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# Mayor's Office For Policing And Crime and Group

Statement of Accounts 2018/19

**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. 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 election as Police and Crime Commissioner for London.

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

All the financial transactions incurred during 2018/19 for policing London have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of MOPAC and the MOPAC Group for the year ending 31 March 2019. 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 2018/19.

### Delivering our priorities in 2018/19

2018/19 was a year of continued challenges for policing and safety across the country. Crime - particularly violent crime - has continued to increase nationally while policing and other key services with a role to play in community safety continued to struggle with the impact of budget cuts imposed by the Government in 2010.

In London, those cuts mean that the Metropolitan Police Service has already had to deliver £850 million in savings since 2013/14 and will be required to deliver a further £263 million by 2022/23. As a consequence, officer numbers have fallen below 30,000. Youth services, which play a vital role in keeping young people on a positive path and away from crime, have faced multi-million pound cuts and more than 100 youth centres and projects have closed in London since 2011/12. While 15 per cent of all recorded sexual offences take place in the capital, only

six per cent of government funding comes to London, leaving specialist support services for vulnerable victims of serious crime at crisis point.

The safety of Londoners is the Mayor's first priority, and he is determined to do everything in his power to strengthen policing and safety in the capital. Supported by Deputy Mayor for Policing and Crime Sophie Linden, in 2018/19 he pushed forward with delivery of his Police and Crime Plan for London, backed by record levels of investment from City Hall, whilst continuing to campaign for the Government to reverse the cuts they have made to vital public services.

The Mayor has taken the difficult decision to increase the amount he raises for policing through council tax by the maximum amount legally possible, as well as increasing the allocation of business rates towards policing London. This is providing for 1,300 police officers that would otherwise be unaffordable. Through this investment, we expect the Metropolitan Police Service to be at 31,000 officers by the end of 2019/20. In addition, further funding continues to support the work of the Violent Crime Task Force, taking tough enforcement action against the dangerous criminals responsible for so much of the serious violence in our city.

However, the police cannot tackle crime and violence alone. The causes are deep rooted, and in September 2018 the Mayor announced plans to establish London's first Violence Reduction Unit (VRU) in partnership with the police, councils, health services and communities. Led by its Director, Lib Peck, the VRU will take a long-term, public health approach to violence, identifying and addressing the factors that can make someone more vulnerable to being a perpetrator or a victim of violent crime.

The Mayor has pledged to put victims at the heart of the justice service, and in 2018/19 delivered on key Police and Crime Plan commitments including the opening of the Lighthouse - a specialist facility dedicated to supporting young victims of sexual exploitation and abuse; and the development of a new, integrated support service for all crime victims in London, making it easier to access support to cope and recover from their experiences. In addition, and building on the £44 million investment already committed in his Violence Against Women and Girls (VAWG) Strategy, in February the Mayor announced a further funding boost of £15 million for services supporting victims of VAWG.

Sadly, 2018/19 has seen further terror attacks around the world, and the Mayor continues to work with the police and partner agencies to protect London and to tackle the hatred, intolerance and extremism that fuels terrorism. The best defence against radicalisation is strong, integrated communities, and the Mayor, supported by his Deputy Mayors for Policing and Crime and Social Integration, Social Mobility and Community Engagement, has continued to use his position to celebrate the values of equality, diversity and inclusion that make London such a great place to live; and to speak out against those who seek to divide us. Over the course of 2018-19, the Mayor's dedicated Countering Violent Extremism programme has engaged with thousands of Londoners to discuss what more can be done to prevent vulnerable people from being radicalised, and the programme is due to report back on its findings and recommendations in the year ahead.

In 2018/19, the Mayor of London has:

- Committed record investment of £234 million in his budget to deliver a better police service for London and strengthen efforts to tackle crime. This funding will help protect officer numbers; enable the recruitment of new officers and specialist investigators to disrupt gang violence; and support additional initiatives against serious violence, including tackling gangs and providing more youth workers at hospital Accident and Emergency units.
- Stepped up tough enforcement action against London's most dangerous criminals, boosting the MPS Violent Crime Task Force to 272 dedicated officers. Since the Task

Force was launched in April 2018, the command has: carried out 7375 weapons sweeps; recovered 782 knives, 560 offensive weapons and 268 firearms; and arrested 4,109 suspects.

- Brought London's criminal justice agencies, councils and communities together in a new £6.8 million Violence Reduction Unit to identify and address the underlying, long-term causes of violence in our city.
- Created opportunities for young Londoners to access positive activities to help reach their potential and stay away from crime. Last year, through his Young Londoners Fund, the Mayor invested £20.5 million in 179 projects benefitting more than 66,000 young people in London.
- Developed an improved support service for victims and witnesses of crime in London, made possible through Mayoral investment and through the agreement reached between the Mayor and the Ministry of Justice to devolve more powers over the criminal justice service to London. The £15 million Integrated Victims and Witnesses Service will provide a single point of contact for victims and witnesses, delivering an approach that victims can have greater trust in by making it easier for them to access support they need and prevent them from having to relive their trauma repeatedly.

### 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. Much of the investment to date has been funded from receipts from the disposal of surplus property. Whilst future investment will still include disposal proceeds, we will have to look to long term borrowing to fund this necessary investment, as we have begun to do this year. 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 £1,804 million, an increase of £116 million from last year (£1,688 million). The increase is driven by an uplift in the value of land and property following the latest independent valuation. Finally, general reserves have been maintained and earmarked reserves have increased slightly.

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 £2,277 million, after taking accounting adjustments into consideration there is a balanced position after transfers to earmarked reserves of £29 million;
- The Movement in Reserves Statement (MIRS) for the Group and MOPAC - this shows how the £2,277 million deficit and other income and expenditure generated in the CIES is spread over the usable and unusable reserves in the Balance Sheet. Usable reserves increased from £222 million to £251 million during 2018/19 which reflects the fact that MOPAC has increased its earmarked revenue reserves by £29 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 £31,609 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 £1,863 million;

- The Cash Flow Statement for the Group and MOPAC - this shows the inflows and outflows of cash to and from MOPAC. During 2018/19 there was a net cash outflow from MOPAC of £3 million.

In addition to the financial statements the Annual Accounts include a Statement of Responsibilities for the Accounts and are published alongside MOPAC's Annual Governance Statement for 2018/19.

## 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 2018/19 for the whole MOPAC Group provided for gross expenditure of £3,332 million. Within this amount, £58.1 million was attributable to MOPAC, and included some £46 million relating to London initiatives such as crime prevention, rape crisis centres, safer neighbourhood boards and for delivering victims services which became a MOPAC responsibility with effect from 1 October 2014. The MOPAC Group net budget, after taking into account income, specific grant before reserve usage, was £2,645 million.

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

### Performance against the Revenue Budget

Table 1 provides a summary of the final MOPAC outturn position for 2018/19 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 2018/19 compared with 2017/18 and the revised budget**

| Outturn<br>2017/18 | £million                                | Approved<br>annual<br>budget<br>2018/19 | Revised<br>annual<br>budget<br>2018/19 | Outturn<br>2018/19 | Variance<br>Overspend /<br>(underspend)<br>2018/19 | Variance<br>%<br>2018/19 |
|--------------------|---|---|--|--------------------|--|--------------------------|
|                    | <b>Pay</b>                              |   |  |                    |  |                          |
| 1,880.5            | Police officer pay and overtime         | 1,875.5                                 | 1,906.2                                | 1,895.1            | (11.1)   | (0.6)                    |
| 519.3              | MOPAC and police staff pay and overtime | 536.2                                   | 568.5                                  | 540.8              | (27.7)   | (4.9)                    |
| <b>2,399.8</b>     | <b>Total pay</b>                        | <b>2,411.7</b>                          | <b>2,474.7</b>                         | <b>2,435.9</b>     | <b>(38.8)</b>                                      | <b>(1.6)</b>             |
|                    | <b>Running expenses</b>                 |   |  |                    |  |                          |
| 26.7               | Employee related expenditure            | 21.4                                    | 18.8                                   | 17.8               | (1.0)  | ( 5.3)                   |
| 172.1              | Premises costs                          | 184.4                                   | 156.3                                  | 155.4              | (0.9)  | (0.6)                    |
| 73.9               | Transport costs                         | 57.8                                    | 74.5                                   | 91.0               | 16.5   | 22.1                     |
| 545.1              | Supplies & services                     | 524.6                                   | 536.6                                  | 543.6              | 7.0  | 1.3                      |
| 46.6               | Capital financing costs                 | 97.2                                    | 95.5                                   | 99.9               | 4.4  | 4.6                      |
| 33.7               | Discretionary pension costs             | 34.4                                    | 34.4                                   | 34.8               | 0.4  | 1.2                      |
| 898.1              | Total running expenses                  | 919.8                                   | 916.1                                  | 942.5              | 26.4   | 2.9                      |
| 3,297.9            | Total gross expenditure                 | 3,331.5                                 | 3,390.8                                | 3,378.4            | (12.4)   | (0.4)                    |
| (755.5)            | Total income and grants                 | (687.0)                                 | (787.7)                                | (792.1)            | (4.4)  | 0.6                      |

|           |                                      |           |           |           |        |       |
|-----------|--------------------------------------|-----------|-----------|-----------|--------|-------|
| 2,542.4   | <b>Net expenditure</b>               | 2,644.5   | 2,603.1   | 2,586.3   | (16.8) | (0.6) |
| (38.7)    | Transfer to/(from) earmarked reserve | (29)      | 12.8      | 29.6      | 16.8   | 131.3 |
| 0         | Transfer to/(from) general reserve   | 0         | 0         | 0         | 0      | 0.0   |
| 2,503.7   | <b>Budget requirement</b>            | 2,615.5   | 2,615.9   | 2,615.9   | 0      | 0     |
| (2,503.7) | Total Funding                        | (2,615.5) | (2,615.9) | (2,615.9) | 0      | 0.0   |
| 0         | <b>Total MOPAC Group</b>             | 0         | 0         | 0         | 0      | 0     |

The overall pay budgets were underspent by £38.8 million. This reflected the fact that we continue to operate with both staff and officer vacancies. Whilst these vacancies lead directly to the underspend, this has been offset by an increased pressure on overtime budgets as a consequence.

The budget for running costs was overspent by £26.4 million. There were a range of pressures, including in relation to increased demand for HR services due to increased provision of OH services and higher levels of recruitment, the effects of delays in the transition to the PSOP system, forensics and capital financing charges.

The income under recovery of £4.4 million is due to high level vacancies in a number of externally funded areas which led to reduced income receipts particularly across Road Transport Policing (TfL funded).

The MOPAC Group received additional specific grants during the year to cover Counter Terrorism and Protective Security costs, including in relation to the response and investigations to the Salisbury incidents.

The net movement on earmarked and general reserves during 2018/19 is an increase of £29 million as shown in Table 2 below.

**Table 2 Net movement on earmarked and general reserves 2018/19**

| Description                                   | £ million  |
|---|------------|
| Opening reserves balance 1 April 2018         | 204.1      |
| Transfers to/from reserves                    | 29.7       |
| Transfers to/from reserves - NPCC/NPOC        | (0.8)      |
| <b>Closing reserves balance 31 March 2019</b> | <b>233</b> |

The £29 million net increase to the earmarked reserves for this financial year is principally as a result of the following:

Transfers from Reserves:

- £15.0 million in relation to the Business Support Services commercial settlement
- £8.1 million in relation the costs of transition and change linked to the delivery of the modernisation programme
- £3.7 million to fund the taser uplift programme
- £3.6 million to fund the costs of historical public inquiries
- £0.3 million from the Proceeds of Crime Act reserve in relation to crime prevention initiatives
- £1.9 million to fund the Leading for London programme
- £0.9 million to fund investigative coaches
- £0.8 million national functions to NPCC/NPOC.

Offset by transfers to reserves:

- £23.3 million towards future property dilapidations costs in support of the central Estates strategy
- £15.0 million received from the Command and Control commercial settlement
- £9.1 million to manage Police Officer numbers in future years;
- £0.8 million for Violent Crime Task Force
- £2 million for Mental Health Training costs
- £1 million MOPAC underspend to be used for future commitments
- £12 million 2018/19 underspend of which - £9.3 million was required to balance the 2019/20 budget gap (as per the 2019/20 budget submission) and £2.7 million will be used to manage future budget pressures.

## Performance against the 2018/19 Capital Programme

### Capital expenditure 2018/19

Capital expenditure for 2018/19 was financed in accordance with the Prudential code from capital grants, third party contributions, capital receipts and borrowing. Capital expenditure for 2018/19 was £229.3 million. This compares with the revised annual budget of £249.2 million.

Table 3 Capital Outturn position 2018/19

| Actual expenditure 2017/18 | Summary by programme<br>£million | Approved budget 2018/19 | Actual expenditure 2018/19 | Variance overspend/ (underspend) |
|----------------------------|----------------------------------|-------------------------|----------------------------|----------------------------------|
| 294.3                      | Property Services                | 100.0                   | 88.6                       | (11.4)                           |
| 13.1                       | NCTPHQ                           | 34.1                    | 31.9                       | (2.2)                            |
| 105.7                      | Digital Policing                 | 46.6                    | 41.4                       | (5.2)                            |
| 0                          | Transformation                   | 50.4                    | 39.0                       | (11.4)                           |
| 18.4                       | Fleet Services                   | 28.1                    | 28.4                       | 0.3                              |
| 0                          | Over programming                 | (10.0)                  | 0                          | 10.0                             |
| 431.5                      | Total                            | 249.2                   | 229.3                      | (19.9)                           |

**Property based programmes** - Property Services capital expenditure was £88.6 million for the year against a budgeted spend of £100 million. The underspend position is due mainly to the re-profiling of budgets into future years in relation to estates transformation including Crabtree Manorway and forward works.

**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 £41.4 million on capital programmes in the year. The focus of capital expenditure has been on enabling smarter working, network transformation, building cloud capabilities, operational software and maintaining the existing IT infrastructure.

**Transformation programme** - has spent £39.1 million in the year, which is £11.3 million below budget. The capital expenditure for 2018/19 included a new programme "Digital Experience". This programme comprised the Mobility Project, Robotic Process Automation Pilot, Intranet Project, Corporate Wi-Fi and Mobility Secure External Gateway (SEG). Public access programme costs includes projects for: the creation of the National Website Platform, Internet Platform Enhancements, updates on the Portal and Upload to Contact Handling System (CHS) and CHS to Crime Reporting Information System (CRIS) Integration.

**Fleet Services based programme** - Investment in transport for 2018/19 was £28 million. The transport programme includes the purchase and conversion of the 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. In total 955 vehicles were delivered to service within the financial year.

### Capital financing

During 2018/19 MOPAC has increased borrowing by £65 million and the outstanding debt increased from £243 million at 31 March 2018 to £308 million at 31 March 2019.

Capital receipts of £5 million were generated from the disposal of assets during the year against the set target of £14.3 million. Capital expenditure of £229 million on non-current assets in 2018/19 was financed in accordance with the Prudential Code, from capital grants and other third party contributions of £54.5 million, capital receipts applied of £5 million, and revenue contributions of £55 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 required to set aside an amount called the Minimum Revenue Position (MRP). For 2018/19 the MRP was £25.7 million. The MRP is the prudent amount that the Group is required to set aside from revenue to meet the repayments of borrowing undertaken to support capital investment.

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.

### MPS Operational Performance

Metropolitan Police Service statistics show that total offences have increased between April to March 2018/19 compared with April to March 2017/18. Whilst recorded crime continues to rise in the MPS area, increases in many crimes are more marked in other parts of the country. Tackling violent crime and homicides have been the priority for the Metropolitan Police Service over the last 12 months.

#### Total Notifiable Offences - 2018/19

Figures show that overall crime - total notifiable offences - has increased by 4 per cent (829,418 from 862, 781 offences). However, many groups of offences remain lower than they were in 2012.

#### Violence against the person / homicide

The MPS continues to be focused on violent crime, investing additional resources and coordinating actions across central and local commands, and with partners. In the first quarter of 2018-19, the MPS instigated a Violent Crime Task Force (VCTF) to tackle violent crime, weapon-enabled crime and serious criminality. In September 2018, this capability was further reinforced with an uplift of 122 additional officers. The VCTF uses a full range of tactics to identify, locate and confront street-level offenders, gangs and knife crime offenders. The unit is supported by

borough officers, Trident and Area Crime Command and specialist units, as well as community partners.

With the VCTF, the MPS doubled their targeted anti-knife crime activity, with hundreds more officers on visible patrols in affected communities. This included a mix of high visibility policing activities (such as convoys) to reassure local communities together with covert operations involving specialist officers targeting the most dangerous criminals, drug dealers and gangs. Stop and search has been an important tool at the MPS' disposal, with numbers increasing gradually through the year from an average of 12,000/month in the first quarter to 21,000/month in quarter 4.

Half of all gun crime in London is committed by gangs and the MPS continued to have a co-ordinated approach in tackling gun and gang crime: through intelligence led stop and search, armed Viper patrols, pro-active and re-active investigations, the MPS continued to target prolific firearms offenders (PFOs). They also worked closely with social media companies to take down videos which encourage and promote violence.

Alongside enforcement activity, MPS efforts included working with schools and London's communities to prevent young people from getting involved in violence, and working closely with the Home Office, the Mayor of London and other partners towards a wide-ranging approach to tackling serious violence. To support this, all Basic Command Units (BCUs) developed bespoke Community Safety Partnership knife crime and violence plans. MPS teams also conducted community weapon sweeps with local communities as well as local meetings to support community building and confidence in local policing.

The MPS and MOPAC worked together on the development of a Prison Pathfinder. This will involve increased police presence in the prison (HMP Isis in Thamesmead) and targeted interventions to address the needs and risks posed by different groups of prisoners, with the overall aim of reducing levels of violence within the prison.

In partnership with MOPAC, probation and HMCTS, the MPS implemented a GPS tagging pilot in four boroughs in East London to track knife crime offenders who are on community sentences. This pilot has now been extended to those released from prison on licence and enables the partnership to use the data to support compliance with sentence or licence conditions.

The number of homicides reduced from 2017-18, as did the number of young people who are being injured in knife attacks. However, the number of knife crime offences remains at a historically high level, and the MPS is working with partners to ensure the initial impact in bearing down on violence is sustained, given it is driven by complex and wide-ranging issues.

The Home Office Serious Violence Strategy published 2018 identified the changing drugs market as a key driver of violence and announced a range of actions to tackle the issue of county lines, its implications for drugs, violence and exploitation of vulnerable people. The MPS worked with partners, in particular NPCC Gangs portfolio, NCA and the Home Office, to support the delivery of the strategy and its implementation of a National County Lines Coordination Centre.

The total number of offences of violence against the person for FY 2018/19 was 215,700, this is an increase of +6.84% (+13,810).

The MPS, along with the majority of other forces showed a larger increase in violence without injury, than violence with injury. For violence with injury the MPS only saw a 0.47% (+364) rise.

The way in which police forces were required to record some offences changed in April 2018. With regards the counting of harassment offences for example, if a victim had received several malicious communications from one suspect, and the victim was then physically assaulted by the same suspect, in the past this would have been recorded as one offence of violence with injury. Post April 2018, a harassment offence would be recorded in the violence without injury category in addition to the violent offence.

In July 2018, further changes were made to Violence without injury to include Coercive Control offences. In addition, owing to offences such as “holding person in slavery/servitude” has increased by 93% (240 more offences than previous FY). This is an area where the MPS have been increasing proactive work. These changes have inevitably led to the increase in violence without injury figures.

In the past 12 months (18/19 FY) there were 122 homicides recorded by the MPS compared to 163 in the previous 12 months<sup>1</sup> - this drop of 25% vitally means 32 fewer victims<sup>2</sup>. Nationally homicide has increased by 10% in the previous calendar year.

Also significant is the reduction in knife injuries to people under the age of 25, which has fallen by 15% (in comparison to last financial year) from 2079 to 1768 - again, vitally this means 311 fewer victims. This is encouraging.

Knife crime with injury (all ages) has also reduced by 10% meaning 455 fewer victims. Gun crime has also dropped by 6.8%, which equates to 172 fewer victims. Lethal barrel discharge has also dropped 3% - 12 fewer discharges.

### **Counter terrorism**

Project Servator started operating across the entirety of London, including London City Airport and Heathrow Airport. This is a policing tactic used to deter, detect and disrupt terrorism and a range of other criminality. The project uses both highly visible and covert police officers in busy areas supported by the deployment of other resources such as dogs, mounted branch, firearms officers, vehicle checkpoints, ANPR and CCTV. The MPS works in partnership with colleagues from the City of London Police, British Transport Police (BTP) and the Ministry of Defence Police (MDP) to carry out deployments across the capital, including busy areas such as shopping centres, tourist attractions and transport hubs. Since its pilot in 2016, Project Servator has gathered more than 500 pieces of intelligence about suspected criminal activity and conducted more than 550 searches, leading to arrests for various offences including firearms and weapons offences, drugs, money laundering, robbery and theft.

The MPS worked with emergency services and Heathrow Airport to carry out a major live practice exercise at the decommissioned Terminal 1 to test joint response to a terrorist incident. This involved more than 1,200 people including responders from blue-light services, military, counter-terrorism investigation teams and Heathrow staff, as well as numerous volunteers playing the role of public, and helped ensure the preparedness of our services as the terrorism threat level in the UK remains at ‘severe’.

The MPS worked with bus and other heavy vehicle companies to offer advice on how they can help identify and report suspicious behaviour, and what actions to take if there is an attack. While there is no specific intelligence to suggest bus or other companies are a target, attacks in Europe have seen vehicles hired or hijacked and then driven into pedestrians. Protect Officers also engaged with businesses more widely, delivering ACT awareness briefings relevant to crowded places and events, including recognising and understanding the current threat, hostile reconnaissance, dealing with suspect packages and how to respond in a spontaneous firearms attack.

The MPS’ SO15 National Terrorist Financial Investigation Unit (NTFIU) was internationally recognised in December within a report by the global governmental body, Financial Action Task Force: the UK was awarded the highest possible rating for its effectiveness countering terrorist financing in the Mutual Evaluation Report (MER).

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<sup>1</sup> Nine of which were because of the terror attacks that occurred at London Bridge and Finsbury Park in 2017.

<sup>2</sup> Excluding the nine homicides from terrorist attacks in 2017

### **Child sexual exploitation and abuse**

The MPS “Spot It to Stop It” campaign focusing on child abuse took place to ensure that officers in their everyday deployments take steps to ensure to talk to children, looking out for signs whether they may be at risk (e.g. understanding why they may repeatedly go missing), and if so, take action to protect them. Recent staff survey responses indicate a high level of awareness of the campaign and increasing confidence in addressing child vulnerability.

The MPS engaged in ‘WAVE’ (Welfare and Vulnerability Engagement) targeted at the licencing industry, ensuring it is aware of its responsibilities towards potentially vulnerable people visiting licenced premises. With the NSPCC, the MPS are developing a work strand to raise awareness of CSE within the Taxi and Private Hire industry.

The MPS also worked as a lead delivery partner alongside MOPAC and NHSE England in the launch of the Lighthouse, the first dedicated centre for young victims of child sexual abuse and exploitation in London.

### **Stalking**

With London’s Victims’ Commissioner Claire Waxman and MOPAC, the MPS launched the Stalking Threat Assessment Centre, a world-leading multi-agency specialist unit dedicated to tackling stalking. Partners include Barnet, Enfield and Haringey Mental Health NHS Trust and the Suzy Lamplugh Trust. Police officers, alongside mental health specialists and victim advocates based at the centre, investigate high risk stalking allegations. They offer expert advice to local officers in relation to stalking allegations, identifying risks, and assisting with management plans to protect the victim and public from the stalker.

### **Registered sex offenders**

The MPS strengthened support to frontline officers in managing registered sex offenders: Operation Beat supports neighbourhood officers to recognise the highest risk registered sex offenders (RSOs) in their area. Every day, officers are provided with photos and details of the high and very high-risk offenders in their wards by the Jigsaw team, the MPS’ specialist team for managing sex offenders. This intelligence is essential in preventing some of the most dangerous offenders from causing harm.

### **Female genital mutilation**

The MPS worked in partnership with a number of agencies to protect girls who are vulnerable to female genital mutilation, this included an operation with the Border Force at Heathrow airport to raise awareness of FGM, breast ironing and forced marriage.

### **Domestic abuse**

In 2018-19 the MPS trained 85% of their officers on the College of Policing Disclosure training package. They are seeking to improve file quality and reduce the number of disclosure-related issues, such as delays on file submission. The MPS continued to push to ensure that officers made full use of Body Worn video when they are called to domestic abuse cases. Footage has proved key as evidence, with the offender and at court.

Following review of a pilot, the MPS made the Domestic Violence Disclosure Scheme form (referred to as ‘Clare’s Law’) live online in Quarter 4, combined with a leaflet campaign to raise public awareness. Previously applications had only been made in person. By making the service available online, it will become more accessible, and increase the volume of applications. The MPS also increased the use of Domestic Violence Prevention Orders (DVPOs) and Domestic Violence Prevention Notices (DVPNs), a key tool in safeguarding victims of domestic abuse.

Operation Encompass (whereby a school’s designated safeguarding lead will be informed by 11am if a child or family member of a child has been involved in a domestic incident, so there can be wraparound support in place for that child) was rolled out corporately in the autumn and every school in London has been invited to take part in this voluntary scheme, with good levels of take-up in Bexley, Enfield, Hounslow, Waltham Forest and Wandsworth.

The MPS have worked to support operationally the pilot of a new approach to the management of domestic abuse perpetrators. The DRIVE programme, run in the London Borough of Croydon, aims to identify repeat DA perpetrators and put in place an individual support plan, to minimise risk and harm. The programme is commissioned by MOPAC, following a successful bid to the Home Office for £3 million over three years; it is run as a national pilot with three other force areas testing the approach.

### **Modern slavery and human trafficking**

In 2018-19, the MPS Road Transport Policing command and the Special Constabulary worked with colleagues from the NCA, City of London Police and Hertfordshire Police on pro-active operations on major London gateways to identify human trafficking and modern slavery offences. They delivered modern slavery training to detectives as part of the wider BCU safeguarding delivery model. MOPAC jointly commissioned with London local authorities the first national response and rescue service in London, targeted at providing better support to those young people affected by county lines - an investment of £3 million over 3 years. The MPS have been pivotal to development of the operating model working with the commissioned voluntary sector providers to identify the right young people at risk of, or engaged in, county lines, so the programme can quickly be effective. The National County Lines Coordination Centre became fully operational in September 2018, with the MPS helping identify and safeguard those exploited on county lines as well as prosecuting the perpetrators.

### **Mental Health**

Through additional funding from the Mayor, the MPS worked to further improve policing response to mental health. In 2018/19 this involved the development and roll out a comprehensive training programme on mental health to frontline officers. Dedicated mental health teams were trialled in East and Central North areas to work with partners to problem solving cases and reduce demand by addressing issues of vulnerability.

### **Moped crime**

Moped-enabled robberies and moped enabled crime (MEC) figures had increased sharply in 2017 and 2018. The MPS launched the “lock, chain, cover” advertising campaign urging moped and motorbike riders to use more security on their bikes to make them harder to steal. Significant daily patrols took place across London and at high crime locations. The MPS deployed Operation Venice, with dedicated Tactical Pursuit and Containment (TPAC) teams, the use of ‘forensic tagging’ spray to help with the identification of suspects, and new PROSpike equipment (remote controlled stinging devices to deflate tyres). In autumn 2018 the MPS posted video material demonstrating the range of tactics used in pursuing offenders, including tactical contact. This attracted hundreds of thousands viewing effectively spreading the message with potential offenders. The innovative approaches, media coverage and the tough sentences imposed on MEC offenders supported the tactical response, helping restore public confidence in the MPS’ ability to tackle this issue. Over the course of the year, theft of scooters and scooter-enabled crime plummeted and are now back down to the lower 2015 levels.

### **Burglary**

The MPS Be Safe campaign focused on how Londoners can take simple steps to avoid becoming a victim of burglary. The campaign, supported by social media activity, provided advice to Londoners on how to keep their homes and belongings safe. Approximately 60 per cent of burglaries take place in the hours of darkness and in the autumn as empty properties are more apparent. Burglary prevention masterclasses were delivered to neighbourhood officers across London, who spent a day refreshing their skills - in preventing crimes from occurring, and in supporting victims. Neighbourhood policing teams offered Londoners and vulnerable residents crime prevention advice. In the East BCU, Operation Mexico - formed specifically to dismantle burglary networks - was effective, with more than 60 people charged with over 160 offences. There will be further investment into this approach in the coming year.

### **Public order**

The past year was an especially busy period for public order policing. In Quarter 1 over 2,000 delegates and international politicians came to London for the Commonwealth Heads of Government Meeting (CHOGM), the largest number of principals in London since the Olympics. In addition to the annual fixtures of Notting Hill Carnival, Wimbledon and Pride, MPS officers policed the state visit by the President of the United States, the Western Balkans Summit and a large number of protests, in particular related to Brexit and to climate change.

### **Strengthening local policing**

The MPS implemented their Local Policing model which brigades 32 commands into 12 BCUs covering the whole of London. The model delivers increased proactive capability and preventative ward-based policing with 2 DWOs and 1 PCSO in every ward.

### **Responding to the public**

The level of calls coming into the MPS has been increasing year on year (in excess of 2 million/year for each 999 and 1010 services). In Quarter 2 the MPS implemented the Interactive Voice Response system (IVR) at their contact centre (MetCC). The new system enables the caller, through an options menu, to be forwarded onto the correct department within the MPS, thus reducing the amount of non-emergency calls coming first into the telephony service. IVR helped reduce 101 volumes for handlers, helping the MPS improve the quality of service and speed of response for both 1010 and 999. They also recruited more than 250 additional operators. The effects of all these combined efforts has seen the average answering time for non-urgent 101 calls to the MPS fall to below 100 seconds. Performance on 999 call response time also improved considerably from above 30 seconds in Quarter 1 to 5 seconds in Quarter 4.

### **THRIVE+**

MetCC staff and officers were trained in THRIVE+, and training is continuing for officers as BCUs go live. THRIVE+ is a widely recognised assessment process currently used in over 30 police forces throughout the UK which allows them to assess the appropriate response to emergency calls. When a call or online enquiry comes in, THRIVE+ provides the operator with the framework to apply their professional discretion and make decisions on how best to respond to the victim.

### **Investigations**

The MPS continued their campaign for direct entry detectives with a second wave in summer 2018. This offered opportunities for people without previous police experience to join the MPS as Trainee Detective Constables, and formed part of the MPS strategy to have a more diverse workforce. Police staff investigators were also recruited to support the VCTF.

### **Cybercrime**

The MPS launched their first in-house mobile application named 'Cyber Tools' to improve officers' knowledge and skill in the field of cybercrime, enabling them to give prevention advice or carry out an investigation and support victims.

### **INK**

The MPS became the first British police force to develop its own mobile fingerprint device, known as INK (Identity Not Known). 600 devices were trialled with frontline officers, Roads and Transport Policing and other units including the Territorial Support Group. INK scans suspects' fingerprints and can confirm their identity within 60 seconds if they are known to the Criminal Records Office and Immigration Enforcement databases. Evaluation showed the device saves time and money by doing checks on suspects in the street, rather than having to take them into custody.

### **Rapid Drugs Service**

The MPS trialled the Rapid Drugs Service, which allows officers to analyse drugs that have been seized during arrests for drug supply offences while the suspect is in custody. Developed by forensic services, the RDS has the potential to greatly reduce the time from arrest to charge - from a matter of weeks to hours.

### Forensics

A state-of-the-art DNA profiling facility opened in Lambeth, providing an end-to-end forensic examination process. The new laboratory has been designed to service the needs of the MPS using a combination of small extraction robots and innovative liquid-handling robots. It allows for urgent DNA samples to be analysed quickly, significantly reducing the time taken for DNA profiling. The facility will process urgent and high priority cases initially, with an expansion of the service scheduled later this year.

### Box

The MPS introduced a digital asset management solution, Box, in Quarter 1 in order to improve how digital information is accessed, stored and shared. The MPS is working with the Crown Prosecution Service to support the sharing of digital evidence with the CPS. The MPS also uses Box to share information with schools and other partners.

### DIVERT

The MPS expanded the DIVERT programme which now covers six custody suites (Brixton, Wood Green, Croydon, Lewisham, Bethnal Green and Hackney). Recognising the needs of young adults after arrest, the programme, supported by the Home Office's Early Intervention Youth Fund, aims to divert 18-25 year olds towards employment and education opportunities, reduce the number of victims and help mitigate the ongoing risks encountered by many of the vulnerable young adults that come into police custody. Working with partners (Bounce Back, The New Era Foundation, Palace for Life Foundation and Millwall Community Trust) DIVERT aims to support 1,000 young people and reduce reoffending rate to under 10 per cent in the lifetime of the programme.

### Leadership

The Leading for London leadership programme engaged 10,000 officers and staff over the year with integrated activities including digital learning, face-to-face workshops, individual coaching and personality analysis to equip them to lead in a modern police service.

A new senior leadership structure was put in place and in Quarter 1 the MPS moved to a new delivery structure with:

- Frontline Policing, delivering local policing and specialist crime investigation across London, responding to crime and disorder and working on prevention;
- Met Operations, delivering additional operational capabilities to reinforce Frontline Policing (from public order to vehicles, to roads policing and firearms capability)
- Professionalism, driving continuous improvement of professionalism and operational practices across the MPS and cementing connections with national policing bodies such as the College of Policing, the Home Office, IOPC and NPCC.
- The MPS' corporate functions were drawn together under a Chief of Corporate Services, coordinating delivery across Commercial, Finance, Estates, Human Resources, Media and Communications, Strategy and Governance, Legal and Transformation.

### Equality and diversity

To mark 100 years of women in policing in London, the MPS launched a female specific recruitment campaign, as part of broader efforts to recruit more than 3,000 officers over the next year; and highlighting the outstanding work of female officers, past and present, to inspire women to engage with policing in a diverse and rewarding career. More widely, a significant recruitment drive (which included the temporary lifting of the London residency criteria) aims to increase the diversity of the MPS, in line with their ambition to be more representative of all of London's communities.

The MPS published its annual figures regarding the gender pay gap at the end of 2018. Clearly, police officer and police staff pay is determined by the role with no reference to gender. Male and female employees who undertake the same role, have the same length of service, and work the same hours, receive the same pay. Overall, the average (median) gender pay gap for all staff has reduced from 12.48% to 9.71% compared to a national average of 17.9% according to the Office of National Statistics. Since 2017, the figures reveal a reduced average (median) gender

pay gap of 0.34% for police officers (down from 0.7% last year) and 0.24% for PCSOs (down from 2.69% last year). However, the gap for police staff has increased from 6.85% to 10.41%.

### Clean air

In support of the Mayor's Clean Air Strategy, the MPS was the first police service to introduce low and zero emission vehicles on a large scale. They are on track to meet their goal of 550 ultra-low emission vehicles by 2020. In Quarter 3, the MPS Driving School completed a trial to establish the training need for response-driving of hybrid electric vehicles, to support the initial roll-out of 65 vehicles to frontline policing.

### Estates

The MPS estate transformation programme continued apace as they look to provide good quality accommodation that meets the needs of a modernised police service, whilst reducing overall footprint and operating costs. With fewer MPS buildings, a programme of investment is underway into the retained estate to make sure the facilities support modern operational policing and reflect new ways of working. The substantial refurbishment of Charing Cross police station took place. The Hendon Driving Academy modernisation commenced and will complete shortly. The foundations of the new Hammersmith Police Station building were completed. Hammersmith is one of the MPS' most significant new build projects, delivering a state-of-the-art facility for the Central West BCU, as well as some specialist units. The building will complete in 2020 and provide a modern, smart working environment, a new 24/7 front counter, new stables and expanded custody suites.

### 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 £175 million (from £1,688 million to £1,863 million) during 2018/19. 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 of at least 1.5% of net revenue expenditure. General Reserve currently stands at £46.6 million which represent 1.7% of forecast net revenue expenditure for 2019/20.

MOPAC also hold Earmarked reserves, the balance of which was £184.0 million as at 31 March 2019. 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 2018/19 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 24.2% 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 2018/19.

### Outlook for 2019/20

The 2019/20 gross revenue budget has been set at £3,556.7 million, an increase of 4.9% from the revised 2018/19 budgeted figure of £3,390.8 million to reflect increases in our overall funding sources. The budget is funded by a general government grant of £1,927.1 million, retained business rates of £220.0 million and council tax income of £725.2 million. Additionally, MOPAC is budgeting to receive £787.8 million in specific grants and income, and is planning to transfer £103.4 million into reserves. The policing element of the Band D council tax precept for 2019/20 is £242.13 (2018/19 £218.13).

The Mayor approved a balanced budget for 2019/20. 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 to between 30,700 and 31,000 FTEs in 2019/20. To maintain officer numbers at this level beyond 2019/20, on current funding assumptions, would require the use funding from reserves.

Whilst the revenue budget is balanced in 2019/20, this is based on the assumption that savings of £35.1 million are delivered in year. Further significant savings, as set out in the MTFP, are then required for future years.

In 2019/20, the Mayor has also applied £118.6 million of additional growth in business rates revenues, to be held in earmarked reserves in 2019/20, in order to safeguard funding previously allocated to fund 1,000 extra police officers in both 2020/21 and 2021/22. This is due to the Government consultation on the business rates retention system , which may result in a two-year time lag in the payment of business rates growth to local authorities.

Capital expenditure of £373.6 million is planned for 2019/20. This expenditure will continue to focus on transforming the MPS estate, IT core infrastructure and transforming investigation and prosecution. As well as improving operational effectiveness, this investment will be required to deliver planned future revenue savings. Capital expenditure will be financed through a combination of receipts, grants and borrowing.

### The Statement of Accounts

The 2018/19 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 2018/19.

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 2018;
- 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 Mayor 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 27.

### **Accounting Changes for 2018/19**

There were no changes in the CIPFA Code 2018/19 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 2019 which comprise the MOPAC Group Comprehensive Income and Expenditure Statement, the MOPAC Group Movement in Reserves Statement, the MOPAC Group 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 2018/19.

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 2019 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 2018/19; 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.

### 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, the Narrative Report, and the Annual Governance Statement, other than the MOPAC and group 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 audit 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, the Narrative Report, 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 set out on page xxii, 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 2018/19, for being satisfied that they 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 there is an intention by government that the services provided by the group or MOPAC will no longer be provided.

The Deputy Mayor is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

### **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 the 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 2019.

#### **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 2019.

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 MOPAC and the Commissioner of Police of the Metropolis for the year ended 31 March 2019. 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 2019.

### **Use of our report**

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.

*Iain Murray*

**Iain Murray, Key Audit Partner**

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

**30 July 2019**

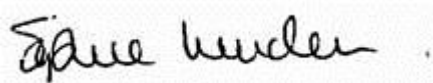
## Statement of responsibilities for the Accounts

### 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 Statement 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: 29 July 2019

### 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 2019.

A handwritten signature in blue ink that reads "Siobhan Peters". The signature is written in a cursive style.

**Signed**  
**Siobhan Peters**  
**Chief Financial Officer**  
Dated: 29 July 2019



## MOPAC Group Comprehensive Income and Expenditure Statement (CIES) for 2018/19

| £000   | Notes       | Year ending          | Year ending      | Year ending        | Year ending                  | Year ending                  | Year ending                  |
|--|-------------|----------------------|------------------|--------------------|------------------------------|------------------------------|------------------------------|
|  |             | 31 March<br>2019     | 31 March<br>2019 | 31 March<br>2019   | 31 March<br>2018<br>restated | 31 March<br>2018<br>restated | 31 March<br>2018<br>restated |
|  |             | Gross<br>expenditure | Income           | Net<br>expenditure | Gross<br>expenditure         | Income                       | Net<br>expenditure           |
| Frontline Policing   |             | 1,292,513            | (31,741)         | 1,260,772          | 1,380,419                    | (42,863)                     | 1,337,556                    |
| Specialist Operations  |             | 489,248              | (462,147)        | 27,101             | 465,438                      | (430,452)                    | 34,986                       |
| Met Operations   |             | 927,247              | (185,593)        | 741,654            | 901,522                      | (182,885)                    | 718,637                      |
| Professionalism  |             | 103,576              | (14,872)         | 88,704             | 96,810                       | (14,702)                     | 82,108                       |
| Corporate Services   |             | 396,147              | (35,104)         | 361,043            | 384,316                      | (36,303)                     | 348,013                      |
| Digital Policing   |             | 182,669              | (3,152)          | 179,517            | 199,139                      | (3,830)                      | 195,309                      |
| Centrally Held   |             | 60,841               | (47,183)         | 13,658             | 73,709                       | (39,141)                     | 34,568                       |
| MOPAC  |             | 61,076               | (23,338)         | 37,738             | 53,977                       | (17,602)                     | 36,375                       |
| Past service costs - McCloud pension judgement               | 12.1        | 1,344,000            | 0                | 1,344,000          | 0                            | 0                            | 0                            |
| <b>Cost of services</b>                                      | 1.1         | <b>4,857,317</b>     | <b>(803,130)</b> | <b>4,054,187</b>   | <b>3,555,330</b>             | <b>(767,778)</b>             | <b>2,787,552</b>             |
| <b>Other operating expenditure</b>                           |             |                      |                  |                    |                              |                              |                              |
| Net (gains)/losses on disposal of non-current assets         | 13.1        |                      |                  | 572                |                              |                              | (360)                        |
| Riot Damages Act claims                                      |             |                      |                  | 0                  |                              |                              | (461)                        |
| <b>Financing and investment</b>                              |             |                      |                  |                    |                              |                              |                              |
| Interest payable and similar charges                         | 11          |                      |                  | 18,879             |                              |                              | 18,867                       |
| Interest on Police Officer Pension Defined Benefit Liability | 6.2<br>12.1 |                      |                  | 877,700            |                              |                              | 766,700                      |
| Interest and investment income                               |             |                      |                  | (1,180)            |                              |                              | (2,091)                      |
| Investment properties revaluation                            | 16          |                      |                  | (3,085)            |                              |                              | 173                          |
| <b>Grants</b>  |             |                      |                  |                    |                              |                              |                              |
| Non Specific Grants  | 14          |                      |                  | (2,615,940)        |                              |                              | (2,503,654)                  |
| Capital grants   | 14.1        |                      |                  | (54,539)           |                              |                              | (41,541)                     |
| Funding of Riot Damages Act claims                           |             |                      |                  | 0                  |                              |                              | 360                          |
| <b>Deficit on provision of services</b>                      |             |                      |                  | <b>2,276,594</b>   |                              |                              | <b>1,025,545</b>             |
| <b>Other comprehensive income and expenditure</b>            |             |                      |                  |                    |                              |                              |                              |
| (Surplus) on revaluation of non-current assets               |             |                      |                  | (244,452)          |                              |                              | (113,275)                    |
| Re-measurements of the defined benefit liability             | 6.2<br>12.1 |                      |                  | (533,400)          |                              |                              | 1,445,500                    |
| <b>Other comprehensive income and expenditure</b>            |             |                      |                  | <b>(777,852)</b>   |                              |                              | <b>1,332,225</b>             |
| <b>Total comprehensive income and expenditure</b>            |             |                      |                  | <b>1,498,742</b>   |                              |                              | <b>2,357,770</b>             |

The statement above shows the accounting cost for the period 1 April 2018 to 31 March 2019 (with prior year as a comparative year) of providing services for the Group, in accordance with generally accepted accounting practices, in addition to the amount of funding by way of grant income.

The 2017/18 expenditure and income in the net cost of services has been restated in line with the Group's new operating structure which was in place at 31 March 2019.

## MOPAC Comprehensive Income and Expenditure Statement (CIES) For Policing And Crime for 2018/19

|  |              | Year ending<br>31 March<br>2019 | Year ending<br>31 March<br>2019 | Year ending<br>31 March<br>2019 | Year ending<br>31 March<br>2018 | Year ending<br>31 March<br>2018 | Year ending<br>31 March<br>2018 |
|--|--------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | Notes        | Gross<br>expenditure            | Income                          | Net<br>expenditure              | Gross<br>expenditure            | Income                          | Net                             |
| Intra-group funding -policing  |              | 4,739,952                       | (780,160)                       | 3,959,792                       | 3,516,365                       | (751,426)                       | 2,764,939                       |
| Other  |              | 61,076                          | (23,338)                        | 37,738                          | 53,977                          | (17,602)                        | 36,375                          |
| Revaluation loss (gain to reverse<br>previous losses) not charged to CPM                 |              | 56,657                          | 0                               | 56,657                          | (13,762)                        | 0                               | (13,762)                        |
| <b>Cost of services</b>  | 1.2          | <b>4,857,685</b>                | <b>(803,498)</b>                | <b>4,054,187</b>                | <b>3,556,580</b>                | <b>(769,028)</b>                | <b>2,787,552</b>                |
| <b>Other operating expenditure</b>   |              |                                 |                                 |                                 |                                 |                                 |                                 |
| Net (gains)/losses on disposal of non-<br>current assets                                 | 13.1         |                                 |                                 | 572                             |                                 |                                 | (360)                           |
| Riot Damages Act claims  |              |                                 |                                 | 0                               |                                 |                                 | (461)                           |
| Interest on Police Officer Pension<br>Defined Benefit Liability - intra-group<br>funding | 6.2,<br>12.1 |                                 |                                 | 877,700                         |                                 |                                 | 766,700                         |
| Re-measurements of the defined<br>benefit liability - intra-group funding                | 6.2,<br>12.1 |                                 |                                 | (533,400)                       |                                 |                                 | 1,445,500                       |
| <b>Financing and investment</b>  |              |                                 |                                 |                                 |                                 |                                 |                                 |
| Interest payable and similar charges   | 11           |                                 |                                 | 18,879                          |                                 |                                 | 18,867                          |
| Interest and investment income   |              |                                 |                                 | (1,180)                         |                                 |                                 | (2,091)                         |
| Investment properties revaluation  | 16           |                                 |                                 | (3,085)                         |                                 |                                 | 173                             |
| <b>Grants</b>  |              |                                 |                                 |                                 |                                 |                                 |                                 |
| Non Specific Grants  | 14           |                                 |                                 | (2,615,940)                     |                                 |                                 | (2,503,654)                     |
| Capital grants   | 14.1         |                                 |                                 | (54,539)                        |                                 |                                 | (41,541)                        |
| Funding of Riot Damages Act claims   |              |                                 |                                 | 0                               |                                 |                                 | 360                             |
| <b>(Surplus) or Deficit on provision of<br/>services</b>                                 |              |                                 |                                 | <b>1,743,194</b>                |                                 |                                 | <b>2,471,045</b>                |
| <b>Other income and expenditure</b>  |              |                                 |                                 |                                 |                                 |                                 |                                 |
| (Surplus) or Deficit on revaluation of<br>non current assets                             |              |                                 |                                 | (244,452)                       |                                 |                                 | (113,275)                       |
| <b>Total comprehensive income and<br/>expenditure</b>                                    |              |                                 |                                 | <b>1,498,742</b>                |                                 |                                 | <b>2,357,770</b>                |

The statement above shows the accounting cost for the period 1 April 2018 to 31 March 2019 (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 2019 is shown on the page before.

## MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2019

| £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 2018   | (46,576)                 | (157,518)                  | (204,094)                            | 0                        | (17,567)                       | (221,661)             | 30,332,505        | 30,110,844           |
| Movement in reserves during 2018/19  |                          |                            |                                      |                          |                                |                       |                   |                      |
| Total comprehensive income and expenditure                                       | 2,276,594                | 0                          | 2,276,594                            | 0                        | 0                              | 2,276,594             | (777,852)         | 1,498,742            |
| Adjustments between accounting basis & funding basis under regulations (note 30) | (2,305,461)              | 0                          | (2,305,461)                          |                          |                                | (2,305,461)           | 2,305,496         | 35                   |
| <b>Net (increase) / decrease before transfers to earmarked reserves</b>          | <b>(28,867)</b>          | <b>0</b>                   | <b>(28,867)</b>                      | <b>0</b>                 | <b>0</b>                       | <b>(28,867)</b>       | <b>1,527,644</b>  | <b>1,498,777</b>     |
| Transfers (to) / from earmarked reserves (note 29.3)                             | 28,867                   | (28,867)                   | 0                                    | 0                        | 0                              | 0                     | 0                 | 0                    |
| <b>(Increase) / decrease in year</b>   | <b>0</b>                 | <b>(28,867)</b>            | <b>(28,867)</b>                      | <b>0</b>                 | <b>0</b>                       | <b>(28,867)</b>       | <b>1,527,644</b>  | <b>1,498,777</b>     |
| <b>Balance at 31 March 2019</b>  | <b>(46,576)</b>          | <b>(186,385)</b>           | <b>(232,961)</b>                     | <b>0</b>                 | <b>(17,567)</b>                | <b>(250,528)</b>      | <b>31,860,149</b> | <b>31,609,621</b>    |

This statement shows the movement in the year to 31 March 2019 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. 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 2019

| £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 2018   | (46,576)                 | (157,518)                  | (204,094)                            | 0                        | (17,567)                       | (221,661)             | 30,332,505        | 30,110,844           |
| Movement in reserves during 2018/19  |                          |                            |                                      |                          |                                |                       |                   |                      |
| Total comprehensive income and expenditure                                       | 1,743,194                | 0                          | 1,743,194                            | 0                        | 0                              | 1,743,194             | (244,452)         | 1,498,742            |
| Adjustments between accounting basis & funding basis under regulations (note 30) | (1,772,061)              | 0                          | (1,772,061)                          |                          |                                | (1,772,061)           | 1,772,096         | 35                   |
| <b>Net (increase) / decrease before transfers to earmarked reserves</b>          | <b>(28,867)</b>          | <b>0</b>                   | <b>(28,867)</b>                      | <b>0</b>                 | <b>0</b>                       | <b>(28,867)</b>       | <b>1,527,644</b>  | <b>1,498,777</b>     |
| Transfers (to) / from earmarked reserves (note 29.3)                             | 28,867                   | (28,867)                   | 0                                    | 0                        | 0                              | 0                     | 0                 | 0                    |
| <b>(Increase) / decrease in year</b>   | <b>0</b>                 | <b>(28,867)</b>            | <b>(28,867)</b>                      | <b>0</b>                 | <b>0</b>                       | <b>(28,867)</b>       | <b>1,527,644</b>  | <b>1,498,777</b>     |
| <b>Balance at 31 March 2019</b>  | <b>(46,576)</b>          | <b>(186,385)</b>           | <b>(232,961)</b>                     | <b>0</b>                 | <b>(17,567)</b>                | <b>(250,528)</b>      | <b>31,860,149</b> | <b>31,609,621</b>    |

This statement shows the movement in the year to 31 March 2019 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 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. 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 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.

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<br>2019    | 31 March<br>2018    |
|------------------------------------|--------|---------------------|---------------------|
| <b>Non current assets</b>          |        |                     |                     |
| Property, plant and equipment      | 16     | 2,392,001           | 2,163,162           |
| Heritage assets                    | 16     | 1,310               | 1,310               |
| Investment properties              | 16     | 9,015               | 5,930               |
| Intangible assets                  | 16     | 5,269               | 1,235               |
| <b>Total non current assets</b>    |        | <b>2,407,595</b>    | <b>2,171,637</b>    |
| Long term debtors                  | 18     | 158                 | 634                 |
| <b>Total long term assets</b>      |        | <b>2,407,753</b>    | <b>2,172,271</b>    |
| <b>Current assets</b>              |        |                     |                     |
| Assets held for sale               | 19     | 8,026               | 176                 |
| Inventories                        |        | 5,283               | 4,350               |
| Short term debtors                 | 20     | 288,760             | 316,586             |
| Short term investments             | 21     | 26,304              | 1,468               |
| Cash & cash equivalents            | 22     | 13,118              | 16,316              |
| <b>Total current assets</b>        |        | <b>341,491</b>      | <b>338,896</b>      |
| <b>Current liabilities</b>         |        |                     |                     |
| Short term creditors               | 23     | (457,644)           | (456,378)           |
| Short term borrowing               | 24     | (18,851)            | (129,493)           |
| Provisions                         | 26.1   | (14,505)            | (22,106)            |
| <b>Total current liabilities</b>   |        | <b>(491,000)</b>    | <b>(607,977)</b>    |
| <b>Long term liabilities</b>       |        |                     |                     |
| Provisions                         | 26.2   | (13,986)            | (17,267)            |
| Long term borrowing                | 27     | (302,950)           | (116,550)           |
| Capital grants receipts in advance |        | (5,007)             | (5,007)             |
| Long term contractor liability     | 28     | (73,322)            | (76,210)            |
| Police officer pension liability   | 6.2    | (33,472,600)        | (31,799,000)        |
| <b>Total long term liabilities</b> |        | <b>(33,867,865)</b> | <b>(32,014,034)</b> |
| <b>Net assets/(liabilities)</b>    |        | <b>(31,609,621)</b> | <b>(30,110,844)</b> |
| <b>Financed by:</b>                |        |                     |                     |
| Unusable Reserves                  | 29.1   | (31,860,149)        | (30,332,505)        |
| Usable reserves                    | 29.2-3 | 250,528             | 221,661             |
| <b>Total reserves</b>              |        | <b>(31,609,621)</b> | <b>(30,110,844)</b> |

The Balance Sheet shows the value as at 31 March 2019 (with prior year as a comparative year) of the assets and liabilities recognised by the Group. The net liabilities of the Group (assets less liabilities) are matched by the reserves held by the Group.

These financial statements replace the unaudited financial statements confirmed by Siobhan Peters on 24 May 2019.

## MOPAC Balance Sheet

| £000   | Notes  | 31 March<br>2019    | 31 March<br>2018    |
|--|--------|---------------------|---------------------|
| <b>Non current assets</b>                                |        |                     |                     |
| Property, plant and equipment                            | 16     | 2,392,001           | 1,911,325           |
| Heritage assets  | 16     | 1,310               | 1,310               |
| Investment properties                                    | 16     | 9,015               | 5,930               |
| Intangible assets  | 16     | 5,269               | 1,235               |
| <b>Total non current assets</b>                          |        | <b>2,407,595</b>    | <b>1,919,800</b>    |
| Investment in subsidiaries                               | 17     | 0                   | 251,837             |
| Long term debtors  | 18     | 158                 | 634                 |
| <b>Total long term assets</b>                            |        | <b>2,407,753</b>    | <b>2,172,271</b>    |
| <b>Current assets</b>                                    |        |                     |                     |
| Assets held for sale                                     | 19     | 8,026               | 176                 |
| Inventories  |        | 5,283               | 4,350               |
| Short term debtors                                       | 20     | 288,760             | 316,586             |
| Short term investments                                   | 21     | 26,304              | 1,468               |
| Cash & cash equivalents                                  | 22     | 13,118              | 16,316              |
| <b>Total current assets</b>                              |        | <b>341,491</b>      | <b>338,896</b>      |
| <b>Current liabilities</b>                               |        |                     |                     |
| Short term creditors                                     | 23     | (349,505)           | (351,481)           |
| Short term borrowing                                     | 24     | (18,851)            | (129,493)           |
| Provisions   | 26.1   | (14,505)            | (22,106)            |
| Intra-group Creditor                                     | 6.2    | (108,139)           | (104,897)           |
| <b>Total current liabilities</b>                         |        | <b>(491,000)</b>    | <b>(607,977)</b>    |
| <b>Long term liabilities</b>                             |        |                     |                     |
| Provisions   | 26.2   | (13,986)            | (17,267)            |
| Long term borrowing                                      | 27     | (302,950)           | (116,550)           |
| Capital grants receipts in advance                       |        | (5,007)             | (5,007)             |
| Long term contractor liability                           | 28     | (73,322)            | (76,210)            |
| Police officer pension liability - Intra-group liability | 6.2    | (33,472,600)        | (31,799,000)        |
| <b>Total long term liabilities</b>                       |        | <b>(33,867,865)</b> | <b>(32,014,034)</b> |
| <b>Net assets/(liabilities)</b>                          |        | <b>(31,609,621)</b> | <b>(30,110,844)</b> |
| <b>Financed by:</b>                                      |        |                     |                     |
| Unusable Reserves  | 29.1   | (31,860,149)        | (30,332,505)        |
| Usable reserves  | 29.2-3 | 250,528             | 221,661             |
| <b>Total reserves</b>                                    |        | <b>(31,609,621)</b> | <b>(30,110,844)</b> |

The Balance Sheet shows the value as at 31 March 2019 (with prior year as a comparative year) of the assets and liabilities recognised by MOPAC. The net liabilities of MOPAC (assets less liabilities) are matched by the reserves held by MOPAC.

These financial statements replace the unaudited financial statements confirmed by Siobhan Peters on 24 May 2019.



## MOPAC Group and MOPAC Cash Flow Statement

| £000  | Notes | Year ending<br>31 March<br>2019-Group | Year ending<br>31 March<br>2018-Group | Year ending<br>31 March<br>2019-MOPAC | Year ending<br>31 March<br>2018-MOPAC |
|---|-------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Net (surplus) or deficit on the provision of services   |       | 2,276,594                             | 1,025,545                             | 1,743,194                             | 2,471,045                             |
| Adjustments to net (surplus) or deficit on the provision of services for non-cash movements                                   | 31.2  | (2,458,951)                           | (1,107,655)                           | (1,925,551)                           | (2,553,155)                           |
| Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities | 31.3  | 58,796                                | 81,523                                | 58,796                                | 81,523                                |
| <b>Net cash flows from operating activities</b>   |       | <b>(123,561)</b>                      | <b>(587)</b>                          | <b>(123,561)</b>                      | <b>(587)</b>                          |
| Investing activities  | 31.4  | 197,266                               | 148,282                               | 197,266                               | 148,282                               |
| Financing activities  | 31.5  | (70,507)                              | (79,480)                              | (70,507)                              | (79,480)                              |
| <b>Net (increase)/decrease in cash and cash equivalents</b>   |       | <b>3,198</b>                          | <b>68,215</b>                         | <b>3,198</b>                          | <b>68,215</b>                         |
| Cash and cash equivalents at the beginning of the period  |       | 16,316                                | 84,531                                | 16,316                                | 84,531                                |
| <b>Cash and cash equivalents at the end of the period</b>   |       | <b>13,118</b>                         | <b>16,316</b>                         | <b>13,118</b>                         | <b>16,316</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 2018/19 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 | 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 2018/19</b>   |   |  |  |   |   |
| £000  |   | Note 1   |  |   |   |
| Frontline policing                                      | 1,148,287                               | 1,694  | 1,149,981  | 110,791   | 1,260,772   |
| Specialist operations                                   | (2,418)                                 | 504  | (1,914)  | 29,015  | 27,101  |
| Met operations  | 674,888                                 | 475  | 675,363  | 66,291  | 741,654   |
| Professionalism   | 76,831                                  | 3,730  | 80,561   | 8,143   | 88,704  |
| Corporate services                                      | 371,295                                 | (13,800)   | 357,495  | 3,548   | 361,043   |
| Digital policing  | 178,808                                 | 0  | 178,808  | 709   | 179,517   |
| Centrally held  | 129,482                                 | (38,140)   | 91,342   | (77,684)  | 13,658  |
| MOPAC   | 38,768                                  | (1,030)  | 37,738   | 0   | 37,738  |
| Past service cost - McCloud pension judgement           | 0                                       | 0  | 0  | 1,344,000   | 1,344,000   |
| <b>Net cost of service</b>                              | <b>2,615,941</b>                        | <b>(46,567)</b>  | <b>2,569,374</b>   | <b>1,484,813</b>                                    | <b>4,054,187</b>  |
| Other income and expenditure                            | (2,615,941)                             | 17,700   | (2,598,241)  | 820,648   | (1,777,593)   |
| <b>Surplus or deficit on General Fund</b>               | <b>0</b>                                | <b>(28,867)</b>  | <b>(28,867)</b>  | <b>2,305,461</b>                                    | <b>2,276,594</b>  |
| Opening General Reserves at 31 March                    |   |  | (46,576)   |   |   |
| Less deficit on General Reserves in year                |   |  | (28,867)   |   |   |
| Transfers to/from Earmarked Reserve                     |   |  | 28,867   |   |   |
| <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>                            |   |
| 2018/19   | Note 2                                  | Note 3   | Note 4   |   |   |
| £000  |   |  |  |   |   |
| Frontline policing                                      | 118,957                                 | (9,235)  | 1,069  | 110,791   |   |
| Specialist operations                                   | 30,622                                  | (1,982)  | 375  | 29,015  |   |
| Met operations  | 67,745                                  | (2,865)  | 1,411  | 66,291  |   |
| Professionalism   | 8,413                                   | (432)  | 162  | 8,143   |   |
| Corporate services                                      | 3,536                                   | (186)  | 198  | 3,548   |   |
| Digital policing  | 682                                     | 0  | 27   | 709   |   |
| Centrally held  | (77,684)                                | 0  | 0  | (77,684)  |   |
| MOPAC   | 0                                       | 0  | 0  | 0   |   |
| Past service cost - McCloud pension judgement           | 0                                       | 1,344,000  | 0  | 1,344,000   |   |
| <b>Net cost of service</b>                              | <b>152,271</b>                          | <b>1,329,300</b>   | <b>3,242</b>   | <b>1,484,813</b>                                    |   |
| Other income and expenditure                            | (57,052)                                | 877,700  | 0  | 820,648   |   |

## Notes to the Financial Statements

| Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services | 95,219                                     | 2,207,000  | 3,242   | 2,305,461  |  |
|---|--|--|---|--|--|
|   | <b>As reported for resource management</b> | <b>Adjustments to arrive at the amount chargeable to the General Reserves balances</b> | <b>Net Expenditure chargeable to the General Reserves balance</b> | <b>Adjustment between the Funding and Accounting Basis</b> | <b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b> |
| <b>Group expenditure and funding analysis 2017/18 restated</b>  |  | Note 1   |   |  |  |
| £000  |  |  |   |  |  |
| Frontline policing  | 1,163,175                                  | 2,857  | 1,166,032   | 171,524  | 1,337,556  |
| Specialist operations   | (1,733)                                    | (242)  | (1,975)   | 36,961   | 34,986   |
| Met operations  | 642,512                                    | 7,644  | 650,156   | 68,481   | 718,637  |
| Professionalism   | 73,113                                     | 0  | 73,113  | 8,995  | 82,108   |
| Corporate services  | 333,184                                    | 13,868   | 347,052   | 961  | 348,013  |
| Digital policing  | 195,237                                    | 0  | 195,237   | 72   | 195,309  |
| Centrally held  | 60,889                                     | (3,750)  | 57,139  | (22,571)   | 34,568   |
| MOPAC   | 37,277                                     | (902)  | 36,375  | 0  | 36,375   |
| Past service cost - McCloud pension judgement   | 0  | 0  | 0   | 0  | 0  |
| <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<br>£000<br>restated   | Note 2                                     | Note 3   | Note 4  |  |  |
| Frontline policing  | 64,947                                     | 104,891  | 1,686   | 171,524  |  |
| Specialist operations   | 15,322                                     | 21,397   | 242   | 36,961   |  |
| Met operations  | 36,689                                     | 32,004   | (212)   | 68,481   |  |
| Professionalism   | 4,358                                      | 4,638  | (1)   | 8,995  |  |
| Corporate services  | (807)                                      | 1,859  | (91)  | 961  |  |
| Digital policing  | 81   | 11   | (20)  | 72   |  |
| Centrally held  | (22,571)                                   | 0  | 0   | (22,571)   |  |
| MOPAC   | 0  | 0  | 0   | 0  |  |
| Past service cost - McCloud pension judgement   | 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  |  |

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.

The 2017/18 expenditure and funding analysis has been restated in line with the Group's new operating structure which was in place at 31 March 2019.

A new service segment has been included for the McCloud pension adjustment. Management have assessed the impact of McCloud at a corporate level, and therefore the past service costs have not been allocated across operational service segments.

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<br>for resource<br>management | Adjustments<br>to arrive at<br>the amount<br>chargeable to<br>the General<br>Reserves<br>balances | Net<br>Expenditure<br>chargeable to<br>the General<br>Reserves<br>balance | Adjustment<br>between the<br>Funding and<br>Accounting<br>Basis | Net Expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
|---|---|---|---|---|--|
| <b>MOPAC expenditure and funding analysis<br/>2018/19</b>             |   | Note 1  |   |   |  |
| £000  |   |   |   |   |  |
| Intra-group funding policing  | 2,577,173                                 | (102,194)   | 2,474,979   | 1,484,813   | 3,959,792  |
| Other   | 38,768                                    | (1,030)   | 37,738  | 0   | 37,738   |
| Revaluation loss (gain to reverse previous losses) not charged to CPM | 0   | 56,657  | 56,657  | 0   | 56,657   |
| <b>Net cost of service</b>  | <b>2,615,941</b>                          | <b>(46,567)</b>   | <b>2,569,374</b>  | <b>1,484,813</b>  | <b>4,054,187</b>   |
| Other income and expenditure  | (2,615,941)                               | 17,700  | (2,598,241)   | 287,248   | (2,310,993)  |
| <b>Surplus or deficit on General Reserves</b>                         | <b>0</b>                                  | <b>(28,867)</b>   | <b>(28,867)</b>   | <b>1,772,061</b>  | <b>1,743,194</b>   |
| Opening General Reserves at 31 March                                  |   |   | (46,576)  |   |  |
| Less deficit on General Reserves in year                              |   |   | (28,867)  |   |  |
| Transfer to/from Earmarked reserves                                   |   |   | 28,867  |   |  |
| <b>Closing General Reserves balance at 31 March</b>                   |   |   | <b>(46,576)</b>   |   |  |

| Adjustments between funding and<br>accounting basis<br>2018/19<br>£000  | Adjustments<br>for capital<br>purposes | Net change for<br>the pensions<br>adjustments | Other<br>differences | Total<br>Adjustments |
|---|--|---|----------------------|----------------------|
|   | Note 2                                 | Note 3  | Note 4               |                      |
| Intra-group funding policing  | 152,271                                | 1,329,300                                     | 3,242                | 1,484,813            |
| 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>152,271</b>                         | <b>1,329,300</b>                              | <b>3,242</b>         | <b>1,484,813</b>     |
| Other income and expenditure  | (57,052)                               | 344,300                                       | 0                    | 287,248              |
| Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services | 95,219                                 | 1,673,600                                     | 3,242                | 1,772,061            |

|   | As reported<br>for resource<br>management | Adjustments<br>to arrive at<br>the amount<br>chargeable to<br>the General<br>Reserves<br>balances | Net<br>Expenditure<br>chargeable to<br>the General<br>Reserves<br>balance | Adjustment<br>between the<br>Funding and<br>Accounting<br>Basis | Net Expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
|---|---|---|---|---|--|
| <b>MOPAC expenditure and funding analysis<br/>2017/18</b>             |   | Note 1  |   |   |  |
| £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>   |   |  |

## Notes to the Financial Statements

| Adjustments between funding and accounting basis<br>2017/18<br>£000   | Adjustments<br>for capital<br>purposes<br><br>Note 2 | Net change<br>for the<br>pensions<br>adjustments<br><br>Note 3 | Other<br>differences<br><br>Note 4 | Total<br>Adjustments |
|---|--|--|------------------------------------|----------------------|
| 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            |

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 2018/19 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 2019 (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 2019. 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 Code requires that the Expenditure and Funding Analysis (Note 1) and the CIES, allocate costs of services across service segments. These service segments are based on the MOPAC and CPM internal management reporting arrangements. A new service segment has been added after the year end to reflect the past service costs that have been recognised in relation to McCloud pensions judgement. The decision has been taken that these costs are to be recognised at a corporate level, rather than allocated across existing service segments as required by the Code. This decision to depart from the requirements of the code has been made to ensure that the costs of policing disclosed in the CIES remains understandable to users of the accounts, and therefore to achieve a true and fair presentation in the accounts. Where the costs to be allocated across service segments, the £1.34bn of past service costs would have been allocated across service segments based on police officer numbers within each segment. See note 12.1 for more details of the impact of McCloud pensions judgement.

The significant accounting policies adopted are set out below.

### **2.2 Revenue and expenditure recognition**

Revenue is recognised in a way that reflects the pattern in which goods and services are transferred to service recipients. It is transferred at an amount that reflects the consideration that the Group expects to be entitled to in exchange for those goods and services. 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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligation in the contract;
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when services are received rather than when payments are made;
- 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 IFRS 9 Financial Instruments because the claims involved are deemed to be estimates based on present day values.

Legal challenges around employment law - During 2018/19 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 2018/19 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 2.4% 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 (see Notes 4 and 12.1 for detail on significant Past Service Costs recognized in 2018-19);
  - 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 are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Group's business model is to hold investments to collect contractual cash flows. The contractual payments of the financial assets of the Group are solely payment of principal and interest - therefore the Group's financial assets are classified as amortised cost.

Financial assets measured at amortised cost are recognised when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then 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.

The Group recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are estimated on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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, 26 July 2019.

## 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 2018/19.

## 2.23 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.

## 2.24 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 fair value.

## 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 2019/20

- Amendments to IAS 40 Investment Property: Transfers of Investment Property. This amendment defines what constitutes a change in use when considering the transfers of properties to and from investment properties.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation. This amendment provides clarification on accounting for financial assets which contain arrangements where a party may pay or receive compensation for the early termination of the agreement.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments



- The Annual Improvements to IFRS Standards (2014-16 Cycle) which are applicable to the Group cover the following issues:

IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard

IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value

It is not expected that any of the changes above will have a significant impact on the Group's statement of accounts.

The CIPFA/LASAAC local authority accounting Code Board have taken the decision to defer the implementation of *IFRS 16 Leases* until 1 April 2020. The introduction of the new standard is anticipated to have a significant impact on the gross assets and liabilities of the Group. The full impact of adopting the new standard will be assessed during the next year.

## 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.

2.7 Employee benefits; There are relevant legal cases (McCloud and Sargeant) in relation to transitional protections provided in the transition to new career average schemes across the public sector. These cases have concluded that transitional protectors applied to some members in the transfer to career average schemes are discriminatory, on age grounds, to some members. Whilst a legal remedy has not been determined by the Employment Tribunal, it is considered probable that this judgement would read across to similar claims that exist in relation to the police pension scheme. To ensure the accounts present a true and fair view, the IAS 19 pension liability includes an assumption that there will be a remedy based on providing transitional protection to all active members. The impact of this assumption is to increase the pension liability by £1.4bn, which is recognized as past service cost in the Group CIES. More detail can be found in note 12.1.

- 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.
- 2.24 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.
- On 3 April 2018 the beneficial interest in Empress State Building was transferred to MOPAC. Empress State Building has therefore been classified under Property, Plant and Equipment in the MOPAC single entity accounts at 31 March 2019. The net residual interest in the Empress Holdings Group for MOPAC at 31 March 2019 is the issued share capital which is valued at nil. There exist a number of financial instruments (promissory notes and loans) between entities within the group. There is no intention for these instruments to be settled by an outflow/inflow of economic benefit, and will be offset when the Empress Holdings Group is wound up. As such, these financial instruments have been offset in accordance with IAS 32.

## 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. There are a number of financial assumptions used to estimate the pension liabilities, any changes in which could materially impact on the total liability of the police pension funds. In addition, the assumption adopted in relation to the impact of McCloud and Sargeant could have a material impact on the total liability of the police scheme. See Note 12.1 for more details of these impacts.

## **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 2018/19 show the financial positions of the MOPAC and MOPAC Group together with comparative figures for 2017/18.

### **6.2 Accounting principles**

The accounting recognition of assets, liabilities and reserves in 2018/19 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 2018. 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 2018/19 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 2018/19. 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 2018/19<br>£million                 | MOPAC        | CPM      | Group        |
| IAS 19 pension costs within net cost of services                         | 0            | 2,042    | 2,042        |
| Accumulated absences   | 0            | 3        | 3            |
| Other costs within net cost of services                                  | 0            | 1,915    | 1,915        |
| Intra-group adjustment (MOPAC funding)                                   | 3,960        | (3,960)  | 0            |
| Pension interest cost  | 0            | 877      | 877          |
| Intra-group adjustment (MOPAC funding pension)                           | 877          | (877)    | 0            |
| Actuarial losses on police fund  | 0            | (533)    | (533)        |
| Intra-group adjustment (MOPAC funding pension)                           | (533)        | 533      | 0            |
| <b>Total transactions for the year</b>                                   | <b>4,304</b> | <b>0</b> | <b>4,304</b> |
| Intra-group - total transactions for 2017/18<br>£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> |
| Accounting entries reflected in the respective Balance Sheet at year end |              |          |              |
| Intra-group - total transactions for 2018/19<br>£million                 | MOPAC        | CPM      | Group        |
| CPM - Long term Intra-group Debtor                                       | 0            | 33,473   | 0            |
| CPM - Short term Intra-group Debtor                                      | 0            | 108      | 0            |
| CPM - Police Officer pension liability                                   | 0            | (33,473) | (33,473)     |
| CPM - Creditor - accumulated absences                                    | 0            | (108)    | (108)        |
| MOPAC - Long term Intra-group Creditor                                   | (33,473)     | 0        | 0            |
| MOPAC - Short term Intra-group Creditor                                  | (108)        | 0        | 0            |
| MOPAC - Unusable Reserves  | 33,473       | 0        | 33,473       |
| MOPAC - Unusable Reserves  | 108          | 0        | 108          |
| Intra-group - total transactions for 2017/18<br>£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          |

The 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 2018/19 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 2018/19 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 2018 to 31 March 2019, 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  | 2018/19            | 2018/19          | 2018/19            | 2017/18            |
| <b>Expenditure</b>  |                    |                  |                    |                    |
| Employee costs  |                    |                  |                    |                    |
| Police officer salaries   | 0                  | 1,640,948        | 1,640,948          | 1,634,370          |
| MOPAC and Police staff wages and salaries                       | 10,487             | 455,543          | 466,030            | 445,278            |
| Employee related expenditure                                    | 263                | 14,281           | 14,544             | 6,395              |
| Net police officer pensions                                     | 0                  | 1,623,606        | 1,623,606          | 460,221            |
| Net MOPAC police staff pensions                                 | 0                  | 80,180           | 80,180             | 79,266             |
| Premises related  | 1,327              | 160,439          | 161,766            | 172,511            |
| Transport related   | 15                 | 91,510           | 91,525             | 74,144             |
| Supplies and services*  | 48,984             | 496,819          | 545,435            | 556,086            |
| Depreciation, amortisation, impairment                          | 56,657             | 176,626          | 233,283            | 126,598            |
| Actuarial losses on police pensions funds - intra group funding | (533,400)          | 533,400          | 0                  | 0                  |
| Interest payments   | 893,494            | 0                | 893,494            | 785,740            |
| Gains on the disposal of assets                                 | 572                | 0                | 572                | (360)              |
| <b>Total gross expenditure</b>                                  | <b>478,399</b>     | <b>5,273,352</b> | <b>5,751,383</b>   | <b>4,340,249</b>   |
| <b>Income</b>   |                    |                  |                    |                    |
| Fees and charges and other service income**                     | (2,714)            | (262,408)        | (264,754)          | (248,730)          |
| Interest and investment income                                  | (1,180)            | 0                | (1,180)            | (2,091)            |
| Government grants and contributions                             | (2,691,103)        | (517,752)        | (3,208,855)        | (3,063,883)        |
| <b>Total income</b>   | <b>(2,694,997)</b> | <b>(780,160)</b> | <b>(3,474,789)</b> | <b>(3,314,704)</b> |
| Intra group adjustment ***                                      | 3,959,792          | (3,959,792)      | 0                  | 0                  |
| <b>Net cost of policing services</b>                            | <b>1,743,194</b>   | <b>533,400</b>   | <b>2,276,594</b>   | <b>1,025,545</b>   |

\* £49 million supplies and services incurred by MOPAC includes costs of working with local communities, victims support and payments by MOPAC of crime prevention grants

\*\*Includes revenue recognised of £164m from contracts with service recipients under IFRS15

\*\*\* 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.

Within the Group's material contracts with service recipients, performance obligations are satisfied at the point of supply of police officers. Pricing within the contracts is typically based on agreed unit prices of manpower.

## 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 | 2018/19                               |                                       | 2017/18                               |  |
|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|
|                           | 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           | 5,369                                 | 5,368                                 | 4,720                                 | 4,715  |
| 55,000 - 59,999           | 2,639                                 | 2,638                                 | 2,293                                 | 2,286  |
| 60,000 - 64,999           | 1,998                                 | 1,998                                 | 1,888                                 | 1,884  |
| 65,000 - 69,999           | 1,217                                 | 1,217                                 | 962                                   | 963  |
| 70,000 - 74,999           | 560                                   | 560                                   | 471                                   | 473  |
| 75,000 - 79,999           | 371                                   | 370                                   | 306                                   | 304  |
| 80,000 - 84,999           | 237                                   | 237                                   | 195                                   | 197  |
| 85,000 - 89,999           | 157                                   | 157                                   | 133                                   | 135  |
| 90,000 - 94,999           | 95                                    | 94                                    | 86                                    | 90   |
| 95,000 - 99,999           | 63                                    | 63                                    | 38                                    | 40   |
| 100,000 - 104,999         | 22                                    | 22                                    | 14                                    | 17   |
| 105,000 - 109,999         | 6                                     | 6                                     | 5                                     | 8  |
| 110,000 - 114,999         | 5                                     | 5                                     | 11                                    | 15   |
| 115,000 - 119,999         | 2                                     | 2                                     | 5                                     | 6  |
| 120,000 - 124,999         | 5                                     | 6                                     | 4                                     | 6  |
| 125,000 - 129,999         | 2                                     | 2                                     | 2                                     | 8  |
| 130,000 - 134,999         | 6                                     | 6                                     | 3                                     | 4  |
| 135,000 - 139,999         | 1                                     | 1                                     | 4                                     | 7  |
| 140,000 - 144,999         | 1                                     | 2                                     | 0                                     | 2  |
| 145,000 - 149,999         | 1                                     | 1                                     | 0                                     | 2  |
| 150,000 - 154,999         | 0                                     | 1                                     | 0                                     | 2  |
| 155,000 - 159,999         | 0                                     | 0                                     | 0                                     | 0  |
| 160,000 - 164,999         | 0                                     | 0                                     | 0                                     | 0  |
| 165,000 - 169,999         | 0                                     | 0                                     | 0                                     | 0  |
| 170,000 - 174,999         | 0                                     | 0                                     | 0                                     | 1  |
| 175,000 - 179,999         | 0                                     | 0                                     | 0                                     | 1  |
| 180,000 - 184,999         | 0                                     | 1                                     | 0                                     | 0  |
| 185,000 - 189,999         | 0                                     | 0                                     | 0                                     | 0  |
| 190,000 - 194,999         | 0                                     | 0                                     | 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  |
| 210,000 - 214,999         | 0                                     | 0                                     | 0                                     | 0  |
| 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.

### Exit packages

| Exit package cost band<br>(including special<br>payments) | Number of<br>compulsory<br>redundancies |         | Number of<br>other departures<br>agreed |         | Total number of exit<br>packages by cost<br>band |         | Total cost of exit<br>packages in each band<br>(£) |           |
|---|---|---------|---|---------|--|---------|--|-----------|
|   | 2018/19                                 | 2017/18 | 2018/19                                 | 2017/18 | 2018/19  | 2017/18 | 2018/19  | 2017/18   |
| £0 - £20,000  | 0                                       | 1       | 0                                       | 3       | 0  | 4       | 0  | 64,824    |
| £20,001 - £40,000   | 0                                       | 2       | 4                                       | 14      | 4  | 16      | 126,237  | 513,208   |
| £40,001 - £60,000   | 0                                       | 0       | 2                                       | 17      | 2  | 17      | 97,898   | 862,298   |
| £60,001 - £80,000   | 0                                       | 0       | 1                                       | 15      | 1  | 15      | 72,794   | 1,053,432 |
| £80,001 - £100,000  | 0                                       | 0       | 3                                       | 7       | 3  | 7       | 273,211  | 646,318   |
| £100,001 - £150,000                                       | 0                                       | 0       | 6                                       | 2       | 6  | 2       | 766,675  | 228,464   |
| £150,001 - £200,000                                       | 0                                       | 0       | 1                                       | 0       | 1  | 0       | 170,000  | 0         |
|   | 0                                       | 3       | 17                                      | 58      | 17   | 61      | 1,506,815  | 3,368,544 |

*The numbers in the table above exclude senior staff as defined below in Note 8.2. In these particular cases, any 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 2019**

| Post holder information<br>(post title) | Name         | Notes | Salary<br>(including fees<br>& allowances)<br>(£) | Benefits<br>(£) | Other<br>Payments<br>(£) | Total remuneration<br>excluding pension<br>contributions<br>2018/19<br>(£) | Pension<br>contributions<br>(£) | Total remuneration<br>including pension<br>contributions<br>2018/19<br>(£) |
|---|--------------|-------|---|-----------------|--------------------------|--|---------------------------------|--|
| <u>CPM</u>                              |              |       |   |                 |                          |  |                                 |  |
| Commissioner                            | C Dick       |       | 234,922   | 3,074           | 0                        | 237,996  | 0                               | 237,996  |
| Deputy Commissioner                     | C Mackey     | 1     | 193,378   | 6,142           | 0                        | 199,520  | 0                               | 199,520  |
| Deputy Commissioner                     | S House      | 2     | 219,114   | 3,074           | 0                        | 222,188  | 0                               | 222,188  |
| Assistant Commissioner                  | P Gallan     | 3     | 84,161  | 3,074           | 0                        | 87,235   | 6,855                           | 94,090   |
| Assistant Commissioner                  | M Hewitt     | 4     | 206,209   | 4,465           | 0                        | 210,674  | 41,612                          | 252,286  |
| Assistant Commissioner                  | A Basu       |       | 215,716   | 3,074           | 0                        | 218,790  | 41,612                          | 260,402  |
| Assistant Commissioner                  | H Ball       |       | 213,791   | 3,074           | 0                        | 216,865  | 24,131                          | 240,996  |
| Assistant Commissioner                  | M Simmons    | 5     | 172,582   | 5,078           | 0                        | 177,660  | 0                               | 177,660  |
| Assistant Commissioner                  | N Ephgrave   | 6     | 24,188  | 0               | 0                        | 24,188   | 4,868                           | 29,056   |
| Deputy Assistant Commissioner           | S Rodhouse   | 7     | 41,762  | 3,074           | 0                        | 44,836   | 7,914                           | 52,750   |
| Deputy Assistant Commissioner           | G McNulty    |       | 168,780   | 3,074           | 0                        | 171,854  | 32,024                          | 203,878  |
| Deputy Assistant Commissioner           | L D'Orsi     |       | 166,891   | 3,074           | 0                        | 169,965  | 32,024                          | 201,989  |
| Deputy Assistant Commissioner           | L Taylor     | 8     | 121,398   | 0               | 0                        | 121,398  | 24,025                          | 145,423  |
| Deputy Assistant Commissioner           | D Haydon     | 9     | 180,956   | 3,074           | 0                        | 184,030  | 32,024                          | 216,054  |
| Deputy Assistant Commissioner           | M Twist      |       | 165,186   | 3,074           | 0                        | 168,260  | 32,024                          | 200,284  |
| Deputy Assistant Commissioner           | R Martin     |       | 168,780   | 3,074           | 0                        | 171,854  | 32,024                          | 203,878  |
| Deputy Assistant Commissioner           | D Ball       |       | 164,676   | 3,074           | 0                        | 167,750  | 32,024                          | 199,774  |
| Deputy Assistant Commissioner           | M Horne      | 10    | 14,533  | 0               | 0                        | 14,533   | 3,075                           | 17,608   |
| T/Deputy Assistant Commissioner         | A Pearson    | 11    | 115,831   | 2,306           | 0                        | 118,137  | 17,344                          | 135,481  |
| Chief of Corporate Services             | R Wilkinson  | 12    | 161,081   | 1,537           | 0                        | 162,618  | 39,465                          | 202,083  |
| Director of Commercial & Finance        | L McMullan   | 13    | 162,899   | 0               | 0                        | 162,899  | 39,910                          | 202,809  |
| Chief Digital and Technology Officer    | A McCallum   |       | 231,069   | 0               | 0                        | 231,069  | 0                               | 231,069  |
| Director of Solution Delivery           | D Pitty      |       | 154,309   | 0               | 0                        | 154,309  | 28,496                          | 182,805  |
| Director of Service Delivery            | A Blatchford |       | 154,309   | 0               | 0                        | 154,309  | 28,496                          | 182,805  |
| Director of Technology                  | D Scates     |       | 154,309   | 0               | 0                        | 154,309  | 28,496                          | 182,805  |
| Director of Media and Communication     | J Helm       |       | 155,000   | 0               | 0                        | 155,000  | 36,750                          | 191,750  |
| <u>NPCC</u>                             |              |       |   |                 |                          |  |                                 |  |
| Assistant Commissioner                  | S Thornton   |       | 214,409   | 3,074           | 0                        | 217,483  | 0                               | 217,483  |
| Deputy Chief Constable                  | R Morris     | 14    | 150,545   | 3,074           | 0                        | 153,619  | 21,786                          | 175,405  |
| <u>MOPAC</u>                            |              |       |   |                 |                          |  |                                 |  |
| Chief Executive                         | R Lawrence   |       | 154,278   | 0               | 0                        | 154,278  | 37,672                          | 191,950  |

### 8.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2019

1. C Mackey retired on 31/12/18
2. S House was promoted to Deputy Commissioner on 1/1/19 with an annualized salary of £230,190
3. P Gallan retired on 24/7/18
4. M Hewitt left on 31/3/19 and will assume the role of chair of the National Police Chiefs Council taking over from Sara Thornton
5. M Simmons was promoted to Assistant Commissioner on 21/1/19 with an annualized salary of £194,523
6. N Ephgrave joined on 18/2/19 with an annualized salary of £194,523
7. S Rodhouse left on 23/6/18
8. L Taylor joined 2/7/18 with an annualized salary of £149,142
9. D Haydon was promoted to Deputy Assistant Commissioner on the 4/6/18 with an annualized salary of £160,142
10. M Horne joined on 25/2/19 with an annualized salary of £149,217
11. A Pearson was temporarily appointed to Deputy Assistant Commissioner on 21/1/19 with an annualized salary of £106,986 and is in receipt of a non-pensionable honorarium of £42,156 per annum.
12. R Wilkinson was promoted to Chief of Corporate Services on 29/10/18 with an annualized salary of £185,000
13. L McMullan held the post of Chief Finance Officer up to 31/3/19. From 1/4/19 the role of CFO was taken over by I Percival
14. R Morris is seconded to National Police Chief Council

**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).

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

| Post holder information<br>(post title) | Name         | Notes | Salary<br>(including fees<br>& allowances)<br>(£) | Benefits<br>(£) | Other<br>Payments<br>(£) | Total remuneration<br>excluding pension<br>contributions<br>2017/18<br>(£) | Pension<br>contributions<br>(£) | Total remuneration<br>including pension<br>contributions<br>2017/18<br>(£) |
|---|--------------|-------|---|-----------------|--------------------------|--|---------------------------------|--|
| <u>CPM</u>                              |              |       |   |                 |                          |  |                                 |  |
| 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<br>Communication  | J Helm       | 14    | 23,988  | 0               | 0                        | 23,988   | 5,688                           | 29,676   |
| <u>NPCC</u>                             |              |       |   |                 |                          |  |                                 |  |
| Assistant Commissioner                  | S Thornton   |       | 206,601   | 4,019           | 0                        | 210,620  | 0                               | 210,620  |
| <u>MOPAC</u>                            |              |       |   |                 |                          |  |                                 |  |
| Chief Executive                         | R Lawrence   | 15    | 157,137   | 0               | 0                        | 157,137  | 38,498                          | 195,635  |

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

#### Notes

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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 Defence 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

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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 2019

| Post   | Note | Salary inc fees and allowances (£) | Benefits (£) | Compensation for loss of office (£) | Total remuneration (excl pension contributions) 2018/19 (£) | Employers pension contribution (£) | Total remuneration incl pension contributions 2018/19 (£) |
|--|------|------------------------------------|--------------|-------------------------------------|---|------------------------------------|---|
| <u>CPM</u>   |      |                                    |              |                                     |   |                                    |   |
| Director of Legal Services   |      | 140,000                            | 0            | 0                                   | 140,000   | 34,300                             | 174,300   |
| <u>MOPAC</u>   |      |                                    |              |                                     |   |                                    |   |
| Deputy Mayor for Policing And Crime  |      | 128,135                            | 0            | 0                                   | 128,135   | 31,393                             | 159,528   |
| Chief Finance Officer  |      | 128,135                            | 0            | 0                                   | 128,135   | 31,393                             | 159,528   |
| Director of Strategy   |      | 117,884                            | 0            | 0                                   | 117,884   | 28,882                             | 146,766   |
| Director of Audit, Risk and Assurance  |      | 118,714                            | 0            | 0                                   | 118,714   | 29,085                             | 147,799   |
| Director of Integrated Offender Management, Programmes & Neighbourhoods/ Director of Strategic Partnerships and Insights       | 1    | 79,705                             | 0            | 0                                   | 79,705  | 18,795                             | 98,500  |
| Acting Director of Integrated Offender Management, Programmes & Neighbourhoods/ Director of Criminal Justice and Commissioning | 2    | 94,540                             | 0            | 0                                   | 94,540  | 23,036                             | 117,576   |
| Director of Violence Reduction Unit  | 3    | 8,806                              | 0            | 0                                   | 8,806   | 2,158                              | 10,964  |

## Notes

1. The Director of Integrated Offender Management, Programmes & Neighbourhoods returned from unpaid leave on 1 May 2018, as Director of Strategic Partnerships and Insights, and left on 10th February 2019. The annualised salary is £118,138. The roles of the Director of Strategic Partnerships and Insight have been allocated to other MOPAC directors.
2. The Acting Director of Integrated Offender Management, Programmes and Neighbourhoods was in role from 1 April 2018 at an annualised salary of £106,050, and appointed as Director for Criminal Justice Policy and Commissioning with effect from 1 July 2018, on an annualised salary of £116,000.
3. The Director of the Violence Reduction Unit was appointed with effect from 4 March 2019, on an annualized salary of £117,000

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

| Post   | Note | Salary inc<br>fees and<br>allowances<br>(£) | Benefits<br>(£) | Compensation<br>for loss of<br>office<br>(£) | Total<br>remuneration<br>(excl pension<br>contributions)<br>2017/18<br>(£) | Employers<br>pension<br>contribution<br>(£) | Total<br>remuneration<br>incl pension<br>contributions<br>2017/18<br>(£) |
|--|------|---|-----------------|--|--|---|--|
| <u>CPM</u>   |      |   |                 |  |  |   |  |
| 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  |
| <u>MOPAC</u>   |      |   |                 |  |  |   |  |
| 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,<br>Programmes & Neighbourhoods         | 8    | 61,329                                      | 0               | 0  | 61,329   | 15,026                                      | 76,355   |
| Interim Director of Integrated Offender<br>Management, Programmes & Neighbourhoods | 9    | 105,000                                     | 0               | 0  | 105,000  | 25,725                                      | 130,725  |

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

### Notes

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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
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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 2019, 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 Commissioner which replaced the London Fire and Emergency Planning Authority on 1 April 2018, 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 £97.442 million in 2018/19 (£86.655 million in 2017/18).

Net expenditure with the London Fire Commissioner was £0.717 million in 2018/19.



### Other bodies

The Safer London Foundation is included here as a related party as MOPAC provided £1.667 million and was owed £0.046 million by the Group at 31 March 2019. Cressida Dick, Commissioner, is the president of the organisation. The Deputy Commissioner Craig Mackey (who retired from the MPS in December) was also a trustee.

Police Now was established in January 2016 to run the National Graduate Leadership Development Programme. It received £2.747 million from MOPAC in 2018/19. The Assistant Commissioner of Professionalism and the Director of HR are trustees.

The College of Policing is the professional body for the police services in England and Wales and the Chief of Corporate Services is a member of the Board. MOPAC spent a net amount of £0.112 million in 2018/19 and is owed £0.101 million at year end.

MOPAC is the member of, and the sole owner of, the Police Crime Prevention Initiatives (PCPI) Ltd which is a company limited by guarantee without share capital. The Chief Executive of MOPAC, the Head of Operational Oversight within MOPAC, and the Assistant Commissioner for Frontline Policing are directors of the company and have influence over the operation and running of the company. Police Crime Prevention Initiatives main operation is through 'secure by design' which supports the principles of 'designing out crime' through physical security and processes. MOPAC spent £52k with Police Crime Prevention Initiatives Ltd in 2018/19. Police Crime Prevention Initiatives is a not for profit company, run for the national good with all money made supporting crime prevention. MOPAC does not receive any financial benefit from this company. The London Digital Security Centre (LDSC) is included here as a related party as MOPAC provided it with £0.280 million in 2018/19, a significant element of its funding, and the Chief Executive of MOPAC and Deputy Commissioner Mackey, up until his retirement, and Deputy Commissioner House (who replaced Deputy Commissioner Mackey) are board members. On 4 June 2018 the LDSC was subsumed into PCPI, and on 8 January 2019 the LDSC became Police Digital Security Centre (PDSC), with LDSC the operating name for the PDSC in London.

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 Chief of Corporate Services are Trustees of the Staff Welfare Fund. In 2018/19 the MOPAC Group paid £10k to the Staff Welfare Fund. The Assistant Commissioner - Frontline Policing is a trustee of the Metropolitan Police Sports Fund. In 2018/19 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). The other companies within the Empress Holdings Group are Empress State GP Ltd, Empress State Nominee No.1 Ltd, Empress State Nominee No.2 Ltd, Empress State (Jersey) Ltd, C&C Properties (Jersey) Ltd and the Empress State LP. The MOPAC CFO and MPS Director of Property Services are directors of the companies which were acquired to facilitate the acquisition of ESB. In April 2018, the beneficial interest in the Empress State Building was assigned by the Empress State Limited Partnership to MOPAC. In February 2019 an application to the Land Registry was made to remove the restriction on the title relating to the landowners' agreement, and to register the rights of light release. During 2019 the process to dissolve the Empress Holdings group of companies is expected to continue. More information can be found in note 17.

## 10. Auditors' remuneration

The audit fee payable to Grant Thornton UK LLP during the year totalled £193,908 (£266,828 in 2017/18 - restated) for the Group, of which £101,508 related to MOPAC and £92,400 related to the CPM (£131,828 for MOPAC in 2017/18, £135,000 for CPM - restated).

## 11. Interest payable and similar charges

Interest paid in 2018/19 and 2017/18 is as follows:

| £000                    | 2018/19       | 2017/18       |
|-------------------------|---------------|---------------|
| Public Work Loans Board | 6,992         | 6,423         |
| PFI and finance lease   | 11,816        | 12,424        |
| Other interest cost     | 71            | 20            |
| <b>Total</b>            | <b>18,879</b> | <b>18,867</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 2018/19. 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 76-78 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   | 2018/19          | 2017/18          |
|--|------------------|------------------|
| <i>Comprehensive Income and Expenditure Statement</i>  |                  |                  |
| Cost of Services:  |                  |                  |
| Service cost comprising:   |                  |                  |
| Current Service Cost   | 716,200          | 815,700          |
| Past service cost  | 1,348,200        | 2,800            |
| Transfers in/(out)   | 3,100            | 3,300            |
| Actuarial loss/(gain) - injury pensions  | (26,000)         | 24,800           |
| Financing and Investment Income and Expenditure  |                  |                  |
| Interest Expense   | 877,700          | 766,700          |
| <b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b> | <b>2,919,200</b> | <b>1,613,300</b> |
| Re-measurement of the defined benefit liability comprising:  |                  |                  |
| Prior period adjustment to valuation of liability at 1 April 2018                                    | 4,900            | 0                |

## Notes to the Financial Statements

|  |                  |                  |
|--|------------------|------------------|
| Actuarial loss/(gain) arising on changes in demographic assumptions - excluding injury pensions          | (2,252,000)      | (299,400)        |
| Actuarial loss/ (gain) arising on changes in financial and other assumptions - excluding injury pensions | 1,713,700        | 1,744,900        |
| <b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>      | <b>(533,400)</b> | <b>1,445,500</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 | (2,919,200)      | (1,613,300)      |
| Actual amount charged against the General Reserves Balance for pensions in the year - Pension Costs      | 712,200          | 681,800          |

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 £144.1 million in the year ended 31 March 2019. In the year ended 31 March 2019, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £679.8 million.

In the year to 31 March 2019 the net costs of pensions and other benefits amounted to £714.6 million, representing 58.7% 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 2019 that have been included in the Balance Sheet:

| £ million                                | 2018/19         | 2017/18         |
|--|-----------------|-----------------|
| Officer members                          | (14,141)        | (12,522)        |
| Deferred pensioners                      | (1,222)         | (1,719)         |
| Pensioners                               | (16,598)        | (16,072)        |
| Injury pensions                          | (1,512)         | (1,486)         |
| <b>Total value of scheme liabilities</b> | <b>(33,473)</b> | <b>(31,799)</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 2019. The movement in the present value of the scheme liabilities for the year to 31 March 2019 can be reconciled as follows:

| £ million   | Excluding<br>injury<br>benefits<br>2018/19 | Excluding<br>injury<br>benefits<br>2017/18 | Injury<br>benefits<br>only<br>2018/19 | Injury<br>benefits<br>only<br>2017/18 |
|---|--|--|---------------------------------------|---------------------------------------|
| <b>Scheme liabilities at 1 April</b>                                | <b>(30,313)</b>                            | <b>(28,013)</b>                            | <b>(1,486)</b>                        | <b>(1,409)</b>                        |
| Adjustment to valuation liability at 1 April*                       | (5)  | 0  | 0                                     | 0                                     |
| Current service cost including Home Office contribution.            | (675)                                      | (770)                                      | (41)                                  | (46)                                  |
| Officer contributions   | (144)                                      | (146)                                      | 0                                     | 0                                     |
| Benefits paid   | 826  | 798  | 0                                     | 0                                     |
| Injury award expenditure  | 0  | 0  | 31                                    | 30                                    |
| Transfers from / to other authorities                               | (3)  | (3)  | 0                                     | 0                                     |
| Past service cost (injury benefits)                                 | (1,348)                                    | (3)  | 0                                     | 0                                     |
| Interest cost on pension liabilities.                               | (837)                                      | (730)                                      | (41)                                  | (36)                                  |
| Re-measurement gains and losses:                                    |  |  |                                       |                                       |
| Actuarial (loss)/gain arising on changes in demographic assumptions | 2,252                                      | 299  | 109                                   | 15                                    |
| Actuarial (loss)/(gain arising on changes in financial assumptions  | (2,418)                                    | 547  | (118)                                 | 27                                    |
| Other Experience  | 704  | (2,292)                                    | 34                                    | (67)                                  |
| <b>Scheme liabilities at 31 March</b>                               | <b>(31,961)</b>                            | <b>(30,313)</b>                            | <b>(1,512)</b>                        | <b>(1,486)</b>                        |

\*Due to a late revision to the data supplied to the Scheme's actuaries, Hymans Robertson, to calculate the total value of the pension liability at 31st March 2018, which was not recognised in the 2017/18 Statement of Accounts, the opening balance on the pensions liability for 2018/19 was adjusted by £4.9 million. This adjustment has been reflected in the 2018/19 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 2017 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<br>2018/19 | All Schemes<br>2017/18 |
|---|------------------------|------------------------|
| Rate of inflation                                 | 3.5%                   | 3.4%                   |
| Rate of increase of salary (note i)               | 3.5%                   | 3.4%                   |
| Rate of increase in pensions                      | 2.5%                   | 2.4%                   |
| Rate for discounting scheme liabilities (note ii) | 2.4%                   | 2.7%                   |

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 2017 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<br>2018/19 | Males<br>2017/18 | Females<br>2018/19 | Females<br>2017/18 |
|--------------------|------------------|------------------|--------------------|--------------------|
| Current pensioners | 27.3 years       | 29.5 years       | 29.4 years         | 31.5 years         |
| Future pensioners* | 28.4 years       | 30.8 years       | 30.6 years         | 32.8 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<br>to employer liability |         | Approximate monetary<br>amount (£000) |           |
|--|---|---------|---------------------------------------|-----------|
|  | 2018/19   | 2017/18 | 2018/19                               | 2017/18   |
| 0.5% decrease in real discount rate              | 10%   | 10%     | 3,446,172                             | 3,178,457 |
| 1 year increase in member life expectancy        | 3%  | 3%      | 1,004,178                             | 953,968   |
| 0.5% increase in the salary increase rate        | 1%  | 1%      | 484,461                               | 390,864   |
| 0.5% increase in the pension increase rate (CPI) | 8%  | 8%      | 2,691,446                             | 2,547,809 |

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

| £ million                      | 2018/19      | 2017/18      |
|--------------------------------|--------------|--------------|
| Projected current service cost | 755          | 742          |
| Interest on obligation         | 802          | 859          |
| <b>Total</b>                   | <b>1,557</b> | <b>1,601</b> |

### The weighted average duration of the defined benefit obligation is:

| Weighted average duration | 2018/19    | 2017/18    |
|---------------------------|------------|------------|
| Active members            | 27.1 years | 26.9 years |
| Deferred pensioners       | 26.6 years | 25.1 years |
| Pensioners                | 12.4 years | 12.2 years |
| Injury pensions           | 19.5 years | 19.1 years |

### Legal Cases

The Commissioner of Police of the Metropolis, along with other Chief Constables and the Home Office, currently has 4,314 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 December 2018 the Court of Appeal (McCloud / Sargeant ) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this, it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and scheme actuaries using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for the Commissioner of Police of the Metropolis to be approximately 4.4% or £1.4bn of Pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short-term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

### **Guaranteed Minimum Pension**

In respect of Guaranteed Minimum Pension, the actuary has only allowed for Guaranteed Minimum Pension full indexation for active members. No adjustment has been made for pensioners and deferred members. Given the inherent uncertainty surrounding the calculations, we have deemed that this is a reasonable approach and would not lead to a material adjustment to the pension liability.

## **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 2016 with results expected to be reflected in 2019-20. More information can be found in the Cabinet Office: Civil Superannuation Accounts (<https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>). For the year ended 31 March 2019, employer's contributions of £77.8 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 2019, the net cost of pensions amounted to £80.1 million, representing 20.9% of pensionable pay. The CPM 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                   | 2018/19      |            |            | 2017/18      |            |              |
|------------------------|--------------|------------|------------|--------------|------------|--------------|
|                        | Property     | Vehicles   | Total      | Property     | Vehicles   | Total        |
| Losses                 | 602          | 766        | 1,368      | 15,188       | 547        | 15,735       |
| Gains                  | (755)        | (42)       | (797)      | (16,047)     | (48)       | (16,095)     |
| <b>Net (gain)/loss</b> | <b>(153)</b> | <b>724</b> | <b>571</b> | <b>(859)</b> | <b>499</b> | <b>(360)</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.

## 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                     | 2018/19            | 2017/18            |
|--------------------------|--------------------|--------------------|
| Retained Business Rates* | (92,500)           | (29,550)           |
| Formula Grant            | (739,294)          | (739,393)          |
| Police Precept           | (641,371)          | (592,035)          |
| Police Revenue Grant     | (1,023,099)        | (1,023,000)        |
| Council Tax Support      | (119,676)          | (119,676)          |
| <b>Total</b>             | <b>(2,615,940)</b> | <b>(2,503,654)</b> |

\* The GLA receives Council Tax Freeze Grant from central government, which is allocated via retained business rates, of £27.1m. The Mayor also allocated business rates towards policing, of £2.45 million in 2017/18 and £65.4 million in 2018/19.

### 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           | 2018/19  | 2017/18  |
|----------------|----------|----------|
| Capital grants | (54,539) | (41,541) |

## 15. Specific grants

The Group received the following grants for specific operational activities:

| £000  | 2018/19          | 2017/18          |
|---|------------------|------------------|
| Home Office - Counter Terrorism             | (332,186)        | (319,043)        |
| Home Office - CT Protective Security Grant  | (131,891)        | (122,173)        |
| Ministry of Justice - Victim Services       | (10,338)         | (10,168)         |
| Home Office - Innovation/Transformation     | (6,347)          | (13,268)         |
| Home Office - Specific Operational Projects | (43,223)         | (38,471)         |
| Miscellaneous grants                        | (369)            | (5,795)          |
| Partnership Funding                         | (14,023)         | (9,772)          |
| <b>Total</b>                                | <b>(538,377)</b> | <b>(518,690)</b> |



## 16. Group and MOPAC non current assets at 31 March 2019

| £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 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> |
| Reclassifications (transfers)             | 48,413           | 108,281             | (166,031)                 | 3,806          | (5,531)          | 0               | 0                     | 5,531             | 0                |
| Transfer assets held for sale             | (10,690)         | (3,726)             | 0                         | 0              | (14,416)         | 0               | 0                     | 0                 | (14,416)         |
| Additions                                 | 0                | 21,948              | 210,071                   | 0              | 232,019          | 0               | 0                     | 0                 | 232,019          |
| Donated assets/ other                     | 0                | 0                   | 0                         | 0              | 0                | 0               | 0                     | 0                 | 0                |
| Disposals                                 | (12,487)         | (12,615)            | 0                         | 0              | (25,102)         | 0               | 0                     | 0                 | (25,102)         |
| Impairment                                |                  | 0                   | 0                         | 0              | 0                | 0               | 0                     | 0                 | 0                |
| Revaluation movements through CIES        | (56,657)         | 0                   | 0                         | 342            | (56,315)         | 0               | 3,085                 | 0                 | (53,230)         |
| Revaluation movements in reserves         | 199,629          | 0                   | 0                         | (10,904)       | 188,725          | 0               | 0                     | 0                 | 188,725          |
| <b>Cost or valuation at 31 March 2019</b> | <b>2,012,091</b> | <b>984,525</b>      | <b>259,586</b>            | <b>72,984</b>  | <b>3,329,186</b> | <b>1,321</b>    | <b>9,029</b>          | <b>12,539</b>     | <b>3,352,075</b> |
| <b>Depreciation at 1 April 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> |
| Depreciation/amortisation for the year    | (75,049)         | (98,141)            | 0                         | (1,938)        | (175,128)        | 0               | 0                     | (1,497)           | (176,625)        |
| Redundant depreciation                    | 58,158           | 0                   | 0                         | 1,047          | 59,205           | 0               | 0                     | 0                 | 59,205           |
| Depreciation on assets sold               | 6,968            | 12,024              | 0                         | 0              | 18,992           | 0               | 0                     | 0                 | 18,992           |
| Depreciation on transferred assets        | 2,217            | 3,479               | 0                         | 694            | 6,390            | 0               | 0                     | 0                 | 6,390            |
| <b>Depreciation at 31 March 2019</b>      | <b>(153,735)</b> | <b>(782,737)</b>    | <b>0</b>                  | <b>(713)</b>   | <b>(937,185)</b> | <b>(11)</b>     | <b>(14)</b>           | <b>(7,270)</b>    | <b>(944,480)</b> |
| <b>Net Book Value at 31 March 2019</b>    | <b>1,858,356</b> | <b>201,788</b>      | <b>259,586</b>            | <b>72,271</b>  | <b>2,392,001</b> | <b>1,310</b>    | <b>9,015</b>          | <b>5,269</b>      | <b>2,407,595</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> |

The Group's Property portfolio consists of 89 (89 in 2017/18) police stations, 92 (102 in 2017/18) residential properties, and 319 (328 in 2017/18) other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. There are also 4 (4 in 2017/18) investment properties. The Group also operates 5,542 (5,349 in 2017/18) patrol cars, motorbikes and other vehicles, 27 (27 in 2017/18) boats including inflatables and dinghies.

## 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            |
|---|------------------|---------------------|---------------------------|----------------|------------------|-----------------|-----------------------|-------------------|------------------|
| Cost or valuation at 1 April 2017         | 1,615,324        | 785,601             | 148,750                   | 7,600          | 2,557,275        | 1,321           | 13,343                | 37,542            | 2,609,481        |
| 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> |
| Depreciation at 1 April 2017              | (134,343)        | (646,692)           | 0                         | (48)           | (781,083)        | (11)            | (40)                  | (35,757)          | (816,891)        |
| 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> |

## 16.1 Basis of valuation

MOPAC's operational property was revalued as at 30 September 2018 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 Montagu Evans (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 2018 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 Montagu Evans guaranteeing that all of the residential properties are subject to inspection and revaluation at least once every five years.

To assess price movements and other adjustments between 1 October 2018 and the 31 March 2019 the valuer also provided an assessment of the valuations as at 31 March 2019, based on a desk top exercise, to confirm that the valuations provided were still materially sound. 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 2018 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 2019 the group carrying value of investment properties was £9 million, (2018 £5.9 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 2019.

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 £205 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 £59.2 million is shown in Note 16.

## 16.3 Impairment

Management has considered the condition of Non-Current Assets and concluded that there is no indication that any impairment is needed to be recognised for this financial year.

## 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  | 2018/19        | 2017/18         |
|---|----------------|-----------------|
| <b>Opening Capital Financing Requirement</b>  | <b>601,799</b> | <b>611,933</b>  |
| <b>Capital Investment</b>   |                |                 |
| Property  | 90,621         | 252,998         |
| Plant and equipment   | 137,425        | 40,433          |
| Intangible assets   | 3,971          | 25              |
| Assets under construction   | 0              | 137,855         |
| Investment properties   | 0              | 30              |
| <b>Sources of finance</b>   |                |                 |
| Capital receipts  | (5,049)        | (377,278)       |
| Government grants and other contributions   | (54,539)       | (36,456)        |
| Sums set aside from revenue:  |                |                 |
| Direct revenue contributions  | (55,263)       | (5,062)         |
| Minimum Revenue Provision   | (25,737)       | (22,679)        |
| <b>Closing Capital Financing Requirement</b>  | <b>693,228</b> | <b>601,799</b>  |
| <b>Explanation of movements in year</b>   |                |                 |
| (Decrease)/increase in underlying need to borrow (supported by government financial assistance)   | (11,341)       | (11,814)        |
| (Decrease)/Increase in underlying need to borrow (unsupported by government financial assistance) | 105,825        | 5,742           |
| (Decrease)/increase in underlying need to borrow for PFI and Finance Lease assets                 | (3,053)        | (4,064)         |
| <b>Increase in Capital Financing Requirement</b>  | <b>91,431</b>  | <b>(10,136)</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 2019 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 stations will be returned to the operator at no cost, 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                           | 2018/19        | 2017/18        |
|--------------------------------|----------------|----------------|
| Balance as at 1 April          | 138,215        | 135,511        |
| Additions                      | 0              | 0              |
| Depreciation for year          | (11,898)       | (13,498)       |
| Redundant depreciation         | 13,381         | 11,621         |
| Transfer from work in progress | 71             | 0              |
| Revaluation movement           | (21,192)       | 4,581          |
| <b>Balance as at 31 March</b>  | <b>118,577</b> | <b>138,215</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 2019 are shown below. PFI liabilities are shown in Note 28.1

| £000           | Payment Analysis 2018/19 |                |                | Total          |
|----------------|--------------------------|----------------|----------------|----------------|
|                | Liability                | Interest       | Service charge |                |
| Within 1 year  | 5,014                    | 10,965         | 13,275         | 29,254         |
| 2 to 5 years   | 22,597                   | 42,104         | 60,128         | 124,829        |
| 6 to 10 years  | 43,054                   | 52,796         | 62,879         | 158,729        |
| 11 to 15 years | 559                      | 608            | 969            | 2,136          |
| <b>Total</b>   | <b>71,224</b>            | <b>106,473</b> | <b>137,251</b> | <b>314,948</b> |

| 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> |

## 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 2019, the Group spent £20.1 million on operating leases for property and £0.5 million on operating leases for vehicles, most of which have 3 year lives. The lease payments due under non-cancellable leases in future years are:

| £000   | 31 March 2019 |            | 31 March 2018 |              |
|--|---------------|------------|---------------|--------------|
|  | Property      | Vehicles   | Property      | Vehicles     |
| <b>Operating leases</b>                      |               |            |               |              |
| Not later than 1 year                        | 9,521         | 261        | 10,587        | 461          |
| Later than 1 year and not later than 5 years | 18,226        | 396        | 23,894        | 612          |
| Later than 5 years                           | 13,276        | 0          | 16,330        | 0            |
| <b>Total</b>                                 | <b>41,023</b> | <b>657</b> | <b>50,811</b> | <b>1,073</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                               | 2018/19       | 2017/18       |
|------------------------------------|---------------|---------------|
| Opening value 1 April              | 71,756        | 68,267        |
| Additions                          | 5,914         | 197           |
| Revaluations                       | 9,829         | 6,435         |
| Disposal                           | 0             | 0             |
| Depreciation                       | (5,273)       | (3,143)       |
| <b>Net carrying value 31 March</b> | <b>82,226</b> | <b>71,756</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 2018/19 £1.2 million contingent rents were paid by the Group.

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

| £000   | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Current liability  | 237           | 198           |
| Long term liability  | 7,112         | 4,986         |
| Finance costs payable in future years                      | 16,732        | 15,064        |
| <b>Total of minimum lease payments (Net Present Value)</b> | <b>24,081</b> | <b>20,248</b> |

The minimum lease payments payable over the following periods are:

| £000   | Minimum lease payments |               | Finance lease liabilities |               |
|--|------------------------|---------------|---------------------------|---------------|
|  | 31 March 2019          | 31 March 2018 | 31 March 2019             | 31 March 2018 |
| Not later than 1 year                        | 942                    | 859           | 237                       | 198           |
| Later than 1 year and not later than 5 years | 3,611                  | 3,434         | 1,040                     | 1,018         |
| Later than 5 years                           | 19,528                 | 15,955        | 6,073                     | 3,968         |
| <b>Total</b>                                 | <b>24,081</b>          | <b>20,248</b> | <b>7,350</b>              | <b>5,184</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 £2.2 million (£3.1 million in 2017/18). The current lease payments receivable under non-cancellable leases in future years are:

| £000   | 2018/19      | 2017/18      |
|--|--------------|--------------|
| Not later than 1 year                        | 327          | 507          |
| Later than 1 year and not later than 5 years | 1,017        | 1,067        |
| Later than 5 years                           | 2,012        | 2,218        |
| <b>Total</b>                                 | <b>3,356</b> | <b>3,792</b> |

The Group has not granted any finance leases.

## 16.8 Component assets

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

## 16.9 Heritage assets

The Group looks after heritage assets which are recognised on the Balance Sheet (see note 16). Heritage Assets were donated or purchased and are held at valuation as a proxy for historical

cost. In applying the accounting policy, the Group has identified that the assets have a value of £1.3 million.

The Group maintains a large museum collection including paintings, police clothing, helmets, medals, and records, a selection of which are on display to the public at the Met Collection, Empress State Building. All of these items were valued in 2008/09 by an independent valuer and are currently held on the Balance Sheet at a value of £1.25 million. MOPAC also has a collection of exhibits from high profile/noteworthy crimes. As this collection is unique and will not be disposed of a valuation is not available and has therefore not been recognised in the Balance Sheet.

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

### 16.10 Future capital expenditure commitments

Capital expenditure where there is a commitment to future costs;

| £000                          | 2019/20 and later years | 2018/19 and later years |
|-------------------------------|-------------------------|-------------------------|
| IT Projects                   | 124,525                 | 36,239                  |
| Building Works                | 90,891                  | 10,573                  |
| Vehicles, Plant and Equipment | 4,791                   | 2,294                   |
| <b>Total</b>                  | <b>220,207</b>          | <b>49,106</b>           |

## 17. Interest in subsidiaries

| £000                        | 2018/19   | 2017/18        |
|-----------------------------|-----------|----------------|
| Opening balances            | 251,837   | 0              |
| Investments in subsidiaries | (251,837) | 251,837        |
| <b>Total</b>                | <b>0</b>  | <b>251,837</b> |

On 26 March 2018 the Group 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.

On 3 April 2018 the beneficial interest in Empress State Building was transferred to MOPAC. Empress State Building has been classified under Property, Plant and Equipment in the MOPAC single entity accounts at 31 March 2019. The net residual interest in the Empress Holdings Group for MOPAC at 31 March 2019 is the issued share capital which is valued at nil.

There exist a number of financial instruments between MOPAC and the Empress Holdings Group as set out below. There is no intention for these financial instruments to be settled by an outflow/inflow of economic benefit, and will be offset when the Empress Holdings Group is wound up (anticipated during 2019/20). As a result, under IAS 32, these financial instruments have been offset and the net position (£nil million) recorded in the Balance Sheet of MOPAC.



| £000                                     | 2018/19   |
|--|-----------|
| Financial assets - loans receivable      | 250,000   |
| Financial liabilities - promissory notes | (250,000) |
| <b>Total</b>                             | <b>0</b>  |

## 18. Long term debtors

Long Term Debtors 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.

| £000                             | 2018/19    | 2017/18    |
|----------------------------------|------------|------------|
| Accrued income                   | 158        | 634        |
| <b>Balance per balance sheet</b> | <b>158</b> | <b>634</b> |

The 2018/19 balance has been represented in accordance with revised guidance in the Code of Practice on providing an analysis of debtors relevant to the specific nature of the Group's financial position.

## 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   | 2018/19      | 2017/18    |
|--|--------------|------------|
| Opening balance                                    | 176          | 110        |
| Additional assets identified for disposal          | 8,026        | 176        |
| Revaluation gains (losses)                         | 0            | 0          |
| Assets which are no longer being actively marketed | 0            | 0          |
| Assets disposed in year                            | (176)        | (110)      |
| <b>Total</b>                                       | <b>8,026</b> | <b>176</b> |

## 20. Short term debtors

| £000  | 2018/19        | 2017/18        |
|---|----------------|----------------|
| Trade receivables                             | 20,983         | 10,409         |
| Prepayments                                   | 21,914         | 19,680         |
| Accrued income                                | 203,182        | 195,983        |
| Other receivable amounts                      | 43,334         | 90,952         |
| <b>Total before impairment loss allowance</b> | <b>289,413</b> | <b>317,026</b> |
| Impairment loss allowance                     | (653)          | (440)          |
| <b>Balance per balance sheet</b>              | <b>288,760</b> | <b>316,586</b> |

'Short term debtors' represent assets which are expected to be realised within 12 months after the reporting date.

The 2018/19 balance has been represented in accordance with revised guidance in the Code of Practice on providing an analysis of debtors relevant to the specific nature of the Group's financial position.

## 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                             | 2018/19 | 2017/18 |
|----------------------------------|---------|---------|
| Banks and financial Institutions | 26,304  | 1,468   |

## 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                             | 2018/19 | 2017/18 |
|----------------------------------|---------|---------|
| Banks and financial Institutions | 13,118  | 16,316  |

## 23. Short term creditors

| £000                                | 2018/19          | 2017/18          |
|-------------------------------------|------------------|------------------|
| Trade payables                      | (60,148)         | (65,636)         |
| Accruals                            | (271,431)        | (249,602)        |
| GRNI                                | (48,538)         | (65,019)         |
| Other payables                      | (77,527)         | (76,121)         |
| <b>MOPAC Group balance</b>          | <b>(457,644)</b> | <b>(456,378)</b> |
| Intra-group creditor (see Note 6.2) | (108,139)        | (104,897)        |
| <b>MOPAC balance</b>                | <b>(349,505)</b> | <b>(351,481)</b> |

The 2018/19 balance has been represented in accordance with revised guidance in the Code of Practice on providing an analysis of creditors relevant to the specific nature of the Group's financial position.

## 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 | 2018/19         | 2017/18          |
|---|------|-----------------|------------------|
| Public Works Loan Board                       |      | (13,600)        | (26,457)         |
| Local authorities                             |      | 0               | (100,000)        |
| PFI liabilities                               | 28.1 | (5,014)         | (2,838)          |
| Finance lease liabilities                     | 28.1 | (237)           | (198)            |
| <b>Balance</b>                                |      | <b>(18,851)</b> | <b>(129,493)</b> |

## 25. Third party monies

| Fund Name<br>£000s 2018/19               | Income        | Expenditure  | Assets        | Liabilities |
|--|---------------|--------------|---------------|-------------|
| MOPAC Police Property Act Fund           | 2,821         | 1,612        | 19,809        | 0           |
| MOPAC Detained Monies Account            | 3,990         | 2,839        | 7,068         | 0           |
| Metropolitan Police Benevolent Fund      | 2,605         | 2,831        | 4,463         | 459         |
| Metropolitan Police Commissioner's Fund  | 23            | 12           | 568           | 8           |
| Metropolitan Police Sports Fund          | 418           | 422          | 292           | 5           |
| Metropolitan Police Staff Welfare Fund   | 19            | 27           | 245           | 0           |
| Metropolitan Police Athletic Association | 1,891         | 1,393        | 1,610         | 121         |
| COMETS                                   | 74            | 71           | 148           | 8           |
| <b>Total</b>                             | <b>11,841</b> | <b>9,207</b> | <b>34,203</b> | <b>601</b>  |

| Fund Name<br>£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>  |

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                              | 2018/19       | 2017/18       |
|-----------------------------------|---------------|---------------|
| Proceeds Of Crime Act monies      | 42,873        | 44,264        |
| Prisoners' property and lost cash | 1,130         | 146           |
| Other                             | 850           | 863           |
| <b>Total</b>                      | <b>44,853</b> | <b>45,273</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 2019 and has therefore been stated separately from the Police Property Act Fund value.

## 26. Provisions

### 26.1 Short term provisions

| £000                                    | Third party liabilities | Other provisions | Total           |
|---|-------------------------|------------------|-----------------|
| <b>Balance at 1 April 2017</b>          | <b>(13,088)</b>         | <b>(26,607)</b>  | <b>(39,695)</b> |
| Additional provisions made in 2017/18   | (9,428)                 | (2,416)          | (11,844)        |
| Amounts used in 2017/18                 | 13,088                  | 15,121           | 28,209          |
| Reduction in provisions made in 2017/18 | 0                       | 4,364            | 4,364           |
| Transfer to/(from) long term            | (3,140)                 | 0                | (3,140)         |
| <b>Balance at 31 March 2018</b>         | <b>(12,568)</b>         | <b>(9,538)</b>   | <b>(22,106)</b> |
| Additional provisions made in 2018/19   | (4,660)                 | (408)            | (5,068)         |
| Amounts used in 2018/19                 | 12,567                  | 3,609            | 16,176          |
| Reduction in provisions made in 2018/19 | 0                       | 1,253            | 1,253           |
| Transfer to/(from) long term            | (4,760)                 | 0                | (4,760)         |
| <b>Balance at 31 March 2019</b>         | <b>(9,421)</b>          | <b>(5,084)</b>   | <b>(14,505)</b> |

### 26.2 Long term provisions

| £000                                    | Third party liabilities | Other provisions | Total           |
|---|-------------------------|------------------|-----------------|
| <b>Balance at 1 April 2017</b>          | <b>(13,088)</b>         | <b>(4,700)</b>   | <b>(17,788)</b> |
| Additional provisions made in 2017/18   | (9,428)                 | 0                | (9,428)         |
| Reduction in provisions made in 2017/18 | 0                       | 0                | 0               |
| Amounts used in 2017/18                 | 6,809                   | 0                | 6,809           |
| Transfer to/(from) short term           | 3,140                   | 0                | 3,140           |
| <b>Balance at 31 March 2018</b>         | <b>(12,567)</b>         | <b>(4,700)</b>   | <b>(17,267)</b> |
| Additional provisions made in 2018/19   | (4,661)                 |                  | (4,661)         |
| Reduction in provisions made in 2018/19 | 0                       | 135              | 135             |
| Amounts used in 2018/19                 | 3,047                   |                  | 3,047           |
| Transfer to/(from) short term           | 4,760                   |                  | 4,760           |
| <b>Balance at 31 March 2019</b>         | <b>(9,421)</b>          | <b>(4,565)</b>   | <b>(13,986)</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 £18.8 million (of which £9.4m is long term). At 31 March 2018 the value of this provision was £25.1 million (of which £12.6m was long

term). Over the course of the year agreed claims have been paid from this account totalling £15.6 million.

Other provisions total £9.6 million and consist of:

- A provision of £4.1 million in respect of other legal claims;
- A provision for officer injury awards of £4.5 million;
- A provision of £0.8m in respect of other employee related costs;
- A provision for termination benefits of £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                           | 2018/19          | 2017/18          |
|--------------------------------|------------------|------------------|
| <b>Loans</b>                   | <b>(302,950)</b> | <b>(116,550)</b> |
| Analysis of loans by maturity: |                  |                  |
| Between 1 and 2 years          | (13,600)         | (13,600)         |
| Between 2 and 5 years          | (5,000)          | (12,000)         |
| Between 5 and 10 years         | (18,000)         | (18,000)         |
| Over 10 years                  | (266,350)        | (72,950)         |

## 28. Long term contractor liability

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

| £000                       | 2018/19         | 2017/18         |
|----------------------------|-----------------|-----------------|
| PFI liability              | (66,210)        | (71,224)        |
| Finance lease liability    | (7,112)         | (4,986)         |
| <b>Balance at 31 March</b> | <b>(73,322)</b> | <b>(76,210)</b> |

### 28.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

| £000                   | 2018/19<br>PFI liability | 2017/18<br>PFI liability | 2018/19<br>Finance lease liability | 2017/18<br>Finance lease liability |
|------------------------|--------------------------|--------------------------|------------------------------------|------------------------------------|
| Balance as at 1 April  | (74,061)                 | (77,945)                 | (5,184)                            | (5,364)                            |
| Net movement in year   | 2,837                    | 3,884                    | (2,165)                            | 180                                |
| <b>Total liability</b> | <b>(71,224)</b>          | <b>(74,061)</b>          | <b>(7,349)</b>                     | <b>(5,184)</b>                     |
| <b>Classified as:</b>  |                          |                          |                                    |                                    |
| Short term liability   | (5,014)                  | (2,838)                  | (237)                              | (198)                              |
| Long term liability    | (66,210)                 | (71,224)                 | (7,112)                            | (4,986)                            |

## 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 2018/19                                      |                     |                            |                              |                        |                           |                   |
|---|---------------------|----------------------------|------------------------------|------------------------|---------------------------|-------------------|
| £000  | Revaluation reserve | Capital adjustment account | Accumulated absences account | Police officer pension | Deferred capital receipts | Total             |
| Balance as at 1 April 2018  | (332,075)           | (1,237,892)                | 104,897                      | 31,799,000             | (1,425)                   | 30,332,505        |
| Upward revaluation of assets  | (385,907)           |                            |                              |                        |                           | (385,907)         |
| Difference between fair value and historic cost depreciation                                  | 22,957              | (22,957)                   | 0                            | 0                      | 0                         | 0                 |
| Accumulated gains on assets disposed  | 2,573               | (2,573)                    | 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                  | 141,455             | 0                          | 0                            | 0                      | 0                         | 141,455           |
| Statutory provision for financing capital investment charged against CIES (MRP)               | 0                   | (25,737)                   | 0                            | 0                      | 0                         | (25,737)          |
| Revaluation losses/ (gains) on L&B  | 0                   | 56,657                     | 0                            | 0                      | 0                         | 56,657            |
| Depreciation and impairment   | 0                   | 175,153                    | 0                            | 0                      | 0                         | 175,153           |
| Amortisation of intangible assets   | 0                   | 1,497                      | 0                            | 0                      | 0                         | 1,497             |
| Movements in market value of investment property  | 0                   | (3,085)                    | 0                            | 0                      | 0                         | (3,085)           |
| Amounts written out on disposal   | 0                   | 4,828                      | 0                            | 0                      | 0                         | 4,828             |
| Capital grants and contributions credited to CIES applied to capital finance                  | 0                   | (39,679)                   | 0                            | 0                      | 0                         | (39,679)          |
| Application of grants from capital grants unapplied account                                   | 0                   | (14,860)                   | 0                            | 0                      | 0                         | (14,860)          |
| Use of capital receipts reserve   | 0                   | (5,048)                    | 0                            | 0                      | 0                         | (5,048)           |
| Capital expenditure charged against CIES  | 0                   | (55,263)                   | 0                            | 0                      | 0                         | (55,263)          |
| Movement of reserves  | 0                   | 0                          | 3,242                        | 1,673,600              |                           | 1,676,842         |
| Donated assets  | 0                   | 0                          | 0                            | 0                      | 0                         | 0                 |
| Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES | 0                   | 0                          | 0                            | 0                      | 791                       | 791               |
| <b>Balance as at 31 March 2019</b>  | <b>(550,997)</b>    | <b>(1,168,959)</b>         | <b>108,139</b>               | <b>33,472,600</b>      | <b>(634)</b>              | <b>31,860,149</b> |

| <b>Movements on unusable reserves - Group and MOPAC 2017/18</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 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> |
| 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> |

### 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 2019. 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 2019.

### 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 2017         | (337,295)                | (12,482)                         | (349,777)       |
| 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> |
| Proceeds of disposals           | (5,049)                  |                                  | (5,049)         |
| Financing of fixed assets       | 5,049                    | 14,860                           | 19,909          |
| Capital grants                  |                          | (14,860)                         | (14,860)        |
| <b>Balance at 31 March 2019</b> | <b>0</b>                 | <b>(17,566)</b>                  | <b>(17,566)</b> |
| <b>Net movement for 2017/18</b> | <b>337,295</b>           | <b>(5,084)</b>                   | <b>332,211</b>  |
| <b>Net movement for 2018/19</b> | <b>0</b>                 | <b>0</b>                         | <b>0</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 undertook a fundamental review of reserves in 2018/19. This has involved reviewing each reserve held on the balance sheet and assessing whether it was 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.

| £000   | Balance<br>at 31<br>March<br>2017 | Transfer<br>to  | Transfer<br>from | Balance<br>at 31<br>March<br>2018 | Transfer<br>to  | Transfer<br>from | Balance<br>at 31<br>March<br>2019 |
|--|-----------------------------------|-----------------|------------------|-----------------------------------|-----------------|------------------|-----------------------------------|
| Supporting OMM and local change                    | (93,129)                          | (12,163)        | 70,695           | (34,597)                          | (19,253)        | 14,154           | (39,696)                          |
| Property   | (21,843)                          | 0               | 1,942            | (19,901)                          | (23,268)        | 0                | (43,169)                          |
| Historical public inquires                         | (9,635)                           | 0               | 0                | (9,635)                           | 0               | 3,642            | (5,993)                           |
| Operational Costs                                  | (12,130)                          | 0               | 2,370            | (9,760)                           | (2,742)         | 1,284            | (11,218)                          |
| Insurance  | (6,680)                           | 0               | 0                | (6,680)                           | 0               | 0                | (6,680)                           |
| Other earmarked (POCA)                             | (7,409)                           | 0               | 460              | (6,949)                           | 0               | 301              | (6,648)                           |
| Vetting Delays                                     | 0                                 | (1,100)         | 0                | (1,100)                           | 0               | 0                | (1,100)                           |
| Specifically funded for third parties              | (14,065)                          | 0               | 0                | (14,065)                          | (900)           | 1,646            | (13,319)                          |
| Specifically funded for third parties-<br>airports | (1,777)                           | (242)           | 0                | (2,019)                           | (242)           | 0                | (2,261)                           |
| Business Group initiatives                         | (12,039)                          | (3,200)         | 7,909            | (7,330)                           | 0               | 1,884            | (5,446)                           |
| Managing Officer FTEs                              | 0                                 | (27,100)        | 0                | (27,100)                          | (5,100)         | 0                | (32,200)                          |
| MOPAC  | (14,364)                          | (903)           | 0                | (15,267)                          | (1,030)         | 0                | (16,297)                          |
| <b>Total earmarked reserves</b>                    | <b>(193,071)</b>                  | <b>(44,708)</b> | <b>83,376</b>    | <b>(154,403)</b>                  | <b>(52,535)</b> | <b>22,911</b>    | <b>(184,027)</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>(239,647)</b>                  | <b>(44,708)</b> | <b>83,376</b>    | <b>(200,979)</b>                  | <b>(52,535)</b> | <b>22,911</b>    | <b>(230,603)</b>                  |
| National functions - NPCC                          | (440)                             | (168)           | 0                | (608)                             | (445)           | 608              | (445)                             |
| National functions - NPoCC                         | (14)                              | (886)           | 0                | (900)                             | (9)             | 302              | (607)                             |
| National functions - Police Reform                 | (142)                             | (1,465)         | 0                | (1,607)                           | 0               | 301              | (1,306)                           |
| <b>Total National Functions</b>                    | <b>(596)</b>                      | <b>(2,519)</b>  | <b>0</b>         | <b>(3,115)</b>                    | <b>(454)</b>    | <b>1,211</b>     | <b>(2,358)</b>                    |
| <b>Total Revenue Reserves</b>                      | <b>(240,243)</b>                  | <b>(47,227)</b> | <b>83,376</b>    | <b>(204,094)</b>                  | <b>(52,989)</b> | <b>24,122</b>    | <b>(232,961)</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 to enable forward planning on the level of officer FTEs over the medium term by planning 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 - these assumptions do not include any future grant reductions via a new Spending Review or Funding Formula review.

### **MOPAC**

MOPAC hold reserves which are allocated towards funding commissioning activities which supports the delivery of the Mayor's Police and Crime Plan priorities.

### **Other reserves**

The following reserves are also held by MOPAC:

- Reserves specifically funded for third parties; and
- Reserves held on behalf of the National police functions, National Police Chief's Council (NPCC) and National Police Coordination Centre (NPoCC).

## **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 2019. Together these uncommitted reserves total £46.6m, 1.7% of the 2019/20 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 2018/19:

| Group and MOPAC<br>£000  | General<br>Reserves | Capital<br>receipts<br>reserve | Capital<br>Grants<br>Unapplied<br>Account | Unusable<br>reserves |
|--|---------------------|--------------------------------|---|----------------------|
| <b>Adjustments to the CIES</b>   |                     |                                |   |                      |
| Pension costs (transferred to (or from) the Pension Reserve)   | (2,207,000)         | 0                              | 0   | 2,207,000            |
| Holiday pay (transferred to the accumulated absences reserve)  | (3,242)             | 0                              | 0   | 3,242                |
| 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) | (235,026)           | 0                              | 0   | 235,061              |
| <b>Total adjustments to the CIES</b>   | <b>(2,445,268)</b>  | <b>0</b>                       | <b>0</b>                                  | <b>2,445,303</b>     |
| <b>Adjustments between reserves and capital resources</b>  |                     |                                |   |                      |
| Transfer of non-current asset sale proceeds from reserves to the capital receipts reserve  | 4,257               | (4,257)                        | 0   | 0                    |
| Deferred sale proceeds   | 0                   | 0                              | 0   | 0                    |
| Statutory provision for the repayment of debt (transfer to Capital Adjustment Account)   | 25,748              | 0                              | 0   | (25,748)             |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | 55,263              | 0                              | 0   | (55,263)             |
| <b>Total adjustment between reserves and capital resources</b>   | <b>85,268</b>       | <b>(4,257)</b>                 | <b>0</b>                                  | <b>(81,011)</b>      |
| <b>Adjustments to capital resources</b>  |                     |                                |   |                      |
| Use of the Capital Receipts Reserve to finance capital expenditure   | 0                   | 5,048                          | 0   | (5,048)              |
| Application of capital grants to finance capital expenditure   | 54,539              | 0                              | 0   | (54,539)             |
| Cash payments in relation to deferred capital receipts   | 0                   | (791)                          | 0   | 791                  |
| <b>Total capital financing adjustments</b>   | <b>54,539</b>       | <b>4,257</b>                   | <b>0</b>                                  | <b>(58,796)</b>      |
| <b>Total adjustments - MOPAC Group</b>   | <b>(2,305,461)</b>  | <b>0</b>                       | <b>0</b>                                  | <b>2,305,496</b>     |
| Police pensions  | 533,400             | 0                              | 0   | (533,400)            |
| <b>Total - MOPAC</b>   | <b>(1,772,061)</b>  | <b>0</b>                       | <b>0</b>                                  | <b>1,772,096</b>     |

The following adjustments were made in 2017/18:

| Group and MOPAC<br>£000  | General<br>Reserves | Capital<br>receipts<br>reserve | Capital<br>Grants<br>Unapplied<br>Account | Unusable<br>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>     |

## 31. Notes to the cash flow statement

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

| £000  | 31 March<br>2019<br>Group | 31 March<br>2018<br>Group | 31 March<br>2019<br>MOPAC | 31 March<br>2018<br>MOPAC |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Operating activities</b>                               |                           |                           |                           |                           |
| Interest received   | (1,180)                   | (2,091)                   | (1,180)                   | (2,091)                   |
| Interest paid   | 7,063                     | 6,443                     | 7,063                     | 6,443                     |
| Interest element of finance lease and PFI rental payments | 11,816                    | 12,423                    | 11,816                    | 12,423                    |
|   | <b>17,699</b>             | <b>16,775</b>             | <b>17,699</b>             | <b>16,775</b>             |

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

| £000   | 31 March 2019<br>Group | 31 March 2018<br>Group | 31 March 2019<br>MOPAC | 31 March 2018<br>MOPAC |
|--|------------------------|------------------------|------------------------|------------------------|
| Depreciation of non-current assets   | (175,128)              | (139,388)              | (175,128)              | (139,388)              |
| Impairment and revaluations of non-current assets  | (56,657)               | 13,707                 | (56,657)               | 13,707                 |
| Amortisation of intangible assets  | (1,497)                | (915)                  | (1,497)                | (915)                  |
| Reversal of pension service costs and interest   | (2,207,000)            | (931,500)              | (1,673,600)            | (2,377,000)            |
| (Increase)/decrease in impairment for provision for bad debts                                    | (213)                  | (413)                  | (213)                  | (413)                  |
| (Increase)/decrease in creditors   | (1,267)                | (70,223)               | (1,267)                | (70,223)               |
| Increase/(decrease) in debtors   | (27,294)               | 41,713                 | (27,294)               | 41,713                 |
| Increase/(decrease) in inventories   | 933                    | 212                    | 933                    | 212                    |
| Carrying amount of property, plant and equipment, investment property and intangible assets sold | (4,828)                | (39,623)               | (4,828)                | (39,623)               |
| Other non-cash items   | 14,000                 | 18,775                 | 14,000                 | 18,775                 |
|  | <b>(2,458,951)</b>     | <b>(1,107,655)</b>     | <b>(1,925,551)</b>     | <b>(2,553,155)</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 2019<br>Group | 31 March 2018<br>Group | 31 March 2019<br>MOPAC | 31 March 2018<br>MOPAC |
|--|------------------------|------------------------|------------------------|------------------------|
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,257                  | 39,982                 | 4,257                  | 39,982                 |
| Capital grants adjustment  | 54,539                 | 41,541                 | 54,539                 | 41,541                 |
| Proceeds from short term and long term investments   | 0                      | 0                      | 0                      | 0                      |
|  | <b>58,796</b>          | <b>81,523</b>          | <b>58,796</b>          | <b>81,523</b>          |

**31.4 Cash flows from investing activities:**

| £000   | 31 March 2019<br>Group | 31 March 2018<br>Group | 31 March 2019<br>MOPAC | 31 March 2018<br>MOPAC |
|--|------------------------|------------------------|------------------------|------------------------|
| <b>Investing activities</b>  |                        |                        |                        |                        |
| Purchase of non-current assets   | 232,017                | 431,394                | 232,017                | 179,557                |
| Purchase of short term and long term investments   | 26,304                 | 1,468                  | 26,304                 | 253,305                |
| Proceeds from short term and long term investments   | (1,468)                | (203,057)              | (1,468)                | (203,057)              |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (5,048)                | (39,982)               | (5,048)                | (39,982)               |
| Other receipts from investing activities   | (54,539)               | (41,541)               | (54,539)               | (41,541)               |
|  | <b>197,266</b>         | <b>148,282</b>         | <b>197,266</b>         | <b>148,282</b>         |

**31.5 Cash flows from financing activities:**

| £000   | 31 March<br>2019<br>Group | 31 March<br>2018<br>Group | 31 March<br>2019<br>MOPAC | 31 March<br>2018<br>MOPAC |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Financing activities</b>  |                           |                           |                           |                           |
| Cash receipts of short and long-term borrowing   | (200,000)                 | (83,543)                  | (200,000)                 | (83,543)                  |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal) | 3,036                     | 4,063                     | 3,036                     | 4,063                     |
| Repayments of short and long-term borrowing  | 126,457                   | 0                         | 126,457                   | 0                         |
|  | <b>(70,507)</b>           | <b>(79,480)</b>           | <b>(70,507)</b>           | <b>(79,480)</b>           |

**31.6 Reconciliation of liabilities arising from financing activities - Group and MOPAC:**

| £000   | Opening<br>Balance<br>1 April<br>2018 | Financing<br>cash<br>flows | Acquisition    | Other<br>non-cash<br>changes | Closing<br>Balance<br>31 March<br>2019 |
|--|---------------------------------------|----------------------------|----------------|------------------------------|--|
| <b>Liabilities</b>                                 |                                       |                            |                |                              |  |
| Long term borrowing                                | (116,550)                             | (200,000)                  | 0              | 13,600                       | (302,950)                              |
| Short term borrowing                               | (126,457)                             | 126,457                    | 0              | (13,600)                     | (13,600)                               |
| Lease liabilities                                  | (5,184)                               | 198                        | (2,363)        | 0                            | (7,349)                                |
| On balance sheet PFI liabilities                   | (74,062)                              | 2,838                      | 0              | 0                            | (71,224)                               |
| <b>Total liabilities from financing activities</b> | <b>(322,253)</b>                      | <b>(70,507)</b>            | <b>(2,363)</b> | <b>0</b>                     | <b>(395,123)</b>                       |

| £000   | Opening<br>Balance<br>1 April<br>2017 | Financing<br>cash<br>flows | Acquisition | Other<br>non-cash<br>changes | Closing<br>Balance<br>31 March<br>2018 |
|--|---------------------------------------|----------------------------|-------------|------------------------------|--|
| <b>Liabilities</b>                                 |                                       |                            |             |                              |  |
| Long term borrowing                                | (143,007)                             | (100,000)                  | 0           | 126,457                      | (116,550)                              |
| Short term borrowing                               | (16,457)                              | 16,457                     | 0           | (126,457)                    | (126,457)                              |
| Lease liabilities                                  | (5,364)                               | 180                        | 0           | 0                            | (5,184)                                |
| On balance sheet PFI liabilities                   | (77,946)                              | 3,884                      | 0           | 0                            | (74,062)                               |
| <b>Total liabilities from financing activities</b> | <b>(242,774)</b>                      | <b>(79,479)</b>            | <b>0</b>    | <b>0</b>                     | <b>(322,253)</b>                       |

**32. Contingent liabilities**

HMRC have recently reviewed the employment status of a number of self-employed individuals working with the MPS. The initial opinion is that these individuals should be recognised for tax purposes as employees. MPS are considering this position and believe that the individuals should continue to be recognised as self-employed for tax purposes. Were this status to be amended, the estimated liability to settle historic national insurance contributions and PAYE amounts due would be up to £21m.

### 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   | Non current      |                  | Current (within 12 months) |                  |
|--|------------------|------------------|----------------------------|------------------|
|  | 31 March 2019    | 31 March 2018    | 31 March 2019              | 31 March 2018    |
| <b>Financial Assets: Amortised cost</b>      |                  |                  |                            |                  |
| Investments                                  | 0                | 0                | 26,304                     | 1,468            |
| Debtors and cash                             | 158              | 634              | 97,061                     | 96,150           |
| <b>Total financial assets</b>                | <b>158</b>       | <b>634</b>       | <b>123,365</b>             | <b>97,618</b>    |
| <b>Financial Liabilities: Amortised cost</b> |                  |                  |                            |                  |
| Borrowings                                   | (302,950)        | (116,550)        | (13,600)                   | (126,457)        |
| PFI and finance lease liabilities            | (73,322)         | (76,210)         | (5,251)                    | (3,036)          |
| Creditors                                    | 0                | 0                | (376,916)                  | (360,365)        |
| <b>Total financial liabilities</b>           | <b>(376,272)</b> | <b>(192,760)</b> | <b>(395,767)</b>           | <b>(489,858)</b> |

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

| £000   | 2018/19        | 2017/18        |
|--|----------------|----------------|
| <b>Expenses</b>  |                |                |
| Interest expense: financial assets at amortised cost                   | 18,879         | 18,867         |
| <b>Total expense in (surplus)/deficit on the provision of services</b> | <b>18,879</b>  | <b>18,867</b>  |
| <b>Income</b>  |                |                |
| Interest income: financial liabilities at amortised cost               | (1,180)        | (2,091)        |
| <b>Total income in surplus on the provision of services</b>            | <b>(1,180)</b> | <b>(2,091)</b> |
| <b>Net (gain)/loss for the year</b>                                    | <b>17,699</b>  | <b>16,776</b>  |

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



## Notes to the Financial Statements

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

| £000                                   | 2018/19<br>Carrying<br>amount | Fair<br>value | 2017/18<br>Carrying<br>amount | Fair<br>Value |
|--|-------------------------------|---------------|-------------------------------|---------------|
| <b><u>Financial liabilities</u></b>    |                               |               |                               |               |
| Borrowings - (Public Works Loan Board) | 316,550                       | 359,852       | 143,007                       | 175,673       |
| Borrowings - (Local Authorities)       | 0                             | 0             | 100,000                       | 100,000       |
| PFI and finance lease liabilities      | 78,573                        | 108,547       | 79,246                        | 110,139       |
| Creditors                              | 376,916                       | 376,916       | 360,365                       | 360,365       |
| <b><u>Financial Assets</u></b>         |                               |               |                               |               |
| Short term investments                 | 26,304                        | 26,304        | 1,468                         | 1,468         |
| Debtors                                | 97,219                        | 97,219        | 96,784                        | 96,784        |

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 2019 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 2019 arising from a commitment to pay interest above current market rates.

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

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

| Recurring Fair Value Measurements Using:<br>£000 | 31 March 2019   |  |  | Total          |
|--|---|--|--|----------------|
|  | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Other<br>Significant<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |                |
| <b><u>Financial liabilities</u></b>              |   |  |  |                |
| <b>Borrowings</b>                                |   |  |  |                |
| Borrowings-(Public Works Loan Board)             | 0   | 359,852  | 0  | 359,852        |
| <b>Other long term liabilities</b>               |   |  |  |                |
| PFI and finance lease liabilities                | 0   | 0  | 108,547  | 108,547        |
| <b>Total</b>                                     | <b>0</b>  | <b>359,852</b>   | <b>108,547</b>                                     | <b>468,399</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 2019 of 1.48% to 2.40% for PWLB loans payable based on PWLB new loan rates. |
|  | Estimated ranges of interest rates at 31 March 2019 of 1.48% to 2.38% for PFI liabilities based on PWLB new loan rates.    |
|  | The fair value of trade and other payables is taken to be the invoiced or billed amount                                    |

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

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

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

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. MOPAC's Treasury Management Strategy is administered and managed by the GLA Group Treasury Team.

#### Credit risk management practices

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 2018/19 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.

## Notes to the Financial Statements

At 31 March 2019, 20% 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 80% were placed with institutions with at least a BBB+ credit rating. Thus, it has been judged that these investments can be categorised as low credit risk. An assessment of the 12 month expected losses for these investments has been carried out by comparing the credit rating of the investment against historic default tables and the resulting expected impairment loss is significant and therefore a loss has not been recognised in the accounts.

When considering the expected credit loss in relation to trade debtors, the Group has applied the simplified approach therefore the loss allowance recognised in the accounts relates to lifetime expected credit losses. Due to the fact that these receivables have common risk characteristics, a collective assessment of credit risk has been made, using a provision matrix to calculate expected credit losses based on the number of days that the debt is past due. The expected credit loss in relation to trade debtors at 31 March 2019 is £653k (31 March 2018, £440k). This is the only loss allowance recognised in the accounts.

The DMPC has the delegated authority to approve all debt write off that are considered irrecoverable. Debts are not written off until all available recovery options have been exhausted.

|                                 | Credit risk rating          | Gross Carrying Amount at 31 March 2019 |
|---------------------------------|-----------------------------|--|
|                                 |                             | £000                                   |
|                                 |                             | A                                      |
| 12 month expected credit losses | A+                          | 9,378                                  |
|                                 | A                           | 13,704                                 |
|                                 | A-                          | 965                                    |
|                                 | AA                          | 24                                     |
|                                 | AA-                         | 10,514                                 |
|                                 | BBB+                        | 1,144                                  |
| Simplified approach             | Customers (general debtors) | 34,172                                 |

### 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 £200 million of new borrowing during 2018/19 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 two 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.

### 33.2 Transitional disclosure requirements required on the initial application of IFRS9

#### Reclassification and re-measurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

| £000   | Carrying amount<br>brought forward<br>at<br>1 April 2018 | New classification at 1 April 2018<br>Amortised Cost |
|--|--|--|
| <b>Previous classification</b>                     |  |  |
| Loans and receivables                              | 98,252   |  |
| Available for sale                                 | 0  |  |
| Fair value through profit and loss                 | 0  |  |
| <b>Reclassified amounts at 1 April 2018</b>        |  | 98,252   |
| Remeasurements at 1 April 2018                     |  | 0  |
| <b>Remeasured carrying amounts at 1 April 2018</b> |  | <u>98,252</u>  |
| Made up of:  |  |  |
| Non-current investments                            |  | 0  |
| Long term debtors                                  |  | 634  |
| Current investments                                |  | 1,468  |
| Current debtors                                    |  | <u>96,150</u>  |
|  |  | <u>98,252</u>  |

All the Group's financial assets have been classified as amortised cost under IFRS 9 as it has been assumed that they are held as part of a business model to collect contractual cash flows.

#### Reclassification and remeasurement of impairment losses at 1 April 2018

The impairment allowance brought forward at 1 April 2018 under the previously applied incurred loss model is £400k.

As a result of the change from an incurred loss model to an expected loss model for calculations following the adoption of IFRS 9, there has been no remeasurement of this balance.

## 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 2018/19 and 2017/18. The statement does not form part of the CPM or the MOPAC Group Statement of Accounts.

| £000  | Notes | 2018/19          | 2017/18          |
|---|-------|------------------|------------------|
| <b>Contributions receivable</b>   |       |                  |                  |
| • Employer contributions  | 4.1   | (228,399)        | (230,415)        |
| • Additional income   | 4.3   | (4,402)          | (4,212)          |
| Transfers in from other schemes   | 4.2   | (4,274)          | (6,419)          |
| Officers' contributions   | 4.4   | (144,989)        | (146,246)        |
| <b>Net Income</b>   |       | <b>(382,064)</b> | <b>(387,292)</b> |
| <b>Benefits payable</b>   |       |                  |                  |
| Pensions paid   |       | 658,982          | 622,766          |
| Lump sum payments   |       | 172,039          | 175,149          |
| Lump sum death payments   |       | 1,117            | 1,380            |
| Other payments  | 4.6   | 667              | 907              |
| Transfers out to other schemes  | 4.2   | 665              | 1,449            |
| <b>Net expenditure</b>  |       | <b>833,470</b>   | <b>801,651</b>   |
| <b>Net amount payable for the year</b>  |       | <b>451,406</b>   | <b>414,359</b>   |
| Additional 2.9% funding payable by the local policing body to meet deficit for the year | 4.1   | (31,117)         | (31,369)         |
| <b>Employer additional funding</b>  | 4.5   | <b>(420,289)</b> | <b>(382,990)</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                                     | 2018/19        | 2017/18        |
|--|----------------|----------------|
| <b>Current Assets</b>                    |                |                |
| Funding to Meet Deficit due from the CPM | 1,137          | 1,210          |
| <b>Net Current Assets</b>                | <b>1,137</b>   | <b>1,210</b>   |
| <b>Current Liabilities</b>               |                |                |
| Unpaid Pensions Benefits                 | (1,137)        | (1,210)        |
| <b>Net Current Liabilities</b>           | <b>(1,137)</b> | <b>(1,210)</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 14 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 xviii.

### 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 2018/19 amounted to £420.4 million. This consists of additional funding of £66.3 million received by the Group in respect of 2017/18 and a statutory transfer from the police fund of a further £354.1 million in respect of 2018/19. The remaining 2018/19 shortfall of £88.6 million is to be received from the Home Office in 2019/20.

### 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 £29,876 for the PPS scheme, £44,955 for the NPPS scheme and £48,710 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 23 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.