b>
Re-measurement of the defined benefit liability comprising:		
Prior period adjustment to valuation of liability at 1 April 2016	0	28,600
Actuarial loss/(gain) arising on changes in demographic assumptions - excluding injury pensions	(299,400)	179,200
Actuarial loss/ (gain) arising on changes in financial and other assumptions - excluding injury pensions	1,744,900	1,851,800
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,445,500</b>	<b>2,059,600</b>
<i>Movement in Reserves Statement (MIRS)</i>		
Reversal of charges made to Surplus or Deficit on the Provision of Services for post employment benefits	(1,613,300)	(1,578,000)
Actual amount charged against the General Reserves Balance for pensions in the year - Pension Costs	681,800	640,000

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

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

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

Police officers contributions to the schemes amounted to £146.1 million in the year ended 31 March 2018. In the year ended 31 March 2018, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £644.8 million.

In the year to 31 March 2018 the net costs of pensions and other benefits amounted to £678.5 million, representing 56.8% of pensionable pay.

### Assets and liabilities in relation to retirement benefits

In accordance with IAS 19 requirements, the total liability of the Police Officer Pension Fund is included in the Balance Sheet. Although these will not actually be payable until officers retire, the Group has a commitment to make the payments that need to be disclosed at the time that officers earn their future entitlement. The Group had the following overall liabilities for pensions at 31 March 2018 that have been included in the Balance Sheet:

£ million	2017/18	2016/17
Officer members	(12,522)	(12,608)
Deferred pensioners	(1,719)	(1,726)
Pensioners	(16,072)	(13,679)
Injury pensions	(1,486)	(1,409)
<b>Total value of scheme liabilities</b>	<b>(31,799)</b>	<b>(29,422)</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2018. The movement in the present value of the scheme liabilities for the year to 31 March 2018 can be reconciled as follows:

£ million	Excluding injury benefits 2017/18	Excluding injury benefits 2016/17	Injury benefits only 2017/18	Injury benefits only 2016/17
Scheme liabilities at 1 April	(28,013)	(25,122)	(1,409)	(1,302)
Prior period revision enacted in year; adjustment to valuation liability at 1 April (see paragraph below)	0	(27)	0	(1)
<b>Scheme liabilities at 1 April (restated)</b>	<b>(28,013)</b>	<b>(25,149)</b>	<b>(1,409)</b>	<b>(1,303)</b>
Current service cost including Home Office contribution.	(770)	(557)	(46)	(28)

Officer contributions	(146)	(150)	0	0
Benefits paid	798	760	0	0
Injury award expenditure	0	0	30	29
Transfers from / to other authorities	(3)	(4)	0	0
Past service cost (injury benefits)	(3)	(3)	0	0
Interest cost on pension liabilities.	(730)	(879)	(36)	(46)
Re-measurement gains and losses:				
Actuarial (loss)/gain arising on changes in demographic assumptions	299	(179)	15	2
Actuarial (loss)/(gain arising on changes in financial assumptions	547	(5,560)	27	(290)
Other Experience	(2,292)	3,708	(67)	227
<b>Scheme liabilities at 31 March</b>	<b>(30,313)</b>	<b>(28,013)</b>	<b>(1,486)</b>	<b>(1,409)</b>

### Prior Period Revision Enacted in 2016/17

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

### Actuarial assumptions

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

There is also uncertainty around the life expectancy of the UK population. The value of current and future pension benefits will also depend on the life expectancy of the officers and dependents. The disclosures have been prepared using the S2NFA and S2NMA "year of birth" tables with future improvement in line with the CMI 2016 model with a long term rate of improvement of 1.25% per annum.

The significant actuarial assumptions used in their calculations are:

Assumptions	All Schemes 2017/18	All Schemes 2016/17
Rate of inflation	3.4%	3.4%
Rate of increase of salary (note i)	3.4%	3.4%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities (note ii)	2.7%	2.6%

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



**Mortality**

Life expectancy is based on actuarial tables with future improvement in line with the CMI 2016 model with a long term rate of improvement of 1.25% per annum. The actuarial mortality rate assumptions used in their calculations are:

Mortality rate	Males 2017/18	Males 2016/17	Females 2017/18	Females 2016/17
Current pensioners	29.5 years	30.2 years	31.5 years	31.7 years
Future pensioners*	30.8 years	31.6 years	32.8 years	33.2 years

\*Future pensioners are assumed to be aged 45 at 31 March 2018.

**Sensitivity analysis**

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis are consistent with those used in the previous period.

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

Financial assumptions	Approximate % increase to employer liability		Approximate monetary amount (£000)	
	2017/18	2016/17	2017/18	2016/17
0.5% decrease in real discount rate	10%	10%	3,178,457	3,085,800
1 year increase in member life expectancy	3%	3%	953,968	880,400
0.5% increase in the salary increase rate	1%	2%	390,864	536,700
0.5% increase in the pension increase rate (CPI)	8%	8%	2,547,809	2,404,900

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

£ million	2017/18	2016/17
Projected current service cost	742	856
Interest on obligation	859	767
<b>Total</b>	<b>1,601</b>	<b>1,623</b>

The weighted average duration of the defined benefit obligation is:

Weighted average duration	2017/18	2016/17
Active members	26.9 years	26.5 years
Deferred pensioners	25.1 years	25.7 years
Pensioners	12.2 years	12.1 years
Injury pensions	19.1 years	19.4 years

**12.2 Police staff**

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

A full actuarial valuation as carried out as at 31 March 2018 can be found in the Resource Accounts of the Cabinet Office, who administer the fund. For the year ended 31 March 2018, employer's contributions of £74.8 million were payable to the Cabinet Office at one of four rates in the range 20.0 to 24.5 percent of pensionable pay, based on salary bands. In the year to 31 March 2018, the net cost of pensions amounted to £79.3 million, representing 21.8% of pensionable pay. The Group is not liable for any other entities obligations under the plan.

## 13. Other operating expenditure

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

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

£000	2017/18			2016/17		
	Property	Vehicles	Total	Property	Vehicles	Total
Losses	15,188	547	15,735	20,571	643	21,214
Gains	(16,047)	(48)	(16,095)	(182,040)	(107)	(182,147)
<b>Net gain</b>	<b>(859)</b>	<b>499</b>	<b>(360)</b>	<b>(161,469)</b>	<b>536</b>	<b>(160,933)</b>

The gains and losses on disposal of assets, as disclosed above, exclude all minor proceeds below £10,000 from the sale of vehicles that have reached the end of their useful economic life.

Within the 2016-17 property disposal gains £154 million gross is directly attributable to the disposal of the former New Scotland Yard Site.

## 14. Non specific grant income

The Greater London Authority precepts London Boroughs for Council Tax and receives Police Formula Grant, Police Revenue Grant and Council Tax Support Grant directly from central government. The central funding allocated and the police precept for the year ended 31 March 2018 was:

£000	2017/18	2016/17
Council Tax Freeze Grant*	(29,550)	(27,100)
Formula Grant	(739,393)	(749,794)
Police Precept	(592,035)	(566,657)
Police Revenue Grant	(1,023,000)	(1,035,134)
Council Tax Support	(119,676)	(119,676)
<b>Total</b>	<b>(2,503,654)</b>	<b>(2,498,361)</b>

\*The GLA receives Retained Business Rates (Council Tax Freeze Grant) from central government. In 2017/18 MOPAC received a contribution from the GLA in relation to this grant of £29.6 million.

### 14.1 Capital grants

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

£000	2017/18	2016/17
Capital grants	(41,541)	(39,887)

## 15. Specific grants

The Group received the following grants for specific operational activities:

£000	2017/18	2016/17
Home Office - Counter Terrorism	(319,043)	(322,070)
Home Office - CT Protective Security Grant	(122,173)	(119,552)
Ministry of Justice - Victim Services	(10,168)	(10,092)
Home Office - Innovation/Transformation	(13,268)	(12,662)
Home Office - Specific Operational Projects	(38,471)	(5,103)
Miscellaneous grants	(15,567)	(18,921)
<b>Total</b>	<b>(518,690)</b>	<b>(488,400)</b>

## 16. Group and MOPAC non current assets at 31 March 2018

£000	Property	Plant and equipment	Assets under construction	Surplus Assets	Sub total	Heritage assets	Investment properties	Intangible assets	Total
<b>Cost or valuation at 1 April 2017</b>	<b>1,615,324</b>	<b>785,601</b>	<b>148,750</b>	<b>7,600</b>	<b>2,557,275</b>	<b>1,321</b>	<b>13,343</b>	<b>37,542</b>	<b>2,609,481</b>
Reclassifications (transfers)	(73,053)	64,143	(71,059)	79,740	(229)	0	(112)	341	0
Transfer assets held for sale	0	(5,193)	0		(5,193)	0	0	0	(5,193)
Additions	253,835	40,432	137,910		432,177	0	30	25	432,232
Donated assets/ other	0	0	0		0	0	0	0	0
Disposals	(30,931)	(14,346)	0	(4,338)	(49,615)	0	(7,144)	(30,900)	(87,659)
Impairment	0	0	(55)		(55)	0	0	0	(55)
Revaluation movements through CIES	17,016	0	0	(3,254)	13,762	0	(173)	0	13,589
Revaluation movements in reserves	61,692	0	0	(8)	61,684	0	0	0	61,684
<b>Cost or valuation at 31 March 2018</b>	<b>1,843,883</b>	<b>870,637</b>	<b>215,546</b>	<b>79,740</b>	<b>3,009,806</b>	<b>1,321</b>	<b>5,944</b>	<b>7,008</b>	<b>3,024,079</b>
<b>Depreciation at 1 April 2017</b>	<b>(134,343)</b>	<b>(646,692)</b>	<b>0</b>	<b>(48)</b>	<b>(781,083)</b>	<b>(11)</b>	<b>(40)</b>	<b>(35,757)</b>	<b>(816,891)</b>
Depreciation/amortisation for the year	(66,419)	(72,368)	0	(601)	(139,388)	0		(916)	(140,304)
Redundant depreciation	51,583	0	0	8	51,591	0		0	51,591
Depreciation on assets sold	3,152	13,945	0	125	17,222	0	24	30,900	48,146
Depreciation on transferred assets	(2)	5,016	0		5,014	0	2	0	5,016
<b>Depreciation at 31 March 2018</b>	<b>(146,029)</b>	<b>(700,099)</b>	<b>0</b>	<b>(516)</b>	<b>(846,644)</b>	<b>(11)</b>	<b>(14)</b>	<b>(5,773)</b>	<b>(852,442)</b>
<b>Net Book Value at 31 March 2018</b>	<b>1,697,854</b>	<b>170,538</b>	<b>215,546</b>	<b>79,224</b>	<b>2,163,162</b>	<b>1,310</b>	<b>5,930</b>	<b>1,235</b>	<b>2,171,637</b>
<b>Net Book Value at 31 March 2017</b>	<b>1,480,981</b>	<b>138,909</b>	<b>148,750</b>	<b>7,552</b>	<b>1,776,192</b>	<b>1,310</b>	<b>13,303</b>	<b>1,785</b>	<b>1,792,590</b>

The Group's Property portfolio consists of 89 (93 in 2016/17) police stations, 102 (107 in 2016/17) residential properties, and 328 (349 in 2016/17) other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. There are also 4 (33 in 2016/17) investment properties. The Group also operates 5,349 (5,494 in 2016/17) patrol cars, motorbikes and other vehicles, 27 (27 in 2016/17) boats including inflatables and dinghies.

Within the table above £251.8m of additions relates directly to costs associated with the purchase of ESB and is shown in the MOPAC single entity accounts under investments in subsidiaries.

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

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

### 16.1 Basis of valuation

MOPAC's operational property was revalued as at 30 September 2017 as a part of the revaluation programme. For the revaluation programme 20% of the assets are physically inspected as well as the top 20 properties by value. The remaining 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by Cushman and Wakefield LLP (member of the Royal Institute of Chartered Surveyors) ensuring that all operational land and buildings within the estate are subject to inspection and revaluation at least once every five years.

The residential and investment property portfolios were also revalued as at 30 September 2017 as a part of the revaluation programme. Again 20% of the assets are physically inspected each year whilst 80% are revalued on a desktop basis. This rolling programme of residential revaluations is performed by Drivers Jonas Deloitte (also a member of the Royal Institute of Chartered Surveyors) guaranteeing that all of the residential properties are subject to inspection and revaluation at least once every five years.

To reflect price movements and other adjustments between 1 October 2017 and the 31 March 2018, both valuers also provided a valuation as at 31 March 2018 based on a desktop exercise. Valuations are always carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

Investment properties and surplus assets were revalued as at 30 September 2017 using the IFRS 13 Fair Value market approach. The IFRS 13 Fair Value market approach uses prices and other relevant information (inputs) generated by market transactions involving similar properties and applies the valuer's professional judgment in accordance with the RICS Valuation - Professional Standards 2014 published by the Royal Institution of Chartered Surveyors.

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

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

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

**Level 3:** Unobservable inputs.

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

At 31 March 2018 the group carrying value of investment properties was £5.9 million, (2017 £13 million).

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

Buildings under construction and other property works are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2018.

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

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

During the year, transfers of £71 million were made for those assets under construction, which were completed and became operating assets.

## 16.2 Redundant depreciation

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

The estimates of depreciation are therefore made redundant by the valuation, and offset against the Revaluation Reserve. Redundant depreciation of £51.6 million is shown in Note 16.

## 16.3 Impairment

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

## 16.4 Capital Financing Requirement

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

£000	2017/18	2016/17
<b>Opening Capital Financing Requirement</b>	<b>611,933</b>	<b>647,934</b>
<b>Capital Investment</b>		
Property	252,998	44,975
Plant and equipment	40,433	51,086
Intangible assets	25	200
Assets under construction	137,855	80,765
Investment properties	30	22
<b>Sources of finance</b>		
Capital receipts	(377,278)	(154,687)
Government grants and other contributions	(36,456)	(31,908)
Sums set aside from revenue:		
Direct revenue contributions	(5,062)	(3,125)
Minimum Revenue Provision	(22,679)	(23,329)
<b>Closing Capital Financing Requirement</b>	<b>601,799</b>	<b>611,933</b>
<b>Explanation of movements in year</b>		
Decrease in underlying need to borrow (supported by government financial assistance)	(11,814)	(12,306)
(Decrease)/Increase in underlying need to borrow (unsupported by government financial assistance)	5,742	(19,828)
Increase in underlying need to borrow for PFI and financial lease assets	0	0
Decrease in underlying need to borrow for PFI and Finance Lease assets	(4,064)	(4,466)
<b>Decrease in Capital Financing Requirement</b>	<b>(10,136)</b>	<b>(36,600)</b>

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require MOPAC to charge to the MIRS a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For the year ended 31 March 2018 MOPAC has made an MRP charge based on:

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

## 16.5 PFI assets

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

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

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

£000	2017/18	2016/17
Balance as at 1 April	135,511	133,666
Additions	0	0
Depreciation for year	(13,498)	(12,222)
Redundant depreciation	11,621	10,435
Transfer from work in progress		0
Revaluation movement	4,581	3,632
<b>Balance as at 31 March</b>	<b>138,215</b>	<b>135,511</b>

## 16.6 Payment analysis

The PFI agreements impose 25 year commitments on the Group from occupation and use of the facilities from 2003 and 2004. The unitary payments to be made under the PFI contracts as at 31 March 2018 are shown below. PFI liabilities are shown in Note 28.

Payment Analysis 2017/18				
£000	Liability	Interest	Service charge	Total
Within 1 year	2,838	9,876	17,822	30,536
2 to 5 years	23,041	43,965	65,121	132,127
6 to 10 years	40,824	54,709	88,873	184,406
11 to 15 years	7,359	7,798	11,793	26,950
<b>Total</b>	<b>74,062</b>	<b>116,348</b>	<b>183,609</b>	<b>374,019</b>



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

## 16.7 Leases

### MOPAC as lessee

#### Operating leases

The Group has acquired a large and diverse portfolio of property leases, for example, office accommodation, police stations and patrol bases. In addition the Group leases include many safer neighbourhood offices, most of which have 10 year lives. In the year to 31 March 2018, the Group spent £35 million on operating leases for property and £0.6 million on operating leases for vehicles, most of which have 3 year lives. The lease payments due under non-cancellable leases in future years are:

£000	31 March 2018		31 March 2017	
	Property	Vehicles	Property	Vehicles
<b>Operating leases</b>				
Not later than 1 year	10,587	461	31,977	604
Later than 1 year and not later than 5 years	23,894	612	52,920	1,051
Later than 5 years	16,330	0	19,665	0
<b>Total</b>	<b>50,811</b>	<b>1,073</b>	<b>104,562</b>	<b>1,655</b>

#### Finance leases

The Group does not have any finance leases for vehicles, plant, or equipment. Following the adoption of IAS 17 the Group reviewed all existing property leases to evaluate the leases as at 31 March 2018 in order to determine whether they are a finance lease or an operating lease for land and/or for building. There are, in total, five property leases for which the building element is classified as a finance lease. There are also one long-term ground leases of land of more than 125 years included as finance leases. The movements for the current year are shown below:

£000	2017/18	2016/17
<b>Opening value 1 April</b>	<b>68,267</b>	<b>64,292</b>
Additions	197	300
Revaluations	6,435	6,346
Disposal	0	0
Depreciation	(3,143)	(2,671)
<b>Net carrying value 31 March</b>	<b>71,756</b>	<b>68,267</b>

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

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £1.2 million contingent rents were paid by the Group.

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

£000	31 March 2018	31 March 2017
Current liability	198	180
Long term liability	4,986	5,184
Finance costs payable in future years	15,064	15,743
<b>Total of minimum lease payments (Net Present Value)</b>	<b>20,248</b>	<b>21,107</b>

The minimum lease payments payable over the following periods are:

£000	Minimum lease payments		Finance lease liabilities	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Not later than 1 year	859	859	198	180
Later than 1 year and not later than 5 years	3,434	3,434	1,018	923
Later than 5 years	15,955	16,814	3,968	4,261
<b>Total</b>	<b>20,248</b>	<b>21,107</b>	<b>5,184</b>	<b>5,364</b>

## Group as lessor

### *Operating leases*

The Group leases out various interests in properties, including office space and short term leases for several blocks of flats classified as investment properties. The Group received rents amounting to £3.1 million (£6.8 million in 2016/17). The current lease payments receivable under non-cancellable leases in future years are:

£000	2017/18	2016/17
Not later than 1 year	507	3,721
Later than 1 year and not later than 5 years	1,067	1,307
Later than 5 years	2,218	2,471
<b>Total</b>	<b>3,792</b>	<b>7,499</b>

The Group has not granted any finance leases.

## 16.8 Component assets

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

## 16.9 Heritage assets

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

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

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

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

## 17. Interest in subsidiaries

£000	2017/18	2016/17
Opening balances	0	0
Investments in subsidiaries	251,837	0
<b>Total</b>	<b>251,837</b>	<b>0</b>

On 26 March 2018 MOPAC acquired the entire issued share capital of Empress Holdings Limited and its subsidiaries (“Empress Holdings Group”) which holds the freehold interest in the Empress State Building. The intention of this was to facilitate the purchase of ESB. The amount above represents the total costs associated with the acquisition of Empress Holdings Limited.

## 18. Long term debtors

Long Term Debtors in 2017/18 of £0.6 million (£1.4 million in 2016/17) represent income which is receivable more than twelve months from the balance sheet date relating to the transfer of the Air Support Unit to the National Police Air Service.

## 19. Assets held for sale

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

£000	2017/18	2016/17
Opening balance	110	81
Additional assets identified for disposal	176	110
Revaluation gains (losses)	0	0
Assets which are no longer being actively marketed	0	0
Assets disposed in year	(110)	(81)
<b>Total</b>	<b>176</b>	<b>110</b>

## 20. Short term debtors

£000	2017/18	2016/17
Central Government bodies (see note below)	257,499	207,321
Local authorities	4,608	32,519
Public corporations	15	3
Health bodies	300	582
Bodies external to general government	54,604	34,094
<b>Total before bad debt provision</b>	<b>317,026</b>	<b>274,519</b>
Less bad debt provision	(440)	(27)
<b>Balance per balance sheet</b>	<b>316,586</b>	<b>274,492</b>

'Short term debtors' represent assets which are expected to be realised within 12 months after the reporting date. The 'Central Government bodies' category includes an amount due from the Home Office in respect of police pensions fund top up grant of £66.3 million (£90.9 million in 2016/17).

## 21. Short term investments

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

£000	2017/18	2016/17
<b>Banks and financial Institutions</b>	<b>1,468</b>	<b>203,057</b>

## 22. Cash and cash equivalents

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

£000	2017/18	2016/17
<b>Banks and financial Institutions</b>	<b>16,316</b>	<b>84,531</b>

## 23. Short term creditors

£000	2017/18	2016/17
Central Government bodies	(79,518)	(86,232)
Local authorities	(36,811)	(25,323)
Public corporations	(271)	(777)
Health bodies	(979)	(626)
Bodies external to general government	(338,799)	(273,197)
<b>MOPAC Group balance</b>	<b>(456,378)</b>	<b>(386,155)</b>
<b>Intra-group creditor (see Note 6.2)</b>	<b>(104,897)</b>	<b>(103,292)</b>
<b>MOPAC balance</b>	<b>(351,481)</b>	<b>(282,863)</b>

## 24. Short term borrowing

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

Due for repayment in 12 months or less (£000)	Note	2017/18	2016/17
Public Works Loan Board		(26,457)	(16,457)
Local authorities		(100,000)	0
PFI liabilities	28.1	(2,838)	(3,884)
Finance lease liabilities	28.1	(198)	(180)
<b>Balance</b>		<b>(129,493)</b>	<b>(20,521)</b>

## 25. Third party monies

Fund Name £000s 2017/18	Income	Expenditure	Assets	Liabilities
MOPAC Police Property Act Fund	3,577	90	18,598	0
MOPAC Detained Monies Account	4,943	4,995	5,916	0
Metropolitan Police Benevolent Fund	2,809	3,028	4,378	6
Metropolitan Police Commissioner's Fund	18	19	581	6
Metropolitan Police Sports Fund	467	477	295	4
Metropolitan Police Staff Welfare Fund	20	19	251	1
Metropolitan Police Athletic Association	2,021	1,415	1,665	116
COMETS	86	75	135	0
<b>Total</b>	<b>13,941</b>	<b>10,118</b>	<b>31,819</b>	<b>133</b>

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

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 2018 and values at their financial year-end dates, are given above.

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

Regulations under the Police (Property) Act 1897 and its subsequent amending legislation permit police to retain the proceeds from the disposal of property that comes into police possession in

connection with a criminal charge (or suspicion of a criminal offence being committed) where the owner has not been ascertained or no court order has been made. The legislation stipulates that the income is to be used to meet the cost of the storage and sale of the property with any residual funds being used for charitable purposes in accordance with directions of the Deputy Mayor for Policing And Crime. The MOPAC PPAF is used for this purpose.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Operational responsibilities**

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

£000	2017/18	2016/17
Proceeds Of Crime Act monies	44,264	42,093
Prisoners' property and lost cash	146	601
Other	863	791
<b>Total</b>	<b>45,273</b>	<b>43,485</b>

In addition, MOPAC also holds non cash assets which are not valued in the above table. The prisoners' property and lost cash relates to the total amount held in property stores at 31 March 2018 and has therefore been stated separately from the Police Property Act Fund value.

## 26. Provisions

### 26.1 Short term provisions

£000	Third party liabilities	Riot damage claims	Other provisions	Total
<b>Balance at 1 April 2016</b>	<b>(15,307)</b>	<b>(4,484)</b>	<b>(27,836)</b>	<b>(47,627)</b>
Additional provisions made in 2016/17	(10,134)	0	(10,434)	(20,568)
Amounts used in 2016/17	15,307	3,884	6,706	25,897
Reduction in provisions made in 2016/17	0	0	5,557	5,557
Transfer to/(from) long term	(2,954)	0	0	(2,954)
<b>Balance at 31 March 2017</b>	<b>(13,088)</b>	<b>(600)</b>	<b>(26,007)</b>	<b>(39,695)</b>
Additional provisions made in 2017/18	(9,428)	0	(2,416)	(11,844)
Amounts used in 2017/18	13,088	600	14,521	28,209
Reduction in provisions made in 2017/18	0	0	4,364	4,364
Transfer to/(from) long term	(3,140)	0	0	(3,140)
<b>Balance at 31 March 2018</b>	<b>(12,568)</b>	<b>0</b>	<b>(9,538)</b>	<b>(22,106)</b>

## 26.2 Long term provisions

£000	Third party liabilities	Riot damage claims	Other provisions	Total
Balance at 1 April 2016	(10,637)	0	(4,565)	(15,202)
Additional provisions made in 2016/17	(10,134)	0	(135)	(10,269)
Reduction in provisions made in 2016/17	0	0	0	0
Amounts used in 2016/17	4,729	0	0	4,729
Transfer to/(from) short term	2,954	0	0	2,954
<b>Balance at 31 March 2017</b>	<b>(13,088)</b>	<b>0</b>	<b>(4,700)</b>	<b>(17,788)</b>
Additional provisions made in 2017/18	(9,428)	0	0	(9,428)
Reduction in provisions made in 2017/18	0	0	0	0
Amounts used in 2017/18	6,809	0	0	6,809
Transfer to/(from) short term	3,140	0	0	3,140
<b>Balance at 31 March 2018</b>	<b>(12,567)</b>	<b>0</b>	<b>(4,700)</b>	<b>(17,267)</b>

MOPAC seeks to make provision for realistic estimates of the future settlement of known liabilities in respect of legal compensation and accident claims that are not covered by insurance. Accordingly a provision has been created for £25.1 million (of which £12.6m is long term). At 31 March 2017 the value of this provision was £26.2 million (of which £13.1m was long term). Over the course of the year agreed claims have been paid from this account totalling £19.9 million.

Other provisions total £14.2 million and consist of:

- A provision of £6.4 million in respect of other legal claims;
- A provision for officer injury awards of £4.6 million;
- A provision of £1.6m in respect of other employee related costs;
- A provision for termination benefits of £1.4 million, arising from the implementation of the MetChange Programme;
- Miscellaneous provisions totalling £0.2 million.

## 27. Long term borrowing

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

£000	2017/18	2016/17
<b>Loans</b>	<b>(116,550)</b>	<b>(143,007)</b>
Analysis of loans by maturity:		
Between 1 and 2 years	(13,600)	(26,457)
Between 2 and 5 years	(12,000)	(24,000)
Between 5 and 10 years	(18,000)	(18,000)
Over 10 years	(72,950)	(74,550)



## 28. Long term contractor liability

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

£000	2017/18	2016/17
PFI liability	(71,224)	(74,061)
Finance lease liability	(4,986)	(5,184)
<b>Balance at 31 March</b>	<b>(76,210)</b>	<b>(79,245)</b>

### 28.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

£000	2017/18 PFI liability	2016/17 PFI liability	2017/18 Finance lease liability	2016/17 Finance lease liability
Balance as at 1 April	(77,945)	(82,248)	(5,364)	(5,527)
Net movement in year	3,884	4,303	180	163
<b>Total liability</b>	<b>(74,061)</b>	<b>(77,945)</b>	<b>(5,184)</b>	<b>(5,364)</b>
<b>Classified as:</b>				
Short term liability	(2,838)	(3,884)	(198)	(180)
Long term liability	(71,224)	(74,061)	(4,986)	(5,184)

## 29. Reserves

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

### 29.1 Unusable reserves

Movements on unusable reserves - Group and MOPAC 2017/18						
£000	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Deferred capital receipts	Total
Balance as at 1 April 2017	(249,089)	(931,685)	103,294	29,422,000	(1,425)	28,343,095
Upward revaluation of assets	(97,829)	0	0	0	0	(97,829)
Difference between fair value and historic cost depreciation	16,384	(16,384)	0	0	0	0
Accumulated gains on assets disposed	13,906	(13,906)	0	0	0	0
Other capital adjustments	0	0	0	0	0	0
Downward revaluation of assets and impairment losses not charged to the CIES	(15,447)	0	0	0	0	(15,447)
Statutory provision for financing capital investment charged against CIES (MRP)	0	(22,679)	0	0	0	(22,679)
Revaluation losses/ (gains) on L&B	0	(13,762)	0	0	0	(13,762)
Depreciation and impairment	0	139,444	0	0	0	139,444
Amortisation of intangible assets	0	915	0	0	0	915
Movements in market value of investment property	0	173	0	0	0	173
Amounts written out on disposal	0	39,623	0	0	0	39,623
Capital grants and contributions credited to CIES applied to capital finance	0	(22,122)	0	0	0	(22,122)
Application of grants from capital grants unapplied account	0	(14,334)	0	0	0	(14,334)
Use of capital receipts reserve	0	(377,278)	0	0	0	(377,278)
Capital expenditure charged against CIES	0	(5,060)	0	0	0	(5,060)
Movement of reserves	0	0	1,603	2,377,000	0	2,378,603
Donated assets	0	(837)	0	0	0	(837)
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES	0	0	0	0	0	0
<b>Balance as at 31 March 2018</b>	<b>(332,075)</b>	<b>(1,237,892)</b>	<b>104,897</b>	<b>31,799,000</b>	<b>(1,425)</b>	<b>30,332,505</b>

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

### 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 2018. 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 2018.

### 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.

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Reserves Balance from accruing for unused accumulated absences as at 31 March 2018. Statutory arrangements require that the impact on the General Reserves Balance is neutralised by transfers to or from the Account.

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

### Police Officer Pension Reserve

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

### Deferred Capital Receipts Reserve

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

## 29.2 Usable capital reserves

£000	Capital Receipts Reserve	Capital Grants Unapplied Account	Total
Balance at 1 April 2016	0	(4,503)	(4,503)
Proceeds of disposals	(491,981)	0	(491,981)
Financing of fixed assets	154,686	16,614	171,300
Capital grants	0	(24,593)	(24,593)
<b>Balance at 31 March 2017</b>	<b>(337,295)</b>	<b>(12,482)</b>	<b>(349,777)</b>
Proceeds of disposals	(39,983)	0	(39,983)
Financing of fixed assets	377,278	14,334	391,612
Capital grants	0	(19,418)	(19,418)
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>(17,566)</b>	<b>(17,566)</b>
<b>Net movement for 2016/17</b>	<b>(337,295)</b>	<b>(7,979)</b>	<b>(345,274)</b>
<b>Net movement for 2017/18</b>	<b>337,295</b>	<b>(5,084)</b>	<b>332,211</b>

### Usable capital receipts

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

### Capital Grants Unapplied

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

### 29.3 Usable earmarked revenue reserves

As part of our work to create and publish a MPS / MOPAC Reserves Strategy we have undertaken a fundamental review of reserves in 2017/18. This has involved reviewing each reserve held on the balance sheet and assessing whether it is still required for the original purpose as well as assessing the need for reserves balances for other purposes. The result has been a strategic decision to realign some balances to previously existing or new purposes, as well as a restatement of our reserves in a format required by the Minister for Policing and the Fire Service.

For the purposes of the 2017/18 accounts we have restated the 2016/17 final balances in the new format.

£000	Balance at 31 March 2016 restated	Transfer to restated	Transfer from restated	Balance at 31 March 2017 restated	Transfer to	Transfer from	Balance at 31 March 2018
Supporting OMM and local change	(165,203)	(8,218)	80,292	(93,129)	(12,163)	70,695	(34,597)
Property	(28,987)	0	7,144	(21,843)	0	1,942	(19,901)
Historical public inquires	0	(9,635)	0	(9,635)	0	0	(9,635)
Operational Costs	(6,908)	(7,180)	1,958	(12,130)	0	2,370	(9,760)
Insurance	(6,680)	0	0	(6,680)	0	0	(6,680)
Other earmarked (POCA)	(2,944)	(4,900)	435	(7,409)	0	460	(6,949)
Vetting Delays	0	0	0	0	(1,100)	0	(1,100)
Specifically funded for third parties	(14,065)	0	0	(14,065)	0	0	(14,065)
Specifically funded for third parties-airports	(1,259)	(518)	0	(1,777)	(242)	0	(2,019)
Business Group initiatives	(10,730)	(1,309)	0	(12,039)	(3,200)	7,909	(7,330)
Managing Officer FTEs	0	0	0	0	(27,100)	0	(27,100)
MOPAC	(13,246)	(1,118)	0	(14,364)	(903)	0	(15,267)
<b>Total earmarked reserves</b>	<b>(250,022)</b>	<b>(32,878)</b>	<b>89,829</b>	<b>(193,071)</b>	<b>(44,708)</b>	<b>83,376</b>	<b>(154,403)</b>
Emergencies Contingency Fund	(23,093)	0	0	(23,093)	0	0	(23,093)
General revenue reserve	(23,483)	0	0	(23,483)	0	0	(23,483)
<b>Total General reserves</b>	<b>(46,576)</b>	<b>0</b>	<b>0</b>	<b>(46,576)</b>	<b>0</b>	<b>0</b>	<b>(46,576)</b>
<b>Total MOPAC revenue reserves</b>	<b>(296,598)</b>	<b>(32,878)</b>	<b>89,829</b>	<b>(239,647)</b>	<b>(44,708)</b>	<b>83,376</b>	<b>(200,979)</b>
National functions - NPCC	(440)	0	0	(440)	(168)	0	(608)
National functions - NPoCC	(183)	0	169	(14)	(886)	0	(900)
National functions - Police Reform	(697)	0	555	(142)	(1,465)	0	(1,607)
<b>Total National Functions</b>	<b>(1,320)</b>	<b>0</b>	<b>724</b>	<b>(596)</b>	<b>(2,519)</b>	<b>0</b>	<b>(3,115)</b>
<b>Total Revenue Reserves</b>	<b>(297,918)</b>	<b>(32,878)</b>	<b>90,553</b>	<b>(240,243)</b>	<b>(47,227)</b>	<b>83,376</b>	<b>(204,094)</b>

### **Supporting OMM and local change**

The Supporting OMM and local change reserve is set aside to fund various modernisation programmes including to cover the cost for early departures.

### **Property related costs**

This covers a reserve for dilapidations to fund future expenditure on properties where the leases have been terminated and a reserve for property related costs which reflect the requirement to provide for the cost of various building related projects as part of our central estates strategy.

### **Historical public inquiries**

The reserves are to fund the provision of resources to respond to requests for information and other requirements arising from the work of the public inquiries.

### **Operational costs**

The Operational costs reserves exist to fund a number of specific operational requirements.

### **Insurance**

To cover our insurance costs in line with the insurance strategy.

### **Managing Officer FTEs**

This reserve was established in 2017/18 following a Management Board decisions to set a target level of officer FTEs over the medium term, and to plan for underspends in police pay in 2017/18, 2018/19 and 2019/20 which can be moved to reserves and then released in 2020/21 and 2021/22 to maintain officer FTEs at the target level. This gives the MPS a steady officer establishment over the medium term allowing improved operational planning. It is based on a set of assumptions for costs and funding agreed by Management Board in March 2018 - these assumptions do not include any future grant reductions via a new Spending Review or Funding Formula review.

### **Other reserves**

The following reserves are also held by MOPAC;

- Reserves specifically funded for third parties.
- Reserves held on behalf of the National police functions, National Police Chief's Council (NPCC) and National Police Coordination Centre (NPoCC).
- MOPAC hold a reserve to fund and support initiatives and projects that MOPAC expects to undertake in future years.

## **29.4 General revenue reserve**

MOPAC's policy is to have a General Reserve and an Emergency Contingency Fund, the latter of which is to meet unforeseen or emergency expenditure that cannot be contained within the budget. The General Reserve is £23.5 million and the Emergencies Contingency Fund is £23.1m at 31 March 2018. Together these uncommitted reserves total £46.6m, 1.9% of the 2017/18 budget requirement. The intention is to maintain the balance of these reserves above 1.5% of the budget requirement.

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

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

The following adjustments are for 2017/18:

Group and MOPAC £000	General Reserves	Capital receipts reserve	Capital Grants Unapplied Account	Unusable reserves
<b>Adjustments to the CIES</b>				
Pension costs (transferred to (or from) the Pension Reserve)	(931,500)	0	0	931,500
Holiday pay (transferred to the accumulated absences reserve)	(1,603)	0	0	1,603
Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(165,555)	0	0	165,555
<b>Total adjustments to the CIES</b>	<b>(1,098,658)</b>	<b>0</b>	<b>0</b>	<b>1,098,658</b>
<b>Adjustments between reserves and capital resources</b>				
Transfer of non-current asset sale proceeds from reserves to the capital receipts reserve	39,982	(39,982)	0	0
Deferred sale proceeds	0	0	0	0
Statutory provision for the repayment of debt (transfer to Capital Adjustment Account)	22,679	3,884	0	(26,563)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,060	0	0	(5,060)
<b>Total adjustment between reserves and capital resources</b>	<b>67,721</b>	<b>(36,098)</b>	<b>0</b>	<b>(31,623)</b>
<b>Adjustments to capital resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	373,394	0	(373,394)
Application of capital grants to finance capital expenditure	41,541	0	(5,085)	(36,456)
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total capital financing adjustments</b>	<b>41,541</b>	<b>373,394</b>	<b>(5,085)</b>	<b>(409,850)</b>
<b>Total adjustments - MOPAC Group</b>	<b>(989,396)</b>	<b>337,296</b>	<b>(5,085)</b>	<b>657,185</b>
Police pensions	(1,445,500)	0	0	1,445,500
<b>Total - MOPAC</b>	<b>(2,434,896)</b>	<b>337,296</b>	<b>(5,085)</b>	<b>2,102,685</b>

The following adjustments were made in 2016/17:

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

## 31. Notes to the cash flow statement

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

£000	31 March 2018 Group	31 March 2017 Group	31 March 2018 MOPAC	31 March 2017 MOPAC
<b>Operating activities</b>				
Interest received	(2,091)	(2,305)	(2,091)	(2,305)
Interest paid	6,443	6,846	6,443	6,846
Interest element of finance lease and PFI rental payments	12,423	12,784	12,423	12,784
	<b>16,775</b>	<b>17,325</b>	<b>16,775</b>	<b>17,325</b>



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

£000	31 March 2018 Group	31 March 2017 Group	31 March 2018 MOPAC	31 March 2017 MOPAC
Depreciation of non-current assets	(139,388)	(130,320)	(139,388)	(130,320)
Impairment and revaluations of non-current assets	13,707	23,505	13,707	23,505
Amortisation of intangible assets	(915)	(1,474)	(915)	(1,474)
Reversal of pension service costs and interest	(931,500)	(938,000)	(2,377,000)	(2,997,600)
(Increase)/decrease in impairment for provision for bad debts	(413)	90	(413)	90
(Increase)/decrease in creditors	(70,223)	(2,128)	(70,223)	(2,128)
Increase/(decrease) in debtors	41,713	37,661	41,713	37,661
Increase/(decrease) in inventories	212	(4,005)	212	(4,005)
Carrying amount of property, plant and equipment, investment property and intangible assets sold	(39,623)	(282,106)	(39,623)	(282,106)
Other non-cash items	18,775	5,911	18,775	5,911
	<b>(1,107,655)</b>	<b>(1,290,866)</b>	<b>(2,553,155)</b>	<b>(3,350,466)</b>

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

£000	31 March 2018 Group	31 March 2017 Group	31 March 2018 MOPAC	31 March 2017 MOPAC
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	39,982	443,097	39,982	443,097
Capital grants adjustment	41,541	39,887	41,541	39,887
Proceeds from short term and long term investments	0	0	0	0
	<b>81,523</b>	<b>482,984</b>	<b>81,523</b>	<b>482,984</b>

**31.4 Cash flows from investing activities:**

£000	31 March 2018 Group	31 March 2017 Group	31 March 2018 MOPAC	31 March 2017 MOPAC
<b>Investing activities</b>				
Purchase of non-current assets	431,394	177,048	179,557	177,048
Purchase of short term and long term investments	1,468	203,057	253,305	203,057
Proceeds from short term and long term investments	(203,057)	(24,050)	(203,057)	(24,050)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(39,982)	(491,981)	(39,982)	(491,981)
Other receipts from investing activities	(41,541)	(37,744)	(41,541)	(37,744)
	<b>148,282</b>	<b>(173,670)</b>	<b>148,282</b>	<b>(173,670)</b>

**31.5 Cash flows from financing activities:**

£000	31 March 2018 Group	31 March 2017 Group	31 March 2018 MOPAC	31 March 2017 MOPAC
<b>Financing activities</b>				
Cash receipts of short and long-term borrowing	(83,543)	0	(83,543)	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,063	4,466	4,063	4,466
Repayments of short and long-term borrowing	0	16,457	0	16,457
	<b>(79,480)</b>	<b>20,923</b>	<b>(79,480)</b>	<b>20,923</b>

**32. Contingent liabilities**

The Commissioner, along with other Chief Constables and the Home Office, currently has approximately 4314 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in 2016/17 these claims were heard in the Employment Tribunal. In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Commissioner has no liability at the Balance Sheet date.

In 2015 the MPS signed a call-off agreement with Shared Services Connected Ltd (SSCL) to deliver back office support services across HR, Finance and Procurement. Under the terms of the call off agreement the Transformation Plan to move from the legacy working processes to the Future Service Target Operating Model was confirmed at 12 months. This Future Services Target Operating Model was underpinned by the configuration and development of a new Enterprise Resource Planning (ERP) System called P-SOP. Successive delays to the implementation of P-SOP have culminated in significant delay costs being incurred by both MPS and SSCL. Previous delays, up to proposed go live of 5<sup>th</sup> June 2017 have been settled however there is an outstanding dispute for subsequent delays.

The MPS and SSCL will imminently be entering into a facilitated mediation process to resolve the commercial dispute. The timescales for undertaking such a process have been estimated at 6 months therefore if we are able to achieve resolution via this mechanism then the contingent liability will be realised in the 2018/19 financial year.

### 33. Financial instruments

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

£000	Long term		Current (within 12 months)	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
<b>Loans and receivables</b>				
Investments	0	0	1,468	203,057
Debtors	634	1,426	96,150	134,503
<b>Total loans and receivables</b>	<b>634</b>	<b>1,426</b>	<b>97,618</b>	<b>337,560</b>
<b>Financial liabilities at amortised cost</b>				
Borrowings	(116,550)	(143,007)	(126,457)	(16,457)
PFI and finance lease liabilities	(76,210)	(79,245)	(3,036)	(4,064)
Creditors	0	0	(360,365)	(306,719)
<b>Total borrowings &amp; liabilities</b>	<b>(192,760)</b>	<b>(222,252)</b>	<b>(489,858)</b>	<b>(327,240)</b>

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

£000	2017/18	2016/17
<b>Expenses</b>		
Interest expense	18,867	19,629
<b>Total expense in surplus on the provision of services</b>	<b>18,867</b>	<b>19,629</b>
<b>Income</b>		
Interest income	(2,091)	(2,305)
<b>Total income in surplus on the provision of services</b>	<b>(2,091)</b>	<b>(2,305)</b>
<b>Net (gain)/loss for the year</b>	<b>16,776</b>	<b>17,324</b>

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

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

£000	2017/18 Carrying amount	Fair value	2016/17 Carrying amount	Fair Value
<b>Financial liabilities</b>				
Borrowings - (Public Works Loan Board)	143,007	175,673	159,464	196,546
Borrowings - (Local Authorities)	100,000	100,000	0	0

## Notes to the Financial Statements

PFI and finance lease liabilities	79,246	110,139	83,309	111,481
Creditors	360,365	360,365	306,719	306,719
<b>Loans and receivables</b>				
<b>Investments</b>				
Short term investments	1,468	1,468	203,057	203,057
Debtors	96,784	96,784	135,929	135,929

The fair value of the PWLB borrowing is higher than the carrying amount because the Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss as at 31 March 2018 arising from a commitment to pay interest above current market rates.

The fair value of the PFI liabilities is higher than the carrying amount because the Group's liabilities are based on interest rates which are higher than the PWLB new loan rates at the Balance Sheet date. This shows a notional future loss as at 31 March 2018 arising from a commitment to pay interest above current market rates.

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

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

31 March 2018				
Recurring Fair Value Measurements Using: £000	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Financial liabilities</b>				
<b>Borrowings</b>				
Financial liabilities-(Public Works Loan Board)	0	175,673	0	175,673
<b>Other long term liabilities</b>				
PFI and finance lease liabilities	0	0	110,139	110,139
<b>Total</b>	<b>0</b>	<b>175,673</b>	<b>110,139</b>	<b>285,812</b>

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

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

Financial Assets	Financial Liabilities
------------------	-----------------------

Where an instrument will mature in the next 12 months, the fair value is taken to be the carrying value.	No early repayment is recognised
The fair value of trade and other receivables is taken to be the invoiced or billed amount.	Estimated ranges of interest rates at 31 March 2018 of 1.47% to 2.57% for PWLB loans payable based on PWLB new loan rates.
	Estimated ranges of interest rates at 31 March 2018 of 1.69% to 2.54% for PFI liabilities based on PWLB new loan rates.
	The fair value of trade and other payables is taken to be the invoiced or billed amount

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

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

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

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. MOPAC's Treasury Management Strategy is administered and managed by the GLA Group Treasury Team. Credit ratings form the backbone of the investment policy for selecting institutions with which the GLA Group Treasury Team invests surplus funds on MOPAC's behalf, based on knowledge and understanding of the risks involved. Although no combination of ratings can be viewed as fail-safe, the credit criteria for 2017/18 were based on Fitch, Moody's and Standard and Poor's suite of ratings, supported by broader market information. Relevant changes in counterparties' credit standing are reviewed daily, with updates provided by the GLA Group Treasury Team's treasury advisors. Where counterparties' credit standings are downgraded, the relevant investment limits are reduced with immediate effect or, where minimum criteria fail to be met, further investment is suspended. Maximum limits for principal invested with each counterparty are reviewed regularly with reference to relative risk and the Group's cash flow requirements. All the Group's investments are sterling denominated.

At 31 March 2018, 37% of the Group's money market investments and cash were placed with other public bodies or institutions substantially owned by the United Kingdom's government, the remaining 63% were placed with institutions with at least an A- credit rating. The Group does not therefore expect any losses from any institutions in relation to investments placed.

## Notes to the Financial Statements

	Amount at 31 March 2018 £000 A	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default and un-collectability £000 (A X C)
Deposits with banks and financial institutions	16,554	0.00%	0.00%	0
Customers (general debtors)	59,524	0.04%	0.74%	440

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

### Liquidity risk

As the Group has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Group can also access short term funding from within the GLA Group. The Group undertook £100 million of new borrowing during 2017/18 with fixed rate loans. The maturity analysis of all the borrowings is as per Notes 24 and 27.

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

### Interest rate risk

The Group is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments, however in the short term extreme movements are deemed unlikely. Movements in interest rates have a complex effect on the Group. For instance, a rise in interest rates would have the following effects:

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

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

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



## Police officer pension fund

### 1. Police officer pension fund revenue account

The Commissioner is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. This statement shows income and expenditure for the three Police Pension Schemes for 2017/18 and 2016/17. The statement does not form part of the CPM or the MOPAC Group Statement of Accounts.

£000	Notes	2017/18	2016/17
<b>Contributions receivable</b>			
• Employer contributions	4.1	(230,415)	(235,801)
• Additional income	4.3	(4,212)	(3,977)
Transfers in from other schemes	4.2	(6,419)	(6,685)
Officers' contributions	4.4	(146,246)	(150,259)
<b>Net Income</b>		<b>(387,292)</b>	<b>(396,722)</b>
<b>Benefits payable</b>			
Pensions paid		622,766	596,913
Lump sum payments		175,149	165,685
Lump sum death payments		1,380	1,632
Other payments	4.6	907	1,340
Transfers out to other schemes	4.2	1,449	952
<b>Net expenditure</b>		<b>801,651</b>	<b>766,522</b>
<b>Net amount payable for the year</b>		<b>414,359</b>	<b>369,800</b>
Additional 2.9% funding payable by the local policing body to meet deficit for the year	4.1	(31,369)	(32,089)
<b>Employer additional funding</b>	4.5	<b>(382,990)</b>	<b>(337,711)</b>
<b>(Surplus)/deficit on fund</b>		<b>0</b>	<b>0</b>

### 2. Police officer pension fund asset statement

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

£000	2017/18	2016/17
<b>Current Assets</b>		
Funding to Meet Deficit due from the CPM	1,210	1,690
<b>Net Current Assets</b>	<b>1,210</b>	<b>1,690</b>
<b>Current Liabilities</b>		
Unpaid Pensions Benefits	(1,210)	(1,690)
<b>Net Current Liabilities</b>	<b>(1,210)</b>	<b>(1,690)</b>
<b>Total</b>	<b>0</b>	<b>0</b>



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

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

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

The Police Officer Pension Fund which is managed by the MOPAC Group has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and payment or refund to central government for the balance outstanding for each year. The fund does not hold any investment assets nor does it reflect the liabilities of the Schemes to pay present and future pensioners. The fund will be paid sufficient monies from the Home Office in 2017/18 to cover the deficit in year.

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

Details of the accounting policies can be seen on page 15 to 24. MOPAC provides the accounting and banking systems through which the CPM administers the Fund. Details of the three schemes' actuarial report and the cost of pensions can be seen in Note 12.

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

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

#### 4.1 Employer contributions

Employer contributions are calculated at 21.3% of police officer pensionable pay from 1 April 2015. The employer contribution is set nationally by the Home Office and is subject to triennial revaluation.

The difference between the old employer contribution rate of 24.2% and the new rate has been retained by the Exchequer. This means that the police pensions top up grant for 2017/18 has continued to be reduced by the difference the contribution rates of 24.2% and 21.3%. The additional 2.9% required to meet the pension fund revenue account deficit has been met by the CPM.

#### 4.2 Transfers

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

#### 4.3 Additional income

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

### 4.4 Officers' contributions

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

### 4.5 Employer additional funding

This sum represents additional funding required to provide for payment to pensioners. Including the funds received by the Group as part of the settlement of the additional commutation liability, the actual shortfall receipts for the year 2017/18 amounted to £383.5 million. This consists of additional funding of £90.9 million received by the Group in respect of 2016/17 and a statutory transfer from the police fund of a further £292.6 million in respect of 2017/18. The remaining 2017/18 shortfall of £66.3 million is to be received from the Home Office in 2018/19.

### 4.6 Other payments

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

## 5. Related party transactions

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

## 6. Additional voluntary pension contributions

Additional pension contributions (e.g. added pension/years) made by police officers amounted to £32,172 for the PPS scheme, £42,829 for the NPPS scheme and £30,466 for the 2015 scheme.

## 7. Members of the scheme

The MPS also administers the Pension Fund on behalf of members of Her Majesty's Inspectorate of Constabulary (HMIC). There no HMIC members currently contributing to the Police Pension scheme, there are 24 HMIC pensioners and 4 dependent pensioners.

# Glossary of terms

## Accruals

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

## Balance Sheet

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

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

## Budget

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

## Capital expenditure

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

## Cash equivalent

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

## Capital receipts

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

## Comprehensive Income and Expenditure Statement (CIES)

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

## Corporate costs

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

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

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

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

### **Credit arrangements**

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

### **Creditors**

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

### **Debtors**

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

### **Democratic core costs**

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

### **Employee costs**

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

### **Finance lease**

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

### **Government grants**

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

### **Group**

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

### **Long term debtors**

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

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

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

### **Minimum Revenue Provision**

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

### **Non distributed costs**

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

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

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

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

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

### **Operating lease**

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

### **PCSPS**

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

### **Provision**

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

### **Revenue expenditure**

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

### **Revenue reserves**

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

### **Special service agreements**

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