Mayor’s Office for Policing And Crime and Group

Statement of Accounts 2012/13

MOPAC | MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

Contents

Explanatory foreword and financial review

Introduction

The Mayor's Office for Policing And Crime (MOPAC) was established in January 2012 with a separate body of the Commissioner of Police of the Metropolis (CPM). MOPAC is led by the Mayor of London, Boris Johnson, supported by the Deputy Mayor for Policing And Crime. The Mayor has several key roles in this capacity - 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, given the limited resources available. Operational decision-making on day-to-day policing remains the responsibility of the Commissioner.

MOPAC's published Police and Crime plan sets out how the Mayor will discharge his responsibilities through MOPAC and his commitments to Londoners over the four years following the Mayor's appointment as Police and Crime Commissioner for London in 2012. Although published in 2013 the principles and policing objectives were introduced during 2012 and directed activity and expenditure during 2012/13. The Mayor set the 20:20:20 challenge to the MPS - to reduce key crimes by 20%, to improve public confidence in policing by 20%, and to cut costs by 20%, all by 2016. In order to respond to the financial challenges MOPAC and the MPS face, this Statement of Accounts reflects some of the difficult choices made, such as prioritising frontline Policing And selling expensive and under utilised buildings.

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. These are the second Statutory Accounts to be prepared under the new arrangements following the Police Reform and Social Responsibility Act 2011.

All the financial transactions incurred during 2012/13 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 2013. 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 Foreword provides an overview of the new accounting arrangements and outlines the financial performance of MOPAC and the MOPAC Group during 2012/13.

The Statement of Accounts

The 2012/13 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2012/13.

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

- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Service of England and Wales 2012;
- Scheme of Delegation between MOPAC and the CPM;

- MOPAC Financial Regulations;
- MOPAC Contract Regulations.

The Accounts also reflect the Government's intention to phase in the reforms over a number of years, with the second phase expected to be introduced in April 2014.

In this first phase of the transition, MOPAC is responsible for the finances of the whole Group and under the MOPAC/CPM Financial Regulations and the Scheme of Delegation, controls the assets, liabilities and reserves. MOPAC receives all income and funding and makes all the payments for the Group from the MOPAC Police Fund. In turn the CPM fulfils its functions under the Act within an annual budget (set by MOPAC in consultation with the CPM). A scheme of delegation is in operation between the two bodies determining their respective responsibilities during this first phase, as well as local arrangements in respect of the use of MOPAC's assets and staff. The accounting arrangements between MOPAC and the CPM during the first phase of the transition are detailed more fully in Note 5 to the Accounts on page 21.

The governance and support staffing arrangements for London under the second phase are currently being decided by the Deputy Mayor in consultation with the Commissioner, with proposals being submitted to the Secretary of State in September 2013 in line with the national timetable set by the Home Office.

The financial statements

The consolidated financial statements consist of:

The Comprehensive Income and Expenditure Statement (CIES) for the Group and MOPAC – this summarises the resources generated and consumed in the year. At page 1 the CIES shows a deficit on the provision of services of £1,088 million, however, this statement should not be viewed in isolation. To gain a true understanding of the MOPAC Group's financial performance for the year it is necessary to view the Movement in Reserves Statement which shows how this deficit is managed in the Balance Sheet. Following accounting adjustments and transfers to and from reserves, there is a decrease of £11 million in the General Reserve;

The Movement in Reserves Statement for the Group and MOPAC – this shows how the £1,088 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 £274 million to £339 million during 2012/13 which reflects the amount which MOPAC has increased its earmarked reserves (£80 million) and reduced its usable capital reserves (£4 million) and General Fund (£11 million) for the year;

The Balance Sheet for the Group and MOPAC – this sets out the assets (land, buildings, equipment, and monies due), liabilities owed by MOPAC to others, and the usable and unusable reserves which MOPAC maintains. The net worth of MOPAC is £1,440 million (excluding the cost of Police Officer pensioners liabilities, which is subject to a separate funding arrangement agreed year on year with the Home Office);

The Cash Flow Statement for the Group and MOPAC – this shows the inflows and outflows of cash to MOPAC. During 2012/13 there was a net cash outflow to MOPAC of £66.8 million. In order that readers can better understand the financial performance of MOPAC these cash flows are split between operating activities, investing activities (purchase and sale of property, equipment, investments, etc.) and financing activities (covering new borrowing and repayments of borrowing).

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

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 2012/13 provided for net expenditure of £2,601 million. At the end of the year, after budget transfers and the transfer to and from reserves £2,592 million was attributable to the MPS and the remaining £9 million to MOPAC.

Final outturn

The financial year 2012/13 presented a number of key challenges with savings and efficiencies of £186 million required to balance the budget. MOPAC has delivered a balanced outturn position against the budget. Further savings (over and above the £186 million planned savings) were made following a request by the Deputy Mayor to save a further £50 million after the original budget for 2012-13 was set. MOPAC has made a net transfer of £69.3 million to reserves to help manage future challenges.

Table 1 provides a summary of the final MOPAC outturn position for 2012/13 compared with the revised budget. Figures in brackets in the variance column represent an underspend for expenditure or an over receipt of income against the revised annual budget.

Table 1 Final outturn position for 2012/13 compared with the revised budget for MOPAC Group.

£000	Approved annual budget	Revised annual budget	Actual outturn	Variance overspend/ (underspend)
Pay				
Police officer pay	1,956,206	1,958,634	1,918,117	(40,517)
Police staff pay	762,992	767,523	710,129	(57,394)
Total pay	**2,719,198**	**2,726,157**	**2,628,246**	**(97,911)**
Running expenses				
Employee related expenditure	22,337	23,375	67,816	44,441
Premises costs	202,335	203,304	215,146	11,842
Transport costs	80,653	97,500	87,739	(9,761)
Supplies & services	468,242	456,974	425,592	(31,382)
Capital financing costs	57,405	57,405	49,608	(7,797)
Discretionary pension costs	33,125	33,125	41,563	8,438
Total running expenses	**864,097**	**871,683**	**887,464**	**15,781**
Total gross expenditure	**3,583,295**	**3,597,840**	**3,515,710**	**(82,130)**
Total income and specific grants	(959,063)	(1,013,278)	(983,796)	29,482
Net expenditure	**2,624,232**	**2,584,562**	**2,531,914**	**(52,648)**
Transfer to/(from) earmarked reserve	(12,000)	27,670	80,295	52,625
Transfer to/(from) general reserve	(11,000)	(11,000)	(11,000)	0
Budget requirement	**2,601,232**	**2,601,232**	**2,601,209**	**(23)**
Total Funding	(2,601,232)	(2,601,232)	(2,601,209)	23
Total MOPAC Group	**0**	**0**	**0**	**0**

Key points to note in Table 1 are provided under the following headings:

Police officer pay and overtime (underspend of £40.5 million)
The underspend in police officer pay was principally due to police officer actual strength being below the levels assumed in the original budget. There was also an underspend in overtime mainly due to costs for the Diamond Jubilee celebrations being below the high-level estimate included within the Policing London Business Plan 2012-15, and lower than expected expenditure in the Olympics Security Directorate.

Police staff pay and overtime (underspend of £57.4 million)
The underspend was principally due to actual strength of police staff and police community support officers (PCSOs) being below the levels assumed in the original budget. The PCSO vacancies were mainly created by the initiative to recruit police officers from the pool of existing PCSOs.

Employee related expenditure (overspend of £44.4 million)
The overspend was principally due to the cost of the Voluntary Early Departure Scheme where in excess of nine hundred police staff have accepted early voluntary exit terms. These costs have been funded by a drawdown from earmarked reserves.

Premises costs (overspend of £11.8 million)
The overspend was principally due to delays in the delivery of the Corporate Real Estate (CRE) programme. The CRE was expected to deliver savings from exited buildings during the financial year, but delays to the disposal of buildings resulted in costs continuing to be incurred.

Transport costs (underspend of £9.8 million)
The underspend was principally related to the delivery of the Olympic and Paralympic Games where costs for the logistics project were lower than originally expected.

Supplies and services costs (underspend of £31.4 million)
The Deputy Mayor for Policing And Crime challenged the MPS to deliver additional savings of £50 million during this financial year so as to cushion the significant budget challenges to come in future years. The underspend reflects savings that have been achieved across a wide range of different areas within this cost category.

Capital financing costs (underspend of £7.8 million)
The underspend relates to a reduction in the Minimum Revenue Provision (MRP) linked to a decision to fund capital expenditure in 2011/12 from capital reserves rather than borrowing, and a significant reduction in interest on debt payable by MOPAC in 2012/13.

Discretionary pension costs (overspend of £8.4 million)
The overspend is principally due to higher than budgeted costs of injury awards following legal challenges to the level of payments being made. A provision has been included to cover the anticipated settlement costs of back-dated claims.

Income and specific grants (reduction of funding of £29.5 million)
The reduction is principally due to less funding than budgeted being received for the delivery of security for the Olympic and Paralympic Games. This is matched by a corresponding underspend in the costs for the Olympic and Paralympic Games.

Net movement on MOPAC Group earmarked and general reserves (£69.3 million)
The net movement on earmarked and general reserves during 2012/13 was a £69.3 million increase to reserves.

Table 2 Net movement on earmarked and general reserves

Description	£m
Opening reserves balance 1 April 2012	252.6
Transfers from reserves	(84.6)
Transfers to reserves	153.9
Closing reserves balance 31 March 2013	**321.9**

The £84.6 million drawn down from reserves was predominantly from the 'Budget Pressures Reserve' to fund the Early Departure Scheme (which is a voluntary exit programme open to MOPAC employees including police staff under the direction of the CPM). Other significant draw downs relate to property, operational costs and modernisation programmes and the general reserve. Transfers to reserves were primarily to reinstate budgetary resilience for the next three years 2013-16 in line with the medium term financial plan 2012-15, to continue the Early Departure Scheme in 2013/14, and to continue to fund various change programme initiatives.

Further information on the movements between reserves is shown in the accompanying notes to the accounts page 62.

Performance against the 2012/13 capital programme

Capital expenditure 2012/13

Capital expenditure for 2012/13 was financed by grants, third party contributions, capital receipts, revenue contributions, and borrowing. Capital expenditure for 2012/13 was £179 million. This compares with the approved annual budget of £172.2 million agreed as part of the Policing London Business Plan 2012-15. It should be noted that the approved annual budget was not adjusted for in year additions to the capital programme. The majority of these adjustments occurred as a result of projects necessarily being carried forward from 2011/12 or from important investment needs arising during the financial year. In the majority of cases financing of these additions to the programme came from dedicated sources of funding.

Any unused capital funds at financial year end are placed in capital reserves to be used to finance capital investment in future years unless there are conditions not yet met in which case the amounts are credited to capital receipts in advance.

Table 3 Outturn position 2012/13

Summary by programme	Approved Budget 2012/13	Net target (expectation)	Actual Expenditure 2012/13	Actual v expectation
	£000	£000	£000	
Property	105,096	88,733	96,344	108.6%
Information	75,482	63,729	56,711	89.0%
Transport	19,904	16,805	23,399	139.2%
Other	3,460	2,921	2,530	86.6%
Gross programme	**203,942**	**172,188**	**178,984**	104.0%
less over-programming	(31,754)			
Budget	**172,188**			

Property based programme – Achieved £96.3 million in year (108.6%). A sum in excess of the target figure had been forecast for a significant part of the financial year in accordance with the need to achieve modernisation of the operational estate.

Significant modernisation of the estate continued through delivery of the custody suite programme of works, refurbishment of Jubilee House & Lambeth HQ Building, and security upgrades & other improvement works for the central estate and key police stations throughout London.

A comprehensive review of the estate has taken place with decisions taken on those properties to be retained and upgraded and those which are suitable for disposal. The aim is to optimise the use of available space, provide police officers and staff with improved working conditions and achieve significant savings in running costs by disposing of old and obsolete properties. Assets are accounted for in line with the Code as 'surplus' when their primary function is no longer operational and as assets held for sale at the point when the criteria in IFRS 5 (Assets Held For Sale) are met.

Information based programme – Achieved £56.7 million in year (89.0%). A sum less than the target figure had been forecast based on reduced cost to complete projects and the effect of increased governance on projects in the latter part of the financial year.

As part of a continuous improvement plan, an MPS Technology Programme has been established in consultation with MOPAC to provide technology capability that supports greater operational efficiency whilst also meeting future demands. The cost of delivery will be reduced, the way business is conducted will be changed radically and mobile and agile solutions will be delivered that provide value to the police service.

The level of ICT investment in 2012/13 was reined back once technology support for the Olympics and Paralympic Games has been secured. The MPS moved to investing in only urgent and/or essential change schemes. Medium term investment plans were reviewed to ensure that they met the future demands of policing London and the financial challenges ahead. A number of major technology programmes were paused pending the outcome of an ICT strategic review, which is due to complete in July 2013.

MOPAC and the MPS were proud to support the world's biggest sporting event, the Olympic and Paralympic Games. We played a significant part in delivering the infrastructure, security and system enhancements to ensure a safe and secure Games for Londoners.

Transport based programme – Achieved £23.4 million (139.2%). The transport programme is composed of two elements: replacement and augmentation of the standard MOPAC fleet, and additional vehicles purchased using funds provided by third parties e.g. counter terrorism vehicles and vehicles purchased from funds provided by Transport for London. Purchases for the latter part of fleet were significantly higher than initially forecast due to a growth in year of the specific grants made available for investment purposes. The main transport programme showed a slight underspend due to a review of the operational fleet and the need to ensure that all vehicles coming to the end of their useful life were subject to major everyday utilisation and therefore needed to be replaced.

Capital financing

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

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

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

Capital expenditure on non-current assets in 2012/13 was financed, in accordance with the Prudential Code, from borrowing of £51.440 million, government capital grants and other third party contributions of £66.693 million, capital receipts of £45.0 million, and a revenue contribution of £15.851 million.

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

There was £60.0 million new debt negotiated during 2012/13 - £45.0 million long-term for capital investment and £15 million short-term for cash-flow purposes. Settlement of maturing debt during the year totalled £69.5 million. As a result, as at 31 March 2013 the level of outstanding debt totalled £294.3 million. (Debt as at 31 March 2012 was £303.8 million.) Capital receipts of £42.8 million were generated from the disposal of tangible non current assets during the year.

The Balance Sheet

The net worth of MOPAC and the MOPAC Group (excluding the cost of Police Officer pensioners liabilities which are subject to a separate funding arrangement agreed year on year with the Home Office) declined by £41 million (from £1,481 million to £1,440 million) during 2012/13. MOPAC considers that the Balance Sheet remains 'robust' as evidenced by Earmarked and the General Fund reserve maintained above target levels and high levels of income collection.

Reserves

MOPAC's policy is to have a General Reserve and an Emergency Contingency Fund to meet unforeseen or emergency expenditure which cannot be contained within the approved budget. The General Reserve is £23.5 million at 31 March 2013. The Emergencies Contingency Reserve which is an earmarked reserve is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.8% of the 2012/13 budget requirement. The intention is to reduce this to 1.5% by the end of 2013/14 when conditions permit, providing that there are appropriate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control.

Pensions

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed on the Group Balance Sheet, reflect the cost of paying police officers in the future to the extent they had earned entitlement to pension benefits for accounting periods up to and including 2012/13 in line with IAS19. The pension liability shows the underlying commitments that MOPAC has in the long run to pay retirement benefits. Police pension costs are recognised in the CPM 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 and members' commutation terms. 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 2012/13.

Outlook for 2013/14 and key challenges

The 2013/14 revenue budget requirement was set at £2,526.3 million, a decrease of 2.9% over the 2012/13 figure. The budget is funded by a general Government grant of £1,969.2million and council tax income of £557.1 million. The policing element of the Band D council tax precept for 2013/14 is £216.92.

£171.1 million of capital investment in estates, ICT and transport is proposed during 2013/14 to maintain and improve the operational capability of MOPAC/MPS. This will be funded from borrowing of £87.5 million, capital receipts of £40.0 million, Police Capital Grant of £28.1 million, specific grants of £13.4 million and revenue contribution of £2.1million.

The Mayor approved a balanced budget for the three years 2013/14 to 2015/16 setting challenging savings targets totalling £509 million by 2015/16. These savings principally relate to reductions in police staff numbers, PCSO numbers and property, technology, overtime and supplies & services budgets.

Due to the timing of its development and approval, the current approved Group budget does not include the impact of the grant reductions indicated by the Chancellor in his Autumn Statement (December 2012), Budget Statement (March 2013) and the Comprehensive Spending Review in June 2013. These announcements set out details of grant reductions for the police nationally up to 2015/16. The impact on individual police areas is not yet known. A number of scenarios have therefore been modelled to assess the financial impact of the potential grant reductions. Significant additional savings are anticipated to be required in the next budget process.

Changes for 2012/13

There is a new heading within the Net Cost of Policing in the Comprehensive Income and Expenditure Statement called 'Community Safety and Crime Prevention'. This reflects MOPAC's additional responsibilities under the Police Reform and Social Responsibility Act 2011 particularly in respect of community safety and bringing together Community Safety and Criminal Justice partners.

There were no new CIPFA Code 2012/13 requirements which affected the MOPAC Statement of Accounts.

Annual Governance Statement

The Accounts and Audit (England) Regulations 2011 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. This year MOPAC has elected to publish the AGS as a separate document to the Statement of Accounts. The Annual Governance Statement is a statutory document which explains the governance processes and procedures in place to enable MOPAC to carry out its functions effectively. The AGS highlights MOPAC's and the CPM's internal control environment, comments on its effectiveness and identifies issues for future work. The CPM also reports 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

Opinion on the financial statements

We have audited the financial statements of the Mayor's Office for Policing And Crime (the Mayor's Office) for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise:

- the Group Comprehensive Income and Expenditure Statement for the Mayor's Office for Policing And Crime;
- the Comprehensive Income and Expenditure Statement for the Mayor's Office for Policing And Crime;
- the Group Movement in Reserves Statement for the Mayor's Office for Policing And Crime
- the Movement in Reserves Statement for the Mayor's Office for Policing And Crime;
- the Balance Sheet for the Mayor's Office for Policing And Crime (MOPAC) and the MOPAC Group;
- the Cash Flow Statement for the Mayor's Office for Policing And Crime (MOPAC) and the MOPAC Group;
- the related notes.

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 2012/13.

This report is made solely to the Mayor's Office for Policing And Crime in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Mayor's Office for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the accounts, 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, and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Mayor's Office and Group's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Mayor's Office for Policing And Crime as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Mayor's Office and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Mayor's Office has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Mayor's Office put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, the Mayor's Office for Policing And Crime put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Signed

Paul Grady
Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton House,
Melton Street,
Euston Square,
London, NW1 2EP

27 September 2013

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 of Policing And Crime.

Signed
Stephen Greenhalgh
Deputy Mayor for Policing And Crime
Date: 26 September 2013

Chief Finance Officer

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 2013.

Signed
Annabel Cowell
Chief Financial Officer
Date: 26 September 2013

Group Comprehensive Income and Expenditure Statement for the Mayor's Office for Policing And Crime for 2012/13

GROUP CIES £000	Notes	Year ending 31 March 2013 Gross exp	Year ending 31 March 2013 Income	Year ending 31 March 2013 Net exp	Year ending 31 March 2012 Restated Gross exp	Year ending 31 March 2012 Restated Income	Year ending 31 March 2012 Restated Net exp
Local policing		1,179,544	(319,319)	**860,225**	1,116,630	(250,264)	866,366
Dealing with the public		222,663	(5,169)	**217,494**	203,407	(2,856)	200,551
Criminal justice arrangements		271,627	(9,927)	**261,700**	279,012	(13,003)	266,009
Roads policing		87,912	(15,655)	**72,257**	84,831	(10,972)	73,859
Specialist operations		286,585	(63,520)	**223,065**	412,668	(119,637)	293,031
Intelligence		185,497	(11,158)	**174,339**	169,222	(5,122)	164,100
Investigation		790,867	(46,108)	**744,759**	744,022	(30,531)	713,491
Investigative support		106,920	(4,024)	**102,896**	103,668	(2,689)	100,979
National policing		602,257	(472,805)	**129,452**	557,408	(441,336)	116,072
Community safety & crime prevention		25,213	(21,834)	**3,379**	1,201	0	1,201
Corporate and democratic core		12,094	(569)	**11,525**	13,186	0	13,186
Non distributed cost		7,563	0	**7,563**	7,805	0	7,805
Net cost of policing services before impairment/funding		**3,778,742**	**(970,088)**	**2,808,654**	3,693,060	(876,410)	2,816,650
Impairment not charged to CPM		27,770	0	**27,770**	19,014	0	19,014
Net cost of policing services		**3,806,512**	**(970,088)**	**2,836,424**	3,712,074	(876,410)	2,835,664
Other operating expenditure							
Net gains on disposal of fixed assets	15.1			**(4,763)**			(2,307)
Riot Damages Act claims	15.2			**19,806**			84,996
Financing and investment							
Interest payable and similar charges	12			**20,588**			17,548
Police pensions interest cost	5.2 13.1			**906,600**			979,800
Exceptional item	13.1			**0**			286,900
Interest and investment income	14			**(1,167)**			(817)
Investment properties revaluation	18			**(3,660)**			(8,614)
Non specific grant income							
S102 GLA Act 1999 Grant	16.1			**(1,549,601)**			(1,585,264)
Other grants	16.2			**(1,051,608)**			(1,127,736)
Capital grants				**(64,586)**			(66,243)
Funding of Riot Damages Act claims				**(20,028)**			(84,922)
Deficit on provision of services				**1,088,005**			1,329,005
Other income and expenditure							
(Surplus) on revaluation of non current assets				**(21,835)**			(61,657)
Actuarial losses on police pension funds	5.2 13.1			**2,313,400**			98,300
Total comprehensive income and expenditure				**3,379,570**			1,365,648

The statement above shows the accounting cost in the year to 31 March 2013 (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.

Comprehensive Income and Expenditure Statement for the Mayor's Office for Policing And Crime for 2012/13

£000	Notes	Year ending 31 March 2013 Gross exp	Year ending 31 March 2013 Income	Year ending 31 March 2013 Net exp	Year ending 31 March 2012 Restated Gross exp	Year ending 31 March 2012 Restated Income	Year ending 31 March 2012 Restated Net exp
Intra-group funding -policing		3,743,247	(947,685)	**2,795,562**	3,680,763	(876,410)	2,804,353
Community safety & crime prevention		25,213	(21,834)	**3,379**	1,201	0	1,201
Corporate and democratic core		10,282	(569)	**9,713**	11,096	0	11,096
Non distributed cost		0	0	**0**	0	0	0
Impairment not charged to CPM		27,770	0	**27,770**	19,014	0	19,014
Net cost of policing services		**3,806,512**	**(970,088)**	**2,836,424**	3,712,074	(876,410)	2,835,664
Other operating expenditure							
Net gains on disposal of fixed assets	15.1			**(4,763)**			(2,307)
Riot Damages Act claims	15.2			**19,806**			84,996
Police pensions interest cost - intra-group funding	5.2, 13.1			**906,600**			979,800
Exceptional item- intra-group funding	13.1			**0**			286,900
Actuarial losses on police pension funds - intra-group funding	5.2, 13.1			**2,313,400**			98,300
Financing and investment							
Interest payable and similar charges	12			**20,588**			17,548
Interest and investment income	14			**(1,167)**			(817)
Investment properties revaluation	18			**(3,660)**			(8,614)
Non specific grant income							
S102 GLA Act 1999 Grant	16.1			**(1,549,601)**			(1,585,264)
Other grants	16.2			**(1,051,608)**			(1,127,736)
Capital grants				**(64,586)**			(66,243)
Funding of Riot Damages Act claims				**(20,028)**			(84,922)
Deficit on provision of services				**3,401,405**			1,427,305
Other income and expenditure (Surplus) on revaluation of non current assets				**(21,835)**			(61,657)
Total comprehensive income and expenditure				**3,379,570**			1,365,648

The statement above shows the accounting cost in the year to 31 March 2013 (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 2013 is shown on the page before.

Group Movement in Reserves Statement for the Mayor's Office for Policing And Crime for the year ended 31 March 2013

Year ended 31 March 2013 £000	General Fund Balance	Earmarked revenue reserves	Capital receipts reserve	Other Usable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
At 1 April 2012	**(34,483)**	**(218,130)**	**(5,073)**	**(16,228)**	**(273,914)**	**17,699,109**	**17,425,195**
Deficit on provision of services	1,088,005	0	0	0	**1,088,005**	0	**1,088,005**
Other comprehensive income and expenditure	0	0	0	0	**0**	2,291,565	**2,291,565**
Total comprehensive income and expenditure	**1,088,005**	**0**	**0**	**0**	**1,088,005**	**2,291,565**	**3,379,570**
Adjustments between accounting basis & funding basis under regulations (note 33)	(1,157,298)	0	2,201	2,107	**(1,152,990)**	1,154,092	**1,102**
Net (increase) / decrease before transfers to earmarked reserves	**(69,293)**	**0**	**2,201**	**2,107**	**(64,985)**	**3,445,657**	**3,380,672**
Transfers (to) / from earmarked reserves (note 32.3)	80,293	(80,293)	0	0	**0**	0	**0**
(Increase) / decrease in year	**11,000**	**(80,293)**	**2,201**	**2,107**	**(64,985)**	**3,445,657**	**3,380,672**
Balance at 31 March 2013	**(23,483)**	**(298,423)**	**(2,872)**	**(14,121)**	**(338,899)**	**21,144,766**	**20,805,867**

This statement shows the movement in the year to 31 March 2013 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing the Group services, more details of which are shown in CIES. The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Group.

Movement in Reserves Statement for the Mayor's Office for Policing And Crime (MOPAC) for the year ended 31 March 2013

Year ended 31 March 2013 **£000**	**General Fund Balance**	**Earmarked revenue reserves**	**Capital receipts reserve**	**Other Usable capital reserves**	**Total usable reserves**	**Unusable reserves**	**Total group reserves**
At 1 April 2012	**(34,483)**	**(218,130)**	**(5,073)**	**(16,228)**	**(273,914)**	**17,699,109**	**17,425,195**
Deficit on provision of services	3,401,405	0	0	0	**3,401,405**	0	**3,401,405**
Other comprehensive income and expenditure	0	0	0	0	**0**	(21,835)	**(21,835)**
Total comprehensive income and expenditure	**3,401,405**	**0**	**0**	**0**	**3,401,405**	**(21,835)**	**3,379,570**
Adjustments between accounting basis & funding basis under regulations (note 33)	(3,470,698)	0	2,201	2,107	**(3,466,390)**	3,467,492	**1,102**
Net (increase) / decrease before transfers to earmarked reserves	**(69,293)**	**0**	**2,201**	**2,107**	**(64,985)**	**3,445,657**	**3,380,672**
Transfers (to) / from earmarked reserves (note 32.3)	80,293	(80,293)	0	0	**0**	0	**0**
(Increase) / decrease in year	**11,000**	**(80,293)**	**2,201**	**2,107**	**(64,985)**	**3,445,657**	**3,380,672**
Balance at 31 March 2013	**(23,483)**	**(298,423)**	**(2,872)**	**(14,121)**	**(338,899)**	**21,144,766**	**20,805,867**

This statement shows the movement in the year to 31 March 2013 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing MOPAC's services, more details of which are shown in CIES. The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by MOPAC.

Group Movement in Reserves Statement for the Mayor's Office for Policing And Crime for the year ended 31 March 2012

Year ended 31 March 2012 £000	General Fund Balance	Earmarked revenue reserves	Capital receipts reserve	Other Usable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
Balance at 31 March 2011	(47,483)	(222,131)	(5,903)	(19,439)	(294,956)	16,354,903	16,059,947
Deficit on provision of services	1,329,005	0	0	0	1,329,005	0	1,329,005
Other comprehensive income and expenditure (note 32.1)	0	0	0	0	0	36,643	36,643
Total comprehensive income and expenditure	1,329,005	0	0	0	1,329,005	36,643	1,365,648
Adjustments between accounting basis & funding basis under regulations (note 33)	(1,312,005)	0	830	3,212	(1,307,963)	1,307,563	(400)
Net (increase) / decrease before transfers to earmarked reserves	17,000	0	830	3,212	21,042	1,344,206	1,365,248
Transfers (to) / from earmarked reserves (note 32.3)	(4,000)	4,000	0	0	0	0	0
(Increase) / decrease in year	13,000	4,000	830	3,212	21,042	1,344,206	1,365,248
Balance at 31 March 2012	(34,483)	(218,131)	(5,073)	(16,227)	(273,914)	17,699,109	17,425,195

This statement shows the movement in the year to 31 March 2012 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing the Group services, more details of which are shown in CIES. The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Group.

Movement in Reserves Statement for the Mayor's Office for Policing And Crime (MOPAC) for the year ended 31 March 2012

Year ended 31 March 2012 £000	General Fund Balance	Earmarked revenue reserves	Capital receipts reserve	Other Usable capital reserves	Total usable reserves	Unusable reserves	Total group reserves
Balance at 31 March 2011	(47,483)	(222,131)	(5,903)	(19,439)	(294,956)	16,354,903	16,059,947
Deficit on provision of services	1,427,305	0	0	0	1,427,305	0	1,427,305
Other comprehensive income and expenditure (note 32.1)	0	0	0	0	0	(61,657)	(61,657)
Total comprehensive income and expenditure	1,427,305	0	0	0	1,427,305	(61,657)	1,365,648
Adjustments between accounting basis & funding basis under regulations (note 33)	(1,410,305)	0	830	3,212	(1,406,263)	1,405,863	(400)
Net (increase) / decrease before transfers to earmarked reserves	17,000	0	830	3,212	21,042	1,344,206	1,365,248
Transfers (to) / from earmarked reserves (note 32.3)	(4,000)	4,000	0	0	0	0	0
(Increase) / decrease in year	13,000	4,000	830	3,212	21,042	1,344,206	1,365,248
Balance at 31 March 2012	(34,483)	(218,131)	(5,073)	(16,227)	(273,914)	17,699,109	17,425,195

This statement shows the movement in the year to 31 March 2012 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing MOPAC's services, more details of which are shown in CIES. The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by MOPAC.

Balance Sheet for the MOPAC Group

£000	Notes	31 March 2013	31 March 2012	1 April 2011 Restated
Non current assets				
Property, plant and equipment	18	1,718,250	1,777,840	1,739,781
Heritage assets	18	1,308	1,308	1,308
Investment properties	18	57,340	57,092	50,967
Intangible assets	18	5,164	8,454	10,230
Assets under construction	18	153,767	116,590	162,676
Total non current assets		1,935,829	1,961,284	1,964,962
Long term debtors	19	12,413	17,090	25,286
Total long term assets		**1,948,242**	**1,978,374**	**1,990,248**
Current assets				
Assets held for sale	20	14,547	44,317	2,094
Inventories	21	11,789	11,847	8,336
Short term debtors	22	288,274	325,265	169,335
Short term investments	23	240	215	15,000
Cash & cash equivalents	24	104,906	38,094	75,000
Total current assets		**419,756**	**419,738**	**269,765**
Current liabilities				
Short term creditors	25	(313,573)	(302,067)	(299,774)
Short term borrowing	26	(77,422)	(72,734)	(45,697)
Provisions	28.1	(165,651)	(125,758)	(106,260)
Cash & cash equivalents	24	0	0	(6,403)
Total current liabilities		**(556,646)**	**(500,559)**	**(458,134)**
Long term liabilities				
Provisions	28.2	(48,766)	(73,951)	(15,846)
Long term borrowing	29	(219,836)	(234,292)	(193,750)
Capital grants receipts in advance	30	(5,602)	(8,625)	(5,292)
Long term contractor liability	31	(97,215)	(100,180)	(103,438)
Police officer pension liability	32.1	(22,245,800)	(18,905,700)	(17,543,500)
Total long term liabilities		**(22,617,219)**	**(19,322,748)**	**(17,861,826)**
Net assets		**(20,805,867)**	**(17,425,195)**	**(16,059,947)**
Financed by:				
Unusable Reserves	32.1	(21,144,766)	(17,699,109)	(16,354,903)
Usable reserves	32.2-3	338,899	273,914	294,956
Total reserves		**(20,805,867)**	**(17,425,195)**	**(16,059,947)**

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

£000	Notes	31 March 2013	31 March 2012 Restated	1 April 2011 Restated
Non current assets				
Property, plant and equipment	18	1,718,250	1,777,840	1,739,781
Heritage assets	18	1,308	1,308	1,308
Investment properties	18	57,340	57,092	50,967
Intangible assets	18	5,164	8,454	10,230
Assets under construction	18	153,767	116,590	162,676
Total non current assets		1,935,829	1,961,284	1,964,962
Long term debtors	19	12,413	17,090	25,286
Total long term assets		**1,948,242**	**1,978,374**	**1,990,248**
Current assets				
Assets held for sale	20	14,547	44,317	2,094
Inventories	21	11,789	11,847	8,336
Short term debtors	22	288,274	325,265	169,335
Short term investments	23	240	215	15,000
Cash & cash equivalents	24	104,906	38,094	75,000
Total current assets		**419,756**	**419,738**	**269,765**
Current liabilities				
Short term creditors	25	(313,573)	(302,067)	(299,774)
Short term borrowing	26	(77,422)	(72,734)	(45,697)
Provisions	28.1	(51,127)	(38,147)	(7,370)
Intra-group Provision	28.1	(114,524)	(87,611)	(98,890)
Cash & cash equivalents	24	0	0	(6,403)
Total current liabilities		**(556,646)**	**(500,559)**	**(458,134)**
Long term liabilities				
Provisions	28.2	(48,766)	(73,951)	(15,846)
Long term borrowing	29	(219,836)	(234,292)	(193,750)
Capital grants receipts in advance	30	(5,602)	(8,625)	(5,292)
Long term contractor liability	31	(97,215)	(100,180)	(103,438)
Police officer pension liability - Intra-group Provision	5.2-13.1	(22,245,800)	(18,905,700)	(17,543,500)
Total long term liabilities		**(22,617,219)**	**(19,322,748)**	**(17,861,826)**
Net assets		**(20,805,867)**	**(17,425,195)**	**(16,059,947)**
Financed by:				
Unusable Reserves	32.1	(21,144,766)	(17,699,109)	(16,354,903)
Usable reserves	32.2-3	338,899	273,914	294,956
Total reserves		**(20,805,867)**	**(17,425,195)**	**(16,059,947)**

The Balance Sheet shows the value as at 31 March 2013 (with prior year as a comparative year) of the assets and liabilities recognised by the Group and MOPAC. As there is no distinction between the Group and MOPAC movements there is no separate statement for MOPAC. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group/MOPAC.

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

£000	Notes	Year ending 31 March 2013-Group	Year ending 31 March 2012-Group	Year ending 31 March 2013-MOPAC	Year ending 31 March 2012-MOPAC
Net (surplus) or deficit on the provision of services		1,088,005	1,329,005	3,401,405	1,427,305
Adjustments to net (surplus)or deficit on the provision of services for non-cash movements	34.2	(1,354,023)	(1,414,806)	(3,667,423)	(1,513,106)
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	34.3	107,385	100,753	107,385	100,753
Net cash flows from operating activities		**(158,633)**	**14,952**	**(158,633)**	**14,952**
Investing activities	34.4	84,622	88,802	84,622	88,802
Financing activities	34.5	7,199	(73,251)	7,199	(73,251)
Net (increase)/decrease in cash and cash equivalents		**(66,812)**	**30,503**	**(66,812)**	**30,503**
Cash and cash equivalents at the beginning of the period		38,094	68,597	38,094	68,597
Cash and cash equivalents at the end of the period		**104,906**	**38,094**	**104,906**	**38,094**

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 (i.e. borrowing) to the Group.

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

This set of notes represents the consolidated notes for the Statement of Accounts for 2012/13 as presented in the preceding pages 1 to 9.

1. Statement of accounting policies

1.1 General principles

These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2011 and the Service Reporting Code of Practice for Local Authorities 2012/13 (SeRCOP). The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

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

Following the passing of the Police Reform and Social Responsibility Act 2011 the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two '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 separate Statement of Accounts. The Foreword to 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 2013 (with prior year as a comparative year). The term 'Group' is used to indicate individual transactions and policies of MOPAC and CPM for the year ended 31 March 2013. The identification of MOPAC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of MOPAC under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies adopted are set out below.

1.2 Revenue and expenditure recognition

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business net of discounts and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed. Whilst all expenditure is physically paid for 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.

1.3 Accruals of income and expenditure

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

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

1.4 Provisions

Provisions are made where an event has taken place that gives MOPAC an obligation where it is probable that settlement by a transfer of economic benefits will be required, but where the timing of the transfer is uncertain. Provisions are charged to the CIES in the year the Group becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the CIES.

Short term compensated absences - these are periods during which an employee does not provide services to the employer, but employee benefits continue to be earned (such as periods of annual leave and rest days). Short term accumulated absences are recognised in the 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 staff are entitled to carry forward leave into the following year. Equivalent liabilities for employee benefits are recognised on the MOPAC Balance Sheet offsetting the liability in the CPM's Accounts. This reflects the continuing requirement on MOPAC to provide funds from the Police Fund to meet these liabilities as they fall due.

Third party liabilities – to make provision for realistic estimates of the future settlement of third party claims, the liability for which already exists at the date of the Balance Sheet, insofar as they will not be met by external insurance. The figure shown on the Balance Sheet does not include any adjustment to discount the total liability to present day terms in line with IAS39 Financial Instruments because the claims involved are deemed to be estimates based on present day values.

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

Police officer pension liability (intra-group) - to make provision, during the 1st period of transition 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. They will not appear in the Group Accounts.

1.5 Reserves

MOPAC maintains reserves that are either earmarked for specific purposes or held for accounting adjustments. Earmarked reserves will be established from time to time to meet specific expected revenue or capital costs as determined by MOPAC.

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 Movement in Reserves Statement so that there is no net charge for the expenditure.

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

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

1.7 Employee benefits

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

IAS 19 Employee Benefits requires MOPAC to account for short-term compensating absences (which include time owing and annual leave accrued), by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. The Group Balance Sheet also reflects the liability for time owing and annual leave accruing to police staff under the direction of the CPM as recognised on the Balance Sheet of the CPM. The accrual for untaken leave is charged to the Net Cost of Policing Services, and reversed out through the Movement in Reserves Statement so that the leave is charged to CIES in the financial year in which the holiday absence is taken.

Termination benefits
Termination benefits are amounts payable as a result of a decision to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Group is demonstrably committed to the termination of the employment of an individual or group of employees or making an offer to encourage voluntary redundancy.

Post employment benefits
The Group operates two pension schemes for police officers and a single scheme for police staff. The CPM is the administering body for the Pension Fund and the Pension Fund Accounting Statements can be found in the CPM Accounts on page 33. MOPAC provides funds from the Police Fund to meet the pension payments as they fall due.

Police officers

The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The 2006 Police Pension Scheme (NPPS), which started on 1 April 2006, is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pensions Act 1976 (as amended by the Police Pensions Regulations 2007). Officers make contributions of between 10.1% and 12.5% of pensionable pay. The employees' contribution is set nationally by the Home Office and is subject to triennial revaluation. A Pension Fund was set up on 1 April 2006 to administer both schemes.

The NPPS and PPS are defined benefit schemes paid from revenue (without managed pension assets). 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 yield on an index of long-dated AA-rated corporate bonds as at 31 March 2012. The pension liabilities in these Accounts have been calculated accordingly at a discount rate of 4.8%.

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 6 components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated to the Group Comprehensive Income and Expenditure Statement to the services for which the police officers worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Policing Services in the Group Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Group Comprehensive Income and Expenditure Statement;
- Gains/losses on settlements and curtailments – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Net Cost of Policing Services in the Group Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Actuarial gains and losses – changes in the net 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 to the Pensions Reserve;
- 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.

As a result of a change in accounting policy in 2012/13, the net liability for both 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 both Police Pension Schemes.

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

Police staff

The Group joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme which operates five different sub schemes but only one is open to new staff joining MOPAC/CPM called the Nuvos 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.

1.8 Intangible assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Group (e.g. software licences) are capitalised where it will bring benefits to the Group for more than one financial year. The balance is amortised to the CIES over the economic life of the investment to reflect the pattern of consumption of benefits. The de-minimus level policy is to capitalise all expenditure over £5,000 on an individual asset basis, and projects (or grouped assets) with a total value in excess of £5,000.

1.9 Property, plant and equipment

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

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

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are carried in the Balance Sheet using the following measurement bases:

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

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

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

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

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

Disposals: When an asset is disposed of, sale proceeds over £10,000 are transferred to the Usable Capital Receipts Reserve and the gain or loss on disposal is shown in the CIES.

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

Principal asset categories and their useful economic lives

	Category	Years
Land and buildings	Land	Not depreciated.
	Buildings - operational - residential	10 – 50 years 50 years.
Vehicles, 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
	Air Support Unit – helicopters and equipment	15 years
Intangible assets	Software licences.	3 years
Non operational assets	Assets under construction	Not depreciated until operational.
	Assets held for sale	Not depreciated
	Investment properties	Not depreciated

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

1.10 Charges to revenue for property, plant and equipment

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

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

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

1.11 Heritage assets

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

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

1.12 Non-current assets held for sale

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

1.13 Investment properties

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

1.14 Leases

All leases are evaluated at inception in accordance with IAS 17 ‘Leases’, to determine whether they are a finance lease or an operating lease. Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease is for land and buildings, the land and building components are separated. The land element is usually treated as an operating lease, unless it is for 125 years or more, in which instance the land is deemed to be a finance lease. 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.

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

The Group as lessor
There are a number of short-term operating leases for property where the Group acts as lessor. There are no finance leases where the Group is a lessor.

1.15 Value Added Tax (VAT)

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

1.16 Financial liabilities

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

1.17 Financial assets

Financial assets held by MOPAC comprise loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and carried at their amortised cost. Interest and other income received is based on the capital value of the investment multiplied by the rate of interest. For most of the loans that 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.

1.18 Contingent assets and liabilities

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

1.19 Inventories

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

1.20 Private Finance Initiative

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.

1.21 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.

1.22 Events after the balance sheet date

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

1.23 Overhead costs

In line with the Service Reporting Code of Practice (SeRCOP) and the Police Objective Analysis, the costs of support services are fully allocated to services in the Group CIES. 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 2012/13. Support service costs identified as CDC costs and Non Distributed Costs are not charged to services but are shown separately in the CIES (Note 6).

1.24 Carbon reduction commitment

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

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

1.25 Bad debt

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

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

There are no accounting standards that have been issued but not yet adopted, however there have been a number of amendments to existing IFRS:

- IAS 1 Presentation of Financial Statements amendment requires some minor amendments to the presentation of the Accounts particularly following the amendments made in IAS 19 Employee benefits (see below);

- IAS 19 Employee benefits was amended to provide further information about various details of the Police Pension Funds including a revision to the components of defined benefit costs, changes in the definitions of some of those components and sub-components and changes in the approach to disclosures. There are also disclosure amendments to schemes which are defined benefit schemes but accounted for as defined contribution plans. The Police Pension Scheme’s actuaries will be notified of the revision to the IAS 19 Standard to enable the 2013/14 Accounts to reflect any required changes;

- IFRS 7 Financial Instruments amendments consist of offsetting financial assets and liabilities. The Group does not expect to have any such financial instruments so there will be no impact of these amendments;

- IFRS 13 aims to provide a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across the International Accounting Standards. The application of this standard does not affect the values quoted on the Balance Sheet and it is understood that fair values of assets and liabilities will be considered in detail in the development of the 2014/15 (deferred) Code.

3. Significant estimates and judgements

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

Estimates

- Establishing the valuations of operational and residential properties (see Notes 18 and 18.1 for details of amounts and valuation process involved). Depreciation is calculated based on the asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year;

- In respect of police staff when estimates are required, the calculation of unused holidays is based on a sample of staff and average cost of each grade of staff. 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 5 in more detail;

- The provision for compensation payments to third parties and (ex)staff in Note 28 is determined by applying historic experience of past claims and professional advice to determine the probable outflow of economic benefits in respect of existing claims;

- Following the publication of CIPFA guidance (LAAP 82), an estimate is made in the Statement of Accounts in regards to a deposit made in 2008 with an Icelandic Bank which subsequently went into administration. A decision has been made by the Icelandic courts which enabled the administrators to determine the amount to be repaid to MOPAC. However as the realisation of the underlying assets of the Icelandic Bank will take some time, it is not known when MOPAC will receive final settlement of the debt;

Judgements

- The costs of providing pension benefits to police officers, requires estimates regarding future cash flows that will arise to meet the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the MOPAC CFO as advised by the scheme actuaries. The financial assumptions used by the actuaries are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population;

- A judgment 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. The basis adopted for this allocation was determined by the Group in accordance with the standard set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the Police Reform and Social Responsibility Act and Home Office guidance. More details included in Note 5;

- There may be additional costs in relation to the Riot (Damages) Act 1886 arising from the public disturbances in London in August 2011. Under the Act MOPAC is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City). The Home Office has agreed to reimburse MOPAC with the cost of claims from persons who were uninsured, and other government assistance may be agreed in respect of claims from insurers.

  Mitsui Sumitomo Insurance Co (Europe) Ltd and Tokio Marine Europe Insurance Ltd, who are insurers of Sony Corporation, and Cresta's insurers RSA have commenced proceedings against MOPAC for alleged damages under the Riot Damages Act 1886. The material damage claims (buildings, contents and stock) are in the region of £64m and therefore significant, and include £16.4m which relates to consequential losses.

  The recent judgement in the High Court found in favour of the claimant's insurers, that the cause of the damage leading to specific claims in Enfield, fell under the definition of the Riot (Damages) Act. The High Court did however agree with MOPAC that consequential loss was not covered by the Riot (Damages) Act. The estimated cost for these cases has not been recognised in our Accounts, as both MOPAC and the claimants have been afforded leave to appeal against these judgments, rather the claims are disclosed as contingent liabilities in Note 35. Furthermore in the event that the claims are ultimately upheld by the Court we are still operating on the assurances given by HM Government that all legitimate claims will be 100% grant funded.

- 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 IAS19 Retirement Benefits. The costs and liability relating to police pensions are recognised in the CPM Accounts in the first instance because the police officers to whom they relate 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, thereby neutralising the impact of police pensions on the CPM Balance Sheet. The intra-group adjustments are removed from consolidation to show only the IAS19 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 IAS19.

  This judgment 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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future or assumptions that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because these balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The Code for 2011/12 introduced a disclosure requirement for assumptions made about the future and other major sources of estimation uncertainty for which there is a significant risk of 'material' adjustment. At the date of publication of the Accounts Note 3 lists out the accounting estimates we consider significant to the preparation of the Accounts. There is only one assumption about the future for which there is a significant risk of 'material' adjustment. This involves the police pension liability - the discount rates used to calculate the pension liabilities are estimates, any changes in which could impact on the total liability of the police pension funds, see Note 13 for more details of the impact of discount rate changes.

5. The relationship between the Mayor's Office for Policing And Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM) for accounting purposes.

5.1 Introduction

Following the Police Reform and Social Responsibility Act 2011 (The Act), the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two corporations sole, the Mayor's Office for Policing And Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). It is the Government's intention that the reforms under the Act will be phased over a period of several years. These financial statements for 2012/13 show the financial positions of the MOPAC and MOPAC Group together with comparative figures for the first year in which they operated following their creation on 16 January 2012.

5.2 Accounting principles

The accounting recognition of assets, liabilities and reserves in 2012/13, 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 2012. 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 Delegation), local agreement and practice. On 16 January 2012 the assets, liabilities and reserves of the MPA were transferred directly to MOPAC and during 2012/13 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. Employment contracts for all police staff were transferred from the MPA to MOPAC on 16 January 2012 including those under the direction of the CPM whose costs for accounting purposes are recognised in the CPM Accounts and those under the direct control of MOPAC whose costs are recognised in the MOPAC CIES.

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 ISAB 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.

This year the MOPAC Group has adopted a new accounting treatment and has recognised police pension costs 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 prior year Accounts for Group, MOPAC and CPM have been restated to reflect this change in accounting policy. The same accounting treatment has been adopted this year in respect of 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 2012/13. 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 2012/13 £million	MOPAC	CPM	Group
IAS19 pension costs within net cost of services	0	686	686
Accumulated absences	0	27	27
Other costs within net cost of services	0	2,082	2,082
Intra-group adjustment (MOPAC funding)	2,795	(2,795)	0
Pension interest cost	0	907	907
Intra-group adjustment (MOPAC funding)	907	(907)	0
Actuarial losses on police fund	0	2,313	2,313
Intra-group adjustment (MOPAC funding)	2,313	(2,313)	0
Total transactions for the year	**6,015**	**0**	**6,015**

Intra-group - total transactions for 2011/12 £million	MOPAC	CPM	Group
IAS19 pension costs within net cost of services	0	808	808
Accumulated absences	0	11	11
Other costs within net cost of services	0	1,985	1,985
Intra-group adjustment (MOPAC funding)	2,804	(2,804)	0
Pension interest cost	0	980	980
Intra-group adjustment (MOPAC funding)	980	(980)	0
Actuarial losses on police fund	0	98	98
Intra-group adjustment (MOPAC funding)	98	(98)	0
Total transactions for the year	**3,882**	**0**	**3,882**

Accounting entries reflected in the respective Balance Sheet at year end.

Intra-group - total transactions for 2012/13 £million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	22,246	0
CPM - Short term Intra-group Debtor	0	115	0
CPM - Police Officer pension liability	0	(22,246)	(22,246)
CPM - Provision - accumulated absences	0	(115)	(115)
MOPAC - Long term Intra-group Creditor	(22,246)	0	0
MOPAC - Short term Intra-group Creditor	(115)	0	0
MOPAC - Unusable Reserves	22,246	0	22,246
MOPAC - Unusable Reserves	115	0	115

Intra-group - total transactions for 2011/12 £million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	18,906	0
CPM - Short term Intra-group Debtor	0	88	0
CPM - Police Officer pension liability	0	(18,906)	(18,906)
CPM - Provision - accumulated absences	0	(88)	(88)
MOPAC - Long term Intra-group Creditor	(18,906)	0	0
MOPAC - Short term Intra-group Creditor	(88)	0	0
MOPAC - Unusable Reserves	18,906	0	18,906
MOPAC - Unusable Reserves	88	0	88

The 2012/13 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 Comprehensive Income and Expenditure Statement (CIES), Total Comprehensive Income and Expenditure is nil for 2012/13 as the 'resources consumed at the request of the CPM' are completely offset by the intra-group adjustment.

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

6.1 Service expenditure analysis

The statement (below) shows the cost in year of providing services for the Group as shown on the Group CIES. The costs have also been split between the Commissioner of Police of the Metropolis (CPM) and 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. 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. The costs are also categorised between the various policing activities as per the Service Reporting Code of Practice (SeRCOP).

For 2012/13 police forces have used nine SeRCOP divisions of service under which expenditure/resources should be analysed, as part of the Net Cost of Policing Services. These figures include an overhead allocation on a consistent basis with other headings in the statement. The divisions of service (and the activities which fall within these headings) are listed below;

The SeRCOP divisions of service

Local policing
- Neighbourhood policing
- Incident (response) management
- Specialist community liaison
- Local command team and support overheads

Dealing with the public
- Local call centres/front desk
- Central communications unit
- Contact management units
- Dealing with the public command team and support overheads

Criminal justice arrangements
- Custody
- Criminal justice
- Police National Computer (PNC)
- Criminal Records Bureau (CRB)
- Coroner assistance
- Fixed penalty scheme (central ticket office)
- Property officer/stores
- Criminal justice arrangements command team and support overheads

Roads policing
- Traffic units
- Traffic wardens/police community support officers -traffic
- Vehicle recovery
- Casualty reduction partnership
- Road policing command team and support overheads

Specialist operations
- Central operations command team and support overheads
- Air operations
- Mounted police
- Specialist terrain
- Dogs section
- Level 1 advanced public order
- Airport and ports policing unit
- Firearms unit
- Civil contingencies and planning

Intelligence
- Central intelligence command team and support overheads
- Intelligence analysis/threat assessments
- Intelligence gathering

Investigation
- Crime support command team and support overheads
- Major investigation unit
- Economic crime (including regional asset recovery team)
- Specialist investigation units
- Serious and organised crime unit
- Public protection
- Local investigation/prisoner processing

Investigative support
- Scenes of crime officers
- External forensic costs
- Fingerprint/internal forensic costs
- Photographic image recovery
- Other forensic services

- Investigative support command team and support overheads

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

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

This year there is a separate heading to reflect the functions exercised by the Deputy Mayor for Policing And Crime relating to community safety and crime prevention, conferred under the Police Reform and Social Responsibility Act 2011.

6.2 National Policing And international and capital city functions

The Group performs a range of national and international/capital city functions. The relevant grant from central government for both activities amounted to £539.4 million. The CIPFA SeRCOP provides a separate category in the Service Expenditure Analysis (above) for national policing to assist comparisons between forces. The definition of national policing differs from that traditionally used by the Group for grant purposes. The SeRCOP figures include IFRS accounting adjustments for instance for impairment, depreciation and pension liabilities and incorporates some expenditure and income which is otherwise netted off for grant purposes. The SeRCOP figures exclude some costs and grant income in relation to international and capital city functions such as:
- Support of policing activities that cross national and international borders;
- Activities undertaken outside the Metropolitan Police District;
- Support to other national government agencies;
- Responding to London being the national focus for celebration, demonstration, national history, tourism and culture, entertainment and financial activities.

6.3 Corporate and democratic core

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

6.4 Non-distributed costs

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

6.5 Net subjective expenditure for MOPAC and the MOPAC Group

In the table below the operating income and expenditure for MOPAC and the MOPAC Group for the year ended 31 March 2013, is presented in a subjective analysis format. The subjective analysis format is used by management to make decisions about resource allocation in internal management reports. It differs from the analysis of income and expenditure on the face of the CIES as specified by the Service Reporting Code of Practice (SeRCOP), which is by policing activity.

£000	MOPAC 2012/13	CPM 2012/13	Group 2012/13	Group 2011/12
Expenditure				
Employee costs				
Police officer salaries	0	1,660,493	1,660,493	1,722,174
Police staff wages and salaries	5,512	615,886	621,398	656,302
Employee related expenditure	83	8,473	8,556	7,062
Net police officer pensions	0	443,572	443,572	317,968
Net police staff pensions	1,988	144,466	146,454	159,474
Premises-related	820	213,114	213,934	210,792
Transport-related	16	89,701	89,717	68,522
Supplies and services	26,925	374,809	401,734	382,699
Charges for capital	27,921	192,733	220,654	187,081
Total gross expenditure	**63,265**	**3,743,247**	**3,806,512**	**3,712,074**
Funded by				
Fees and charges	(653)	(180,880)	(181,533)	(171,389)
Other income	(395)	(109,829)	(110,224)	(125,884)
Specific grants (note 17)	(21,355)	(656,976)	(678,331)	(579,137)
Total income	**(22,403)**	**(947,685)**	**(970,088)**	**(876,410)**
Intra group adjustment *	2,795,562	(2,795,562)	0	0
Net cost of policing services	**2,836,424**	**0**	**2,836,424**	**2,835,664**

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

The subjective analysis statement in the table above has been split between the Commissioner of Police of the Metropolis (CPM) and MOPAC to separately identify the financial resources of MOPAC consumed at the request of the CPM for the year ended 31 March 2013, from those net costs exclusively incurred by the Mayor's office.

7. Segmental reporting

Decisions about resource allocation within the Group are made using internal management reports which show net expenditure on a segmental basis. The segmental analysis is prepared using internal management reporting methodologies which in some cases are different from the accounting policies in the financial statements. In particular, interest, capital charges and movements on reserves are not included in the management reports. The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year. The following tables show the income and expenditure of the Group's principal business groups as recorded in group budget monitoring reports for the years 2012/13 and 2011/12. A second table (see Note 7.3) shows a reconciliation between the management accounts and the Statement of Accounts for those years.

7.1 Segmental note for group financial statements - Year ended 31 March 2013

£000	CPM Territorial Policing	Specialist Crime & Operations	Specialist Operations	Olympics Security Directorate	Deputy Commissioner's Portfolio	Directorate of Information	Resources Directorate	Human Resources Directorate	Centrally Held Budgets	MOPAC	GROUP
Fees, charges and other income	(123,098)	(39,586)	(71,785)	(1,034)	(22,020)	(4,153)	(32,563)	(17,307)	(23)	(1,129)	(312,698)
Specific grants	(119,923)	(41,650)	(256,463)	(99,281)	(3,127)	(14,582)	(14,653)	(1,866)	(98,219)	(21,334)	(671,098)
Total Income	**(243,021)**	**(81,236)**	**(328,248)**	**(100,315)**	**(25,147)**	**(18,735)**	**(47,216)**	**(19,173)**	**(98,242)**	**(22,463)**	**(983,796)**
Employee costs	1,451,895	585,896	299,841	55,358	84,504	38,598	85,293	39,708	46,548	8,422	2,696,063
Premises-related	1,501	1,829	3,209	3,481	(17)	2,948	189,934	109	11,331	820	215,145
Transport-related	3,266	7,966	14,048	25,926	362	230	35,768	234	(79)	17	87,738
Supplies and services	27,953	60,768	15,567	15,550	44,712	178,752	30,113	22,894	8,970	20,314	425,593
Capital charges	0	0	0	0	0	0	49,608	0	0	0	49,608
Discretionary pension costs	0	0	0	0	0	0	0	34,419	7,144	0	41,563
Total operating expenses	**1,484,615**	**656,459**	**332,665**	**100,315**	**129,561**	**220,528**	**390,716**	**97,364**	**73,914**	**29,573**	**3,515,710**
Cost of service	**1,241,594**	**575,223**	**4,417**	**0**	**104,414**	**201,793**	**343,500**	**78,191**	**(24,328)**	**7,110**	**2,531,914**

In 2012/13 Specialist Crime and Central Operations were merged and are now reported as Specialist Crime and Operations. The Directorate of Public Affairs is now reported as part of the Deputy Commissioner's Portfolio, and the Human Resources Directorate in 2011/12 was reported as part of the Resources Directorate.

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

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

7.3 Reconciliation of the cost of service per the segmental analysis to the cost of service in the Statement of Accounts

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

£000	2012/13	2011/12
Cost of service per management accounts	**2,531,914**	**2,730,000**
Amounts in the CIES not in the segmental note:		
• Depreciation	192,873	162,795
• Impairment	27,781	24,302
• Other	147,014	(14,188)
Amounts in the segmental note not in the CIES:		
• Minimum Revenue Contribution	(28,083)	(26,135)
• Revenue contribution to capital outlay	(15,851)	(24,413)
• Other	(19,224)	(16,698)
Cost of service per Statement of Accounts	**2,836,424**	**2,835,663**

Riot Damages Act income and expenditure is included in the cost of service in the management accounts but is excluded from the cost of service in the CIES.

Included in “other” are pension adjustments, accumulated absences and interest.

8. Police officers and police staff remuneration

8.1 Police and police staff numbers

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

Police officers and staff (numbers)	**2012/13**	**2012/13**	**2011/12**	**2011/12**
	Group	MOPAC	Group	MOPAC
Police officers	30,265	0	32,159	0
Police staff	13,264	102	13,634	111
Police Community Support Officers	2,647	0	2,801	0

The Group uses a number of volunteers for its policing activities. Metropolitan Special Constables (MSC) provide additional uniformed support to Boroughs and other Command Units in their work to implement the Commissioner's priorities, values, mission and behaviours. This will normally be through their work within a Safer Transport, Safer Neighbourhoods, Safer Schools or Safer Town Centre Team. They are expected to spend a minimum of 200 hours a year fulfilling the duties of police officers in line with their training and part time involvement. The number of these volunteers in the Group is 5,303 (5,752 in 2011/12). This includes a number of MSCs who are also police staff and were willing to volunteer their time in the service of the MPS and these numbered 563 (586 in 2011/12).

In addition there is a Metropolitan Volunteer Programme (MVP) which provides volunteers to support the Commissioner in making London safe. It was established in 2001 with the aim of increasing contact between local communities and the police, building upon Safer Neighborhoods to improve the service to the public. The number of MVP volunteers at the 31st March 2013 for the Group is 1,162 (1,543 in 2011/12).

Similarly there is a Metropolitan Police Volunteer Police Cadets (VPC) which is open to young people aged 14 to 19 years. Cadets are drawn from all parts of society including referrals from Child Protection and Youth Offending Teams. There are approximately 2,433 Volunteer Cadets (2,409 in 2011/12). Currently there are 46 VPC Units. All boroughs have at least one unit. The cadets often perform duties in support of local policing plan objectives. This is particularly so in relation to Safer Neighbourhood initiatives.

8.2 Police and police staff remuneration

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

Remuneration band £	2012/13		2011/12	
	Number of employees exc exit packages	Number of employees inc exit packages	Number of employees exc exit packages	Number of employees inc exit packages
50,000 - 54,999	5,241	5,245	5,810	5,862
55,000 - 59,999	2,601	2,616	2,788	2,864
60,000 - 64,999	1,832	1,874	2,036	2,115
65,000 - 69,999	687	715	689	744
70,000 - 74,999	299	325	288	335
75,000 - 79,999	169	211	188	226
80,000 - 84,999	130	153	138	171
85,000 - 89,999	90	141	91	117
90,000 - 94,999	40	60	53	69
95,000 - 99,999	20	38	18	27
100,000 - 104,999	10	25	6	16
105,000 - 109,999	8	27	8	16
110,000 - 114,999	7	14	11	24
115,000 - 119,999	5	40	7	13
120,000 - 124,999	3	11	2	9
125,000 -129,999	3	19	2	6
130,000 -134,999	0	10	1	5
135,000 -139,999	0	12	0	5
140,000 -144,999	0	10	2	6
145,000 - 149,999	3	10	4	10
150,000 - 154,999	0	10	0	1
155,000 - 159,999	0	6	0	0
160,000 - 164,999	1	2	0	2
165,000 - 169,999	0	1	0	1
170,000 - 174,999	0	1	0	0
175,000 - 179,999	0	1	0	1
180,000 - 184,999	0	7	0	1
185,000 - 189,999	0	7	0	0
190,000 - 194,999	0	2	0	2
195,000 - 199,999	0	3	0	1
200,000 - 204,999	0	2	0	4
205,000 - 209,999	0	1	0	1
210,000 - 214,999	0	1	0	2
215,000 - 219,999	0	0	0	0
220,000 - 224,999	0	1	0	0
225,000 - 229,999	0	0	0	1
230,000 - 234,999	0	4	0	0
235,000 - 239,999	0	0	0	1
240,000 - 259,999	0	0	0	0
260,000 - 264,999	0	0	1	1
265,000 - 269,999	0	0	0	0
270,000 - 274,999	0	0	0	1

275,000 - 284,999	0	0	0	0
285,000 - 289,999	0	0	0	1
290,000 - 309,999	0	0	0	0
310,000 - 314,999	0	2	0	0

The banding scale is based on all taxable remuneration, excluding pension costs, paid in the year rather than annual salary, and exit packages paid or accrued for in 2012/13. Taxable remuneration includes overtime, compensation for loss of office and may also include back dated pay awards, which relate to previous years but were actually paid in the year in question. The numbers in the table above exclude senior staff and relevant police officers as defined below in Note 8.3. In these particular cases, a more detailed analysis of remuneration for 2012/13 is shown on the following pages.

The Group faces significant financial challenges and must find considerable savings by 2014/15. To help achieve savings a significant reduction in staff posts is required and an early departure scheme is currently being operated to facilitate this, see table below:

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 - £20,000	2	6	253	209	255	215	3,452,341	3,123,425
£20,001 - £40,000	1	0	245	558	246	558	6,864,293	17,267,658
£40,001 - £60,000	0	0	203	259	203	259	10,177,805	12,675,360
£60,001 - £80,000	0	0	97	70	97	70	6,820,633	4,646,181
£80,001 - £100,000	0	0	55	28	55	28	4,914,486	2,493,116
£100,001 - £150,000	0	0	60	24	60	24	7,275,306	2,757,758
£150,001 - £250,000	0	0	25	12	25	12	4,380,105	2,050,566
£250,001 - £350,000	0	0	4	0	4	0	1,125,353	0
	3	6	942	1,160	945	1,166	45,010,322	45,014,064

The numbers in the table above exclude senior staff as defined below in Note 8.3. In these particular cases, compensation for loss of office is shown in Sections 8.4 - 8.7.

8.3 Relevant police officers and senior staff remuneration

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

8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2013

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Bonuses relates to previous year 2011/12 (£)	Compensation for loss of office (£)	Benefits in kind (£)	Total remuneration excluding pension contributions 2012/13 (£)	Pension contributions (£)	Total remuneration including pension contributions 2012/13 (£)
CPM									
Commissioner	B Hogan-Howe		271,374	0	0	9,899	281,273	0	281,273
Deputy Commissioner	C Mackey		227,163	0	0	3,770	230,933	52,514	283,447
Assistant Commissioner	C Allison		192,741	0	0	2,853	195,594	44,463	240,057
Assistant Commissioner	C Dick		192,741	0	0	2,342	195,083	51,874	246,957
Assistant Commissioner	M Rowley		195,082	0	0	4,571	199,653	44,463	244,116
Assistant Commissioner	S Byrne		195,082	0	0	11,712	206,794	29,642	236,436
Deputy Assistant Commissioner	S Akers	1	92,837	0	0	3,026	95,863	0	95,863
Deputy Assistant Commissioner	S Osborne		160,343	0	0	3,623	163,966	0	163,966
Deputy Assistant Commissioner	M De-Brunner		152,659	0	0	4,115	156,774	34,967	191,741
Director of Resources	A McMeel	2	9,766	0	0	2,209	11,975	0	11,975
Director of Resources	T Evans	3	80,000	0	0	2,270	82,270	19,440	101,710
Temp Director of Resource	N Rogers	4	133,116	0	0	2,342	135,458	32,347	167,805
Director of Information	A Beaton	5	193,756	0	167,230	3,140	364,126	33,388	397,514
Chief Medical Officer	E Cahill-Canning		167,137	0	0	0	167,137	40,614	207,751
MOPAC									
Chief Operating Officer	H Bailey	6	62,333	0	0	0	62,333	15,147	77,480

8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2013

Notes

1. S Akers retired on 31/10/12 with an annualised salary of £150,763

2. A McMeel resigned 9/4/12 with an annualised salary of £175,493

3. T Evans joined on 1/10/12 as Director of Resources with an annualised salary of £160,000

4. N Rogers was Temporary Director of Resources from 10/4/12 to 31/10/12 with an annualised salary of £151,401

5. A Beaton was seconded to the Home Office on 26/11/12 with the Director of Resources covering the post during the secondment. The total remuneration for A.Beaton in the table includes a contractual liability to pay compensation for loss of office in 2013/14

6. H Bailey joined on 15/11/12 with an annualised salary of £165,000

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

During 2012/13 no bonus payments were accepted by senior police officers and senior police staff in the above table.

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

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Bonuses relates to previous year 2010/11 (£)	Compensation for loss of office (£)	Benefits in kind (£)	Total remuneration excluding pension contributions 2011/12 (£)	Pension contributions (£)	Total remuneration including pension contributions 2011/12 (£)
Commissioner	P Stephenson	1	98,363	0	176,838	62	275,263	0	275,263
Commissioner	B Hogan-Howe	2	176,932	0	0	1,130	178,062	41,655	219,717
Deputy Commissioner	T Godwin	3	205,333	0	0	2,250	207,583	29,603	237,186
Deputy Commissioner	C Mackey	4	43,459	0	0	0	43,459	10,047	53,506
Assistant Commissioner	C Allison		192,741	0	0	1,007	193,748	44,463	238,211
Assistant Commissioner	C Dick	5	199,014	0	0	(1,731)	197,283	45,981	243,264
Assistant Commissioner	M Rowley	6	62,810	0	0	277	63,087	14,403	77,490
Assistant Commissioner	J Yates	7	120,493	0	86,382	2,526	209,401	27,843	237,244
Assistant Commissioner	L Owens	8	160,617	0	0	4,139	164,756	26,136	190,892
Assistant Commissioner	I McPherson	9	131,771	0	25,603	3,987	161,361	27,572	188,933
Assistant Commissioner	S Byrne	10	62,810	0	0	914	63,724	14,403	78,127
Deputy Assistant Commissioner	J Kaye	11	43,402	0	0	1,265	44,667	8,554	53,221
Deputy Assistant Commissioner	S Akers		151,554	0	0	1,856	153,410	22,812	176,222
Deputy Assistant Commissioner	S Osborne		168,477	0	0	2,724	171,201	30,447	201,648
Director of Resources	A McMeel		175,493	0	0	1,265	176,758	31,493	208,251
Director of Information	A Beaton		193,756	0	0	2,063	195,819	31,493	227,312
Director of Human Resources	M Tiplady	12	15,919	0	259,462	603	275,984	2,624	278,608
Chief Medical Officer	E Cahill-Canning		167,137	0	0	3,630	170,767	40,614	211,381

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

Notes

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

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

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

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

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

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

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

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

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

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

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

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

Additional information
Benefits in kind may include health care benefits and provision of a vehicle and driver to certain police ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes). Medical care may include screening which is paid bi-annually from the date of joining the scheme. The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and two Assistant Commissioners required in the effective execution of their duties.
During 2011/12 no bonus payments were accepted by senior police officers and senior police staff in the above table.

8.6 Senior staff where salary is between £50,000 to £150,000 per annum 2012/13

Post	Note	Salary inc fees and allowances (£)	Bonuses relate to previous year 2011/12 (£)	Benefits in kind £)	Compensation for loss of office (£)	Other payments (£)	Total remuneration (excl pension contributions) 2012/13 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2012/13 (£)
CPM									
Director of Media and Communication	1	73,050	0	0	0	0	73,050	17,751	90,801
Director of Media and Communication (Interim)	2	93,691	0	0	0	0	93,691	21,115	114,806
Director of Human Resources	3	67,500	0	0	0	0	67,500	16,402	83,902
MOPAC									
Deputy Mayor for Policing And Crime	4	5,786	0	0	0	0	5,786	0	5,786
Deputy Mayor for Policing And Crime	5	104,712	0	0	0	0	104,712	25,445	130,157
Chief Executive	6	47,453	0	0	137,925	0	185,378	11,531	196,909
Deputy Chief Executive	7	38,717	0	0	140,769	0	179,486	9,408	188,894
Chief Financial Officer	8	120,000	0	0	32,000	0	152,000	29,160	181,160
Director of Audit, Risk and Assurance		100,000	0	0	0	0	100,000	24,300	124,300

8.6 Senior staff where salary is between £50,000 to £150,000 per annum 2012/13

Notes

1. The Director of Media and Communications joined 10/9/12 with an annualised salary of £130,835

2. The Interim Director of Media and Communications covered the post from 10/4/12 to 13/9/12 with an annualised salary of £106,191

3. The Director of Human Resources joined on 1/10/12 with an annualised salary of £135,000. Prior to the appointment the post was covered by the Temporary Director of Resources.

4. Deputy Mayor for Policing And Crime covered the post from 1/4/12 to 6/5/12 with an annualised salary of £58,821

5. Deputy Mayor for Policing And Crime joined 6/6/12 with an annualised salary of £127,786

6. Chief Executive retired 31/7/12 with an annualised salary of £142,359

7. Deputy Chief Executive retired 31/7/12 with an annualised salary of £116,150

8. The total remuneration for the Chief Financial Officer in the table includes a contractual liability to pay compensation for loss of office in 2013/14

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

Post	Note	Salary inc fees and allowances £	Bonuses relate to previous year 2010/11 £	Benefits in kind £	Compensation for loss of office £	Other payments £	Total renumeration (excl pension contributions) 2011/12 £	Employers pension contribution £	Total remuneration incl pension contributions 2011/12 £
<u>CPM</u>									
Director of Public Affairs	1	143,831	0	1,645	50,503	0	195,979	31,493	227,472
<u>MOPAC</u>									
Deputy Mayor for Policing And Crime	2	12,214	0	0	0	0	12,214	0	12,214
Chief Executive		142,360	0	0	0	0	142,360	34,593	176,953
Deputy Chief Executive		116,150	0	1,529	0	0	117,679	28,224	145,903
Treasurer/Chief Finance Officer		120,000	0	0	0	0	120,000	29,160	149,160
Director of Audit, Risk and Assurance		100,000	0	0	0	0	100,000	24,300	124,300

Notes

1. Director of Public Affairs resigned on 31/3/12
2. The role of Deputy Mayor for Policing And Crime came into effect from 16/1/12 with an annualised salary of £58,821

Benefits in kind represent health care benefits.

9 Related party transactions

IAS 24 (Related Party transactions) requires the Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Group or to be controlled or influenced by key individuals of the Group including the Mayor and Deputy Mayor, the Commissioner and members of the MOPAC Senior Management Team and MPS Management Board. Disclosure of these transactions allows readers to assess the extent to which the Group might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Group. This disclosure note has been prepared on the basis of specific declarations obtained in April 2013, 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 dependant 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 5.

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 6.5. Other significant grants and payments are:

£000 Income (Net)	2012/13 Income	2012/13 Debtor	2011/12 Income	2011/12 Debtor
UK Border Agency	323	0	547	43
Special Service Agreements	65,804	5,455	58,551	3,092
National Identification Service	479	0	506	364
City of London Police	240	40	240	66
Serious Organised Crime Agency	53	0	103	1
Seconded Officers	11,591	670	8,519	49

£000 Expenditure	2012/13 Expenditure	2012/13 Creditor	2011/12 Expenditure	2011/12 Creditor
Forensic Science Service	0	0	20,216	0

The Forensic Science Service was a government owned company whose closure was announced in 2010 and was formally closed on 31 March 2012.

Greater London Authority

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

The London Assembly approves MOPAC's budget for the police and sets the precept for the GLA. In addition Section 32 of the Police Reform and Social Responsibility Act 2011 requires the GLA London Assembly to establish a committee called the 'Police and Crime Committee' to exercise functions in relation to scrutiny of MOPAC. The Committee's responsibilities include reviewing the draft Police and Crime Plan and scrutiny of particular decisions made or actions taken by MOPAC in the discharge of its responsibilities. Monies received from the GLA in the form of grants and precepts are disclosed in Note 16.

The net receipts from Transport for London are:

£000 Income (Net)	2012/13 Income	2012/13 Debtor	2011/12 Income	2011/12 Debtor
Transport for London	91,664	16,131	82,724	17,016

Other bodies

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

£000 Income (Net)	2012/13 Income	2012/13 Debtor	2011/12 Income	2011/12 Debtor
ACPO TAM	42,600	6,822	37,945	10,566

The Group is represented at both Cabinet and Director levels in the Association of Chief Police Officers (ACPO) which is an independent professional body of chief police officers and senior staff equivalents. Any work performed for ACPO by individuals is on top of their normal duties and does not attract any additional remuneration. During 2012/13 the Group provided grants totaling £668k to ACPO.

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

The Group provided £528,000 to the Safer London Foundation in the year ended 31 March 2013. Sir B Hogan-Howe, Commissioner, is the president. T Godwin (former Deputy Commissioner) is on the Board of Trustees.

The Group provided £240,000 to the Local Safeguarding Children Board in the year ended 31 March 2013. Commanders S.Rodhouse and G.McNulty are both Members of the Board.

10. Auditors' remuneration

The audit fee payable to Grant Thornton UK LLP during the year totalled £349,000 (£527,000 payable to the Audit Commission in 2011/12) for the Group, while the portion relating to MOPAC is £189,000 and the portion relating to CPM is £160,000 (£286,000 for MOPAC in 2011/12, 241,000 for CPM).

11. Specific operational activities - partnerships

The Group is involved in numerous partnership agreements where it receives funding in return for specific operational activities. The value of this funding in 2012/13 amounted to £7.2 million (£6.9 million in 2011/12).

12. Interest payable and similar charges

Interest paid in 2012/13 and 2011/12 is made up as follows:

£000	2012/13	2011/12
PWLB loans	8,880	7,699
PFI and finance lease	12,554	12,830
Landsbanki impairment adjustment	(874)	(3,017)
Other interest cost	28	36
Total	**20,588**	**17,548**

13. Pension costs

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

13.1 Police officers

There are two pension schemes for police officers, the 2006 new Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS); both of which are unfunded, defined benefit schemes. An unfunded, defined benefit scheme has no investment assets to meet its pension liability and must generate cash to meet the actual pension payments as they fall due. These benefits payable are funded by contributions from employers and police officers and as a rule any shortfall is met by a top up grant from the Home Office, as was the case in 2012/13. The Commissioner is the administering body under the Police Reform and Social Responsibility Act 2011 and further details of the schemes can be found in the CPM Accounts under the heading 'Police Officer Pension Fund Accounts'.

Income and expenditure

The Group pays employer contributions at a rate of 24.2% of pensionable salary into the Fund. The following transactions have been made in the Group CIES and the General Fund Balance via the Group Movement in Reserves Statement during the year. These costs are recognised in the CPM Accounts in the first instance as described more fully in Note 3:

£000	2012/13	2011/12
Current service cost	559,000	549,500
Past service cost	2,200	1,100
Past service cost (treated as an exceptional item - see note A below)	0	286,900
Transfers in/(out)	4,100	0
Interest cost	906,600	979,800
Actuarial loss/(gain) - excluding injury pensions	2,313,400	98,300
Actuarial loss/(gain) - injury pensions	120,900	(29,400)
Total charges to expenditure	**3,906,200**	**1,886,200**

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

- Current/past service costs, past service gains and the actuarial loss/(gain) have been produced by actuaries.
- 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 both funds).

Police officers contributions to the schemes amounted to £138.8 million in the year ended 31 March 2013. In the year ended 31 March 2013, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £539.9 million.

In the year to 31 March 2013 the net costs of pensions and other benefits amounted to £567.9 million, representing 46.9% 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 2013 that have been included in the Balance Sheet:

£ million	2012/13	2011/12
Officer members	(11,213)	(8,703)
Deferred pensioners	(635)	(523)
Pensioners	(9,239)	(8,694)
Injury pensions	(1,159)	(986)
Total value of scheme liabilities	**(22,246)**	**(18,906)**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2013. The movement in the present value of the scheme liabilities for the year to 31 March 2013 can be reconciled as follows:

£ million	Excluding injury benefits 2012/13	Excluding injury benefits 2011/12	Injury benefits only 2012/13	Injury benefits only 2011/12
Scheme liabilities at 1 April	**(17,920)**	**(16,601)**	**(986)**	**(943)**
Movement in year:				
Current service cost including Home Office contribution.	(526)	(517)	(33)	(32)
Officer contributions	(140)	(130)	0	0
Benefits paid	677	628	0	0
Injury award expenditure	0	0	28	26
Transfers from / to other authorities	(4)	0	0	0
Past service gain (see **note 1** below)	0	(274)	0	(13)
Past service cost (injury benefits)	(2)	(1)	0	0
Interest cost on pension liabilities.	(860)	(927)	(46)	(53)
Actuarial gain / (loss)	(2,313)	(98)	(121)	29

Scheme liabilities at 31 March	(21,088)	(17,920)	(1,158)	(986)

Actuarial assumptions

The value of the liabilities for IAS19 purposes is heavily 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 depend on how long they are assumed to be in-payment. The disclosures have been prepared using the Actuarial Profession's Continuous Mortality Investigation Board (CMIB) 'year of birth' tables with the medium cohort improvements and a 1% p.a. minimum improvement applied from 2010. These are consistent with those adopted for the last full valuation.

The principal actuarial assumptions used in their calculations are:

Assumptions	2012/13	2011/12
Rate of inflation	3.6%	3.3%
Rate of increase of salary (note i)	3.8%	3.5%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities (note ii)	4.5%	4.8%

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

Mortality
Life expectancy is based on actuarial tables with medium cohort improvements and a minimum improvement of 1% per annum from 2010.The actuarial mortality rate assumptions used in their calculations are:

Mortality rate	Males 2012/13	Males 2011/12	Females 2012/13	Females 2011/12
Current pensioners	28.1 years	27.9 years	31.0 years	30.8 years
Future pensioners*	29.7 years	29.5 years	32.5 years	32.3 years

*Future pensioners are assumed to be aged 45 in 2012.

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

£000	2012/13	2011/12	2010/11	2009/10	2008/09
Actuarial gain/(losses)	(2,434)	(69)	1,355	(6,400)	1,005
Cumulative actuarial gains/(losses)	(6,127)	(3,693)	(3,624)	(4,976)	1,424

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

£million	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of defined benefits obligation	(22,246)	(18,906)	(17,544)	(19,909)	(12,598)
Surplus/(deficit)	(22,246)	(18,906)	(17,544)	(19,909)	(12,598)
Experience gains/(losses) on liabilities	8	694	248	(242)	420
Experience gains/(losses) as % of Liabilities	0.04%	3.7%	1.4%	(1.2%)	3.3%

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

£ million	2012/13	2011/12
Projected current service cost	666	563
Interest on obligation	1,003	904
Total	**1,669**	**1,467**

Sensitivity analysis

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

Financial assumptions	Approximate % increase to employer liability		Approximate monetary amount (£000)	
	2012/13	2011/12	2012/13	2011/12
0.5% decrease in real discount rate	10%	10%	2,237,500	1,765,000
1 year increase in member life expectancy	3%	3%	667,300	567,200
0.5% increase in the salary increase rate	2%	2%	435,900	333,300
0.5% increase in the pension increase rate (CPI)	9%	8%	1,859,400	1,473,700

13.2 Police staff

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme (see accounting policies note 1.7 for details of membership). The Group is unable to identify its share of the underlying assets and liabilities with the result that under IAS19 the scheme is accounted for as a defined contribution scheme with the cost of pension contributions in to 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 2013 can be found in the Resource Accounts of the Cabinet Office, who administer the fund. For the year ended 31 March 2013, employer's contributions of £102.0 million were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 percent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme. In the year to 31 March 2013, the net cost of pensions amounted to £146.5 million, representing 27.2% of pensionable pay.

14. Interest and investment income

Interest and investment income for the year consisted of interest on short term deposits and call accounts:

£000	2012/13	2011/12
Interest on investment income	(1,155)	(812)
Other interest	(12)	(5)
Total	**(1,167)**	**(817)**

15. Other operating expenditure

15.1 Gains and losses on disposal of non current assets

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

	2012/13			2011/12		
£000	Property	Vehicles	Total	Property	Vehicles	Total
Losses	4,936	2,272	7,208	5,546	0	5,546
Gains	(11,786)	(185)	(11,971)	(7,807)	(46)	(7,853)
Net gain	**(6,850)**	**2,087**	**(4,763)**	**(2,261)**	**(46)**	**(2,307)**

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

15.2 Riot Damages Act claims settlements

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

16. Non specific grant income

16.1 S102 Greater London Authority Act 1999 Grant

The Greater London Authority precepts London Boroughs for Council Tax and receives Revenue Support Grant and National Non-Domestic Rates directly from central government. The GLA provides funding to the Group in the form of instalments through a Section 102 Grant. The central funding allocated and the police precept for the year ended 31 March 2013 was:

£000	2012/13	2011/12
Revenue Support Grant	(16,250)	(211,997)
National Non-Domestic Rates	(838,294)	(685,847)
Police precept	(695,057)	(687,420)
Total	**(1,549,601)**	**(1,585,264)**

16.2. Other grants

Other revenue grants received during the year ended 31 March 2013 were:

£000	2012/13	2011/12
Police Revenue Grant (including amendment grants)	(1,051,608)	(1,127,736)
Total	**(1,051,608)**	**(1,127,736)**

16.3. 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.

17. Specific Grants

MOPAC received the following grants for specific operational activities:

£000	2012/13	2011/12
ACPO grant	(42,600)	(37,945)
Home Office - Counter Terrorism	(199,210)	(192,324)
Home Office - Olympic 2012	(99,427)	(37,037)
Home Office - Neighbourhood Policing	(101,270)	(103,403)
Home Office - Other	(223,239)	(194,773)
Miscellaneous grants	(12,585)	(13,653)
Total	**(678,331)**	**(579,135)**

18. Group and MOPAC non current assets at 31 March 2013

£000	Property	Plant and equipment	Sub total	Heritage assets	Investment properties	Intangible assets	Assets under construction	Total
Cost or valuation at 1 April 2012	**1,600,564**	**819,878**	**2,420,442**	**1,319**	**62,676**	**34,966**	**116,590**	**2,635,993**
Transfers - (reclassification)	31,642	42,338	73,980	0	20	828	(74,828)	**0**
Transfer assets held for sale	23,532	0	23,532	0	(2,117)	0	0	**21,415**
Additions	24,396	41,459	65,855	0	278	791	112,057	**178,981**
Other additions	0	162	162	0	0	0	61	**223**
Disposals	(24,089)	(21,533)	(45,622)	0	(1,424)	(73)	(15)	**(47,134)**
Impairment	0	0	0	0	0	0	(98)	**(98)**
Revaluation movements through CIES	(27,674)	0	(27,674)	0	3,660	0	0	**(24,014)**
Revaluation movements in reserves	(18,961)	0	(18,961)	0	0	0	0	**(18,961)**
Cost or valuation at 31 March 2013	**1,609,410**	**882,304**	**2,491,714**	**1,319**	**63,093**	**36,512**	**153,767**	**2,746,405**
Depreciation at 1 April 2012	**(90,175)**	**(552,427)**	**(642,602)**	**(11)**	**(5,584)**	**(26,512)**	**0**	**(674,709)**
Depreciation/amortisation for the year	(58,272)	(129,740)	(188,012)	0	0	(4,861)	0	**(192,873)**
Redundant depreciation	40,796	0	40,796	0	0	0	0	**40,796**
Depreciation on assets sold	(1,662)	18,038	16,376	0	(203)	24	0	**16,197**
Depreciation on transferred assets	(22)	0	(22)	0	34	1	0	**13**
Depreciation at 31 March 2013	**(109,335)**	**(664,129)**	**(773,464)**	**(11)**	**(5,753)**	**(31,348)**	**0**	**(810,576)**
Net Book Value at 31 March 2013	**1,500,075**	**218,175**	**1,718,250**	**1,308**	**57,340**	**5,164**	**153,767**	**1,935,829**
Net Book Value at 31 March 2012	**1,510,389**	**267,451**	**1,777,840**	**1,308**	**57,092**	**8,454**	**116,590**	**1,961,284**

The Group's property portfolio which is located throughout London's 32 boroughs includes 131 (139 in 2011/12) police stations, 269 (335 in 2011/12 residential properties, 220 (247 in 2011/12) investment properties and 362 (400 in 2011/12) other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. The Group also operates 5,371 (5,936 in 2011/12) patrol cars, motorbikes and other vehicles, 30 (33 in 2011/12) boats including inflatables and dinghies and 3 (3 in 2011/12) helicopters.

18. Group and MOPAC non current assets at 31 March 2012

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

18.1 Basis of valuation

The operational property portfolio was revalued as at 30 September 2012 as part of the revaluation programme. For the revaluation programme 20% of the assets are physically inspected as well as the top 20 properties by value whilst 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by G. L. Hearn Ltd (member of the Royal Institute of Chartered Surveyors) ensuring that all operational land and buildings within the estate are subject to inspection and revaluation at least once every five years. The residential and investment portfolios were revalued as at 30 September 2012 as a part of the revaluation programme. For the revaluation programme 20% of the assets are physically inspected whilst 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by Drivers Jonas Deloitte (member of the Royal Institute of Chartered Surveyors) ensuring that all of the residential and investment properties are subject to inspection and revaluation at least once every five years.

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 2013.

Short life assets such as vehicles, helicopters, 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 £74.8 million were made for those assets under construction, which were completed and became operating assets.

18.2 Redundant depreciation

The redundant depreciation figure totalling £40.8 million, shown in table 18, is an offset to amounts arising from the new valuation for property, which gives a more accurate figure for the value of land and buildings. The balances for accumulated depreciation for these buildings become redundant and should not be carried forward in the Balance Sheet, but are offset against the Revaluation Reserve.

18.3 Impairment

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

18.4 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.

	2012/13	2011/12
	£000	£000
Opening Capital Financing Requirement	**597,798**	**561,654**
Capital Investment		
Land and buildings	96,344	80,361
Plant and equipment	80,551	110,559
Intangible assets	2,089	1,988
Sources of finance		
Capital receipts	(45,000)	(41,026)
Government grants and other contributions	(66,693)	(69,599)
Sums set aside from revenue:		
Direct revenue contributions	(15,851)	(24,413)
Minimum Revenue Provision *	(24,806)	(21,726)
Closing Capital Financing Requirement	**624,432**	**597,798**

There was a decrease in the underlying need to borrow (supported by government financial assistance of £337.5 million (£351.6 million in 2011/12)) and there was an increase in the underlying need to borrow (unsupported by government financial assistance) of £286.9 million (£246.2 million in 2011/12). This CFR calculation only deals with the underlying borrowing requirement associated with the financing of the capital programme.

*No additions have been included in respect of long term liabilities for PFI arrangements and operating leases which are now classified as finance leases under IFRS.

In carrying out its duties under Part 1 of the Local Government Act 2003 the Group is required to have regard to the Prudential Code. The Code was developed by CIPFA as a professional code of practice to support local authorities in taking decisions for capital investment in fixed assets. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The Authorised Limit for the year ended 31 March 2013 was £677.9 million. The Operational Boundary was £552.9 million. All Prudential Code indicators are approved by MOPAC prior to the start of the financial year as required by statute and are monitored on a monthly basis throughout the financial year.

18.5 PFI assets

These assets form part of the Property category within Note 18 above. There are two PFI contracts which together constitute the Group's PFI assets. One is for the provision of a firearms training facility and public order training facility, including the provision of all necessary structures, accommodation, support services and equipment. The Agreement is for a period of 25 years commencing January 2003 and includes for a price review of defined services every 5 years, either by market testing or by benchmarking. The Agreement also includes provisions for step in and termination in defined circumstances. The costs of asset replacement and both planned and unplanned maintenance are borne by the Contractor. At the end of the 25 year period the facility will be handed to the Group with the obligation of the Contractor to leave the training facility in 'working order'.

The other PFI contract is for the provision of four police stations across south east London including the provision of all necessary structures, office accommodation, support services and equipment. The Agreement is for a period of 25 years commencing January 2004 and provides for a price review of defined services every 5 years, either by market testing or by benchmarking. The Agreement also includes provisions for step in and termination in defined circumstances. The police stations are to be available throughout the 25 year period, on a 24/7 basis. The cost of asset replacement is at the contractor's risk and both planned and unplanned maintenance costs are borne by the contractor. At the end of the 25 year period the facility will be handed back to the Group or new leases could be negotiated.

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

£000	2012/13	2011/12
Balance as at 1 April 2012	**143,998**	**137,253**
Additions	0	2,791
Depreciation for year	(9,639)	(8,906)
Redundant depreciation	8,193	10,941
Transfer from work in progress	9	0
Revaluation movement	(1,582)	1,919
Balance as at 31 March 2013	**140,979**	**143,998**

18.6 Payment analysis

The PFI agreements impose 25 year commitments on the Group from occupation/use of the new facilities from 2003. The unitary payments to be made under the PFI contracts as at 31 March 2013 are shown below. PFI liabilities are shown in Note 31.

	Payment Analysis 2012/13			
£000	**Liability**	**Interest**	**Service charge**	**Total**
Within 1 year	2,843	10,538	11,086	24,467
2 to 5 years	17,344	43,768	43,028	104,140
6 to 10 years	25,879	53,841	65,787	145,507
11 to 15 years	40,824	54,709	67,837	163,370
16 to 20 years	7,359	7,798	6,956	22,113
Total	**94,249**	**170,654**	**194,694**	**459,597**

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

18.7 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 2013, the Group spent £40.3 million on operating leases for property and £2.9 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:

	31 March 2013		31 March 2012	
£000	**Property**	**Vehicles**	**Property**	**Vehicles**
Operating leases				
Not later than 1 year	36,834	46	36,847	560
Later than 1 year and not later than 5 years	138,174	52	132,063	334
Later than 5 years	77,746	0	107,002	0
Total	**252,754**	**98**	**275,912**	**894**

Finance leases

The Group does not have any finance leases for vehicles, plant, or equipment. Following the adoption of IAS 17 the Group reviewed all existing property leases to evaluate the leases as at 31 March 2013 in order to determine whether they are a finance lease or an operating lease for land and/or for building. There are, in total, six property leases for which the building element is classified as a finance lease. There are also four long-term ground leases of land of more than 125 years included as finance leases. The movements for the current year are shown below:

£000	2012/13	2011/12
Opening value 1 April 2012	**60,016**	**54,836**
Additions	749	1,051
Revaluations	(4,528)	5,662
Disposal	(562)	0
Impairment	(150)	(185)
Depreciation	(1,575)	(1,348)
Net carrying value 31 March 2013	**53,950**	**60,016**

The Group is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and 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 2012/13 £1.2 million contingent rents were paid by the Group.

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

£000	31 March 2013	31 March 2012
Current liability	122	111
Long term liability	5,809	5,931
Finance costs payable in future years	18,610	19,358
Total of minimum lease payments (Net Present Value)	**24,541**	**25,400**

The minimum lease payments payable over the following periods are:

	Minimum lease payments		Finance lease liabilities	
£000	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Not later than 1 year	859	859	122	111
Later than 1 year and not later than 5 years	3,434	3,434	625	567
Later than 5 years	20,248	21,107	5,184	5,364
Total	**24,541**	**25,400**	**5,931**	**6,042**

Group as lessor

Operating leases

The Group leases out various interests in properties, including office space and short term leases for several blocks of flats classified as investment properties. The Group received rents amounting to £8.7 million (£11.6 million in 2011/12). The current lease payments receivable under non-cancellable leases in future years are:

£000	2012/13	2011/12
Not later than 1 year	5,847	5,812
Later than 1 year and not later than 5 years	18,850	20,250
Later than 5 years	2,907	5,318
Total	**27,604**	**31,380**

The Group has not granted any finance leases.

18.8 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.

18.9 Heritage assets

The Group looks after heritage assets which are recognised on the Balance Sheet (see note 18). 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.

This consists of:

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 held in the Crime Museum at New Scotland Yard. It is not open to the public and is used primarily as a learning resource for MOPAC officers/staff and for persons from other parts of the UK judiciary system and worldwide distinguished criminal justice people. As this collection is unique and will not be disposed of a valuation is not available and has therefore not been recognised in the Balance Sheet.

The Group owns an historic vehicle fleet consisting of 15 vehicles, currently housed at a secure garage at Hampton Police Station. They are not operational but are used in public events and maintained as part of MOPAC fleet. They are currently held on the Balance Sheet at a value of £58,000.

18.10 Future capital expenditure commitments

Capital expenditure where there is a commitment to future costs;

£000	2013/14 and later years	2012/13 and later years
IT various projects	15,299	18,787
Building works	36,864	33,836
Vehicles, plant and equipment	3,360	5,453
Total	**55,523**	**58,076**

18.11 Investment properties

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

£000	2012/13	2011/12
Rental income	(682)	(607)
Direct operating costs	944	820
Net	**262**	**213**

19. Long term debtors

'Long term debtors' consists of £12.4 million (£17.1 million in 2011/12) which represents an Icelandic debt less expected impairment, arising from the transfer into administration of Landsbanki bank with whom the Group had invested on a short term basis. After the decision of the Icelandic Supreme Court had been delivered in favour of the priority status of local authorities, the administrators made a distribution of £5.5 million in 2012/13 to MOPAC in part settlement of the debt. Although the administrators anticipated that recoveries of debt will exceed the book value of the priority claims, full repayment is not expected to be completed until December 2018.

20. Assets held for sale

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

£000	2012/13	2011/12
Opening balance	44,317	2,094
Additional assets identified for disposal	14,524	44,251
Revaluation losses	(9)	0
Assets transferred back to Property	(35,948)	0
Assets disposed in year	(8,337)	(2,028)
Total	**14,547**	**44,317**

21. Inventories

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

Group and MOPAC £000	Balance at 1 April 2012	Purchases	Issues	Other adjustments	Balance at 31 March 2013
Uniforms	7,284	7,782	(7,226)	(39)	7,801
Transport and Air Support Unit - fuel	879	2,271	(2,532)	(30)	588
Transport and Air Support Unit - parts	1,041	1,377	(1,321)	52	1,149
Heating oil	2,377	1,008	(1,324)	(47)	2,014
Catering goods	266	674	(695)	(8)	237
Total	**11,847**	**13,112**	**(13,098)**	**(72)**	**11,789**

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

Note 1. The increase in heating oil of £356,000 resulted from price index increase of oil products during the year.

22. Short term debtors

£000	2012/13	2011/12
Central Government bodies (see note below)	230,806	261,396
Local authorities	25,955	27,457
Public corporations	3	50
Health bodies	67	31
Other debtors	31,578	36,455
Total before bad debt provision	**288,409**	**325,389**
Less bad debt provision	(135)	(124)
Balance per balance sheet	**288,274**	**325,265**

'Short term debtors' represent assets which are expected to be realised within 12 months after the reporting date. 'Central Government bodies' includes an amount due from the Home Office in respect of police pensions fund top up grant of £67.2 million (£99.7 million in 2011/12).

23. Short term investments

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

24. Cash and cash equivalents

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

£000	2012/13	2011/12
Banks and financial institutions	**104,906**	**38,094**

25. Short term creditors

£000	2012/13	2011/12
Central Government bodies	(91,699)	(82,405)
Local authorities	(13,910)	(10,759)
Public corporations	18	(927)
Health bodies	(1,161)	(27)
Other creditors	(206,821)	(207,949)
Balance	**(313,573)**	**(302,067)**

The category named 'Other creditors' in the table above is comprised of 3,215 individual creditors.

26. Short term borrowing

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

Due for repayment in 12 months or less (£000)	2012/13	2011/12
Public Works Loan Board	(14,457)	(59,457)
Local authorities	(60,000)	(10,000)
PFI liabilities	(2,843)	(3,166)
Finance lease Liabilities	(122)	(111)
Balance	**(77,422)**	**(72,734)**

27. Third party monies

Fund Name	Income £000	Expenditure £000	Assets £000	Liabilities £000
MOPAC Property Act Fund	1,692	781	5,679	4
MOPAC Detained Monies Account	1,413	1,500	7,056	36
Metropolitan Police Benevolent Fund	2,028	1,972	3,767	6
Metropolitan Police Commissioner's Fund	20	22	443	4
Metropolitan Police Sports Fund	729	395	380	45
Metropolitan Police Staff Welfare Fund	33	26	263	1
Metropolitan Police Athletic Association	1,466	1,625	2,961	319
Metropolitan Police Sports Club	924	707	664	310
COMETS	101	92	115	0
Total	**8,406**	**7,120**	**21,328**	**725**

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 2013 and values at their financial year-end dates, are given above. Not all of the figures have been audited.

Mayor's Office for Policing And Crime Property Act Fund
Regulations under the Police (Property) Act 1897 and its subsequent amending legislation permit police to retain the proceeds from the disposal of property that comes into police possession in connection with a criminal charge (or suspicion of a criminal offence being committed) where the owner has not been ascertained or no court order has been made. The legislation stipulates that the income is to be used to meet the cost of the storage and sale of the property with any residual funds being used for charitable purposes in accordance with directions of the service's authority. The Fund is used for this purpose. Until 31 March 2004 it was also used to hold for the time being money that had been detained from persons suspected of criminal activity. Since 1 April 2004 such money has been paid into the Mayor's Office for Policing And Crime Detained Monies Account (see below).

Mayor's Office for Policing And Crime Detained Monies Account
This fund is used to hold for the time being money that had been detained from persons suspected of criminal activity, such money being retained pending a decision as to its disposal.

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

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

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

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

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

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

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

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

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

Operational responsibilities
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	2012/13	2011/12
Proceeds Of Crime Act monies	27,081	25,923
Prisoners' property and lost cash	1,799	1,442
Other	729	688
Total	**29,609**	**28,053**

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 2013 and has therefore been stated separately from the Police Property Act Fund value.

28. Provisions

28.1 Short term provisions

£000	Accumulated absences-(Group Accounts only)	Third party liabilities	Riot damage claims	Other provisions	Total
Balance at 1 April 2011	**(98,890)**	**(4,669)**	**0**	**(2,700)**	**(106,259)**
Additional provisions made	(87,611)	(3,139)	(22,000)	(9,192)	(121,942)
Amounts used	98,890	3,303	0	250	102,443
Balance at 31 March 2012	**(87,611)**	**(4,505)**	**(22,000)**	**(11,642)**	**(125,758)**
Additional provisions made in 2012/13	(114,524)	(18,345)	(6,573)	(35)	(139,477)
Amounts used in 2012/13	87,611	16,559	10,703	10,929	125,802
Transfer from long term	0	0	(26,218)	0	(26,218)
Balance at 31 March 2013	**(114,524)**	**(6,291)**	**(44,088)**	**(748)**	**(165,651)**

28.2 Long term provisions

£000	Third party liabilities	Riot damage claims	Other provisions	Total
Balance at 1 April 2011	(14,933)	**0**	**(913)**	**(15,846)**
Additional provisions made	(9,981)	(57,873)	(711)	(68,565)
Amounts used	10,460	0	0	10,460
Balance at 31 March 2012	**(14,454)**	**(57,873)**	**(1,624)**	**(73,951)**
Additional provisions made in 2012/13	(4,855)	(11,463)	(8,146)	(24,464)
Amounts used in 2012/13	0	22,331	1,100	23,431
Transfer to short term	0	26,218	0	26,218
Balance at 31 March 2013	**(19,309)**	**(20,787)**	**(8,670)**	**(48,766)**

In accordance with IAS 19 the Group has created a provision for accumulated compensated absences representing the cost of police officers and staff who have not taken their full leave entitlement before the financial year end. Other absences such as flexi-leave are not considered material. Police officers and staff are entitled to carry forward untaken annual leave and officers are entitled to carry forward untaken rest days outstanding. The CIPFA Code permits the creation and use of an Accumulated Absences Account, included in reserves, to offset the charge to revenue created by the accumulated absences provision. The increase of £26.9 million in the provision is mainly due to the additional hours spent on the Olympics which has led to an increase in outstanding leave entitlement at 31 March 2013. 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 these liabilities as they fall due.

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 increased from £19 million (of which £14.5 million is long term) at 31 March 2012 to £25.6 million (of which £19.3 million is long term) at 31 March 2013. Over the course of the year agreed claims have been paid from this account amounting to £16.6 million. A provision for third party claims, in respect of damages arising from the public disturbances in August 2011, under the Riot Damages Act has been made at 31 March 2013 for £64.9 million.

Other provisions consist of:

- A provision for officer injury awards of £7.1 million;
- A provision for the reimbursement to officers of tax deducted in respect of Compensatory Grant - £0.8 million;
- A provision for storage refunds including VAT - £1 million;
- Other - £0.5 million.

29. Long term borrowing

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

£000	2012/13	2011/12
Loans	**(219,836)**	**(234,292)**
Analysis of loans by maturity:		
Between 1 and 2 years	(29,457)	(14,457)
Between 2 and 5 years	(47,371)	(60,371)
Between 5 and 10 years	(56,857)	(71,714)
Over 10 years	(86,151)	(87,750)

30. Capital grants received in advance

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

£000	2012/13	2011/12
Balance at 1 April	**(8,625)**	**(5,291)**
Movements	(29,726)	(32,325)
Financing	32,749	28,991
Balance at 31 March	**(5,602)**	**(8,625)**

31. Long term contractor liability

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

£000	2012/13	2011/12
PFI liability	(91,406)	(94,249)
Finance lease liability	(5,809)	(5,931)
Balance at 31 March	**(97,215)**	**(100,180)**

31.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

£000	2012/13 PFI liability	2011/12 PFI liability	2012/13 Finance lease liability	2011/12 Finance lease liability
Balance as at 1 April	(97,416)	(101,393)	(6,042)	(6,142)
Net movement in year	3,167	3,978	111	100
Total liability	**(94,249)**	**(97,415)**	**(5,931)**	**(6,042)**
Classified as:				
Short term liability	(2,843)	(3,166)	(122)	(111)
Long term liability	(91,406)	(94,249)	(5,809)	(5,931)

32. 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.

32.1 Unusable reserves

Movements on unusable reserves 2012/13 £000	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Total
Balance as at 1 April 2012	**(171,956)**	**(1,122,246)**	**87,611**	**18,905,700**	**17,699,109**
Upward revaluation of assets	(74,962)	0	0	0	(74,962)
Difference between fair value and historic cost depreciation	8,307	(8,307)	0	0	0
Accumulated gains on assets disposed	10,747	(10,747)	0	0	0
Downward revaluation of assets and impairment losses	53,127	0	0	0	53,127
Statutory provision for financing capital investment charged against CIES (MRP)	0	(28,083)	0	0	(28,083)
Depreciation and impairment	0	187,975	0	0	187,975
Amortisation of intangible assets	0	4,861	0	0	4,861
Movements in market value of investment property	0	(3,660)	0	0	(3,660)
Amounts written out on disposal	0	39,274	0	0	39,274
Capital grants and contributions credited to CIES applied to capital finance	0	(32,748)	0	0	(32,748)
Application of grants from capital grants unapplied account	0	(33,945)	0	0	(33,945)
Use of capital receipts reserve	0	(45,000)	0	0	(45,000)
Capital expenditure charged against CIES	0	(15,851)	0	0	(15,851)
Movement of reserves	0	0	26,913	3,340,100	3,367,013
Revaluation loss on land and building	0	27,683	0	0	27,683
Donated assets	0	(27)	0	0	(27)
Balance as at 31 March 2013	**(174,737)**	**(1,040,821)**	**114,524**	**22,245,800**	**21,144,766**

Movements on unusable reserves 2011/12

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

Revaluation Reserve

The Revaluation Reserve was created on 1 April 2007 and records the unrealised revaluation gains on land and buildings arising in the year ended 31 March 2013. 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 2013.

Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed by capital sources. This account shows an increase in the level of depreciation and revaluation losses during 2012/13 as compared to the previous year resulting in a lower balance at year end.

Accumulated Absences Account

The Accumulated Absences Account represents the value of the future obligation of the Group to pay officers and staff in respect of unused accumulated absences as at 31 March 2013. This represents an offset to the accounting charge to the revenue account which is reflected in the Accumulated

Absences Provision (see Note 28). The increase in this balance derives from the additional time spent on duty for most staff as a result of the CPM's overall responsibilities for policing the Olympics and the resulting reduction of holidays taken in 2012/13.

Police Officer Pension Reserve

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

32.2 Usable capital reserves

Movements on usable capital reserves 2012/13

£000	Capital Receipts Reserve	Earmarked Capital Reserve	Capital Grant Reserve	Capital Grants Unapplied	Total
Balance at 1 April 2011	**(5,903)**	**(3,251)**	**(9,741)**	**(6,447)**	**(25,342)**
Proceeds of disposals	(40,196)	0	0	0	**(40,196)**
Financing of fixed assets	41,026	2,255	27,146	11,205	**81,632**
Capital grants	0	(451)	(26,495)	(10,449)	**(37,395)**
Balance at 31 March 2012	**(5,073)**	**(1,447)**	**(9,090)**	**(5,691)**	**(21,301)**
Proceeds of disposals	(42,799)	0	0	0	**(42,799)**
Financing of fixed assets	45,000	193	31,318	2,433	**78,944**
Capital grants	0	(451)	(31,318)	(68)	**(31,837)**
Balance at 31 March 2013	**(2,872)**	**(1,705)**	**(9,090)**	**(3,326)**	**(16,993)**
Net movement for 2011/12	**(830)**	**(1,804)**	**(651)**	**(756)**	**(4,041)**
Net movement for 2012/13	**(2,201)**	**258**	**0**	**(2,365)**	**(4,308)**

Usable capital receipts

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

Earmarked Capital Reserve

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

Capital Grant Reserve

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

Capital Grants Unapplied

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

32.3 Usable earmarked revenue reserves

£000	Balance at 1 April 2011	Transfer To	Transfer from	Balance at 31 March 2012	Transfer To	Transfer from	Balance at 31 March 2013
Accommodation strategy/property related costs							
Dilapidations	(12,727)	(8,650)	7,000	(14,377)	(5,175)	0	(19,552)
Property related costs	(23,162)	0	2,839	(20,323)	(2,374)	6,810	(15,887)
Total accommodation strategy /property related	**(35,889)**	**(8,650)**	**9,839**	**(34,700)**	**(7,549)**	**6,810**	**(35,439)**
Operational costs							
Communications project	(3,081)	0	427	(2,654)	(14)	96	(2,572)
Airwave	(5,344)	0	278	(5,066)	(19)	3,940	(1,145)
Insurance Indemnity Fund	(1,599)	(455)	855	(1,199)	(801)	0	(2,000)
ICT contract issues	(733)	0	0	(733)	0	0	(733)
Kickz	(510)	(688)	224	(974)	0	400	(574)
National Domestic Extremism Unit	(3,603)	0	2,175	(1,428)	(637)	1,442	(623)
Motor insurance	(5,000)	0	0	(5,000)	0	0	(5,000)
Operational costs	(35,063)	(3,961)	11,450	(27,574)	(10,003)	8,570	(29,007)
Proceeds of Crime Act	(1,512)	(2,200)	0	(3,712)	0	0	(3,712)
Protective clothing	(211)	0	0	(211)	0	0	(211)
Publicity	(50)	0	50	0	0	0	0
Systems	(192)	0	0	(192)	0	0	(192)
Vehicle recovery services	(1,850)	0	0	(1,850)	0	0	(1,850)
TP youth violent crime	(446)	0	446	0	0	0	0
Total of operational costs	**(59,194)**	**(7,304)**	**15,905**	**(50,593)**	**(11,474)**	**14,448**	**(47,619)**
Budget pressures							
Budget pressures	(72,729)	(62,665)	67,596	(67,798)	(119,648)	41,327	(146,119)
Emergencies Contingency Fund	(23,093)	0	0	(23,093)	0	0	(23,093)
Total of budget pressures	**(95,822)**	**(62,665)**	**67,596**	**(90,891)**	**(119,648)**	**41,327**	**(169,212)**
Major change programmes							
Modernisation programmes	(27,881)	(32,241)	21,305	(38,817)	(11,784)	10,984	(39,617)
Total of major change programmes	**(27,881)**	**(32,241)**	**21,305**	**(38,817)**	**(11,784)**	**10,984**	**(39,617)**
MOPAC initiatives	(3,112)	(548)	764	(2,896)	(3,407)	0	(6,303)
Legal costs	(233)	0	0	(233)	0	0	(233)
Total of MOPAC Initiatives	**(3,345)**	**(548)**	**764**	**(3,129)**	**(3,407)**	**0**	**(6,536)**
Total earmarked revenue reserves	**(222,131)**	**(111,408)**	**115,409**	**(218,130)**	**(153,862)**	**73,569**	**(298,423)**
Net Movement in Earmarked Reserves			4,001			(80,293)	
General revenue reserve	(47,483)		13,000	(34,483)	0	11,000	(23,483)
Total revenue reserves	**(269,614)**	**(111,408)**	**128,409**	**(252,613)**	**(153,862)**	**84,569**	**(321,906)**

Accommodation strategy/property related costs

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

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

Operational costs

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

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

Insurance Indemnity Fund
To provide for the cost of a Personal Insurance Indemnity Reserve for police officers and staff.

ICT contract issues
To cover delays in the delivery of a standard operating environment as part of the ICT contract.

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

National Domestic Extremism Unit
To provide future support to police forces in England and Wales in relation to public order. Other police forces contribute to this Unit.

Motor insurance
To provide for CPM approved insurance strategy, which allows for savings on motor insurance premiums.

Operational costs
To provide for a number of operational activities planned in year.

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

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

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

Systems
This contributes to the cost of developing financial systems.

Vehicle recovery services
Allocated to fund operations targeting clamping of uninsured vehicles.

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

Budget pressures

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

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

Major change programmes

Modernisation programmes
This reserve is set aside to fund various modernisation programmes.

MOPAC initiatives
The reserve will be used to support projects that MOPAC expects to undertake in future years.

Legal costs
To provide for legal costs.

32.4 General revenue reserve

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

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

There is no statutory guidance on the level of reserves. CIPFA guidance confirms that, on the advice of their treasurers, authorities should make their own judgements on such matters, taking into account all relevant matters. MOPAC's policy is to hold the General Reserve and the Emergency Contingency Fund to meet unforeseen or emergency expenditure which cannot be contained within the approved budget. The General Reserve is £23.5 million at 31 March 2013 and the Emergency Contingency Fund is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.8% of the 2012/13 budget requirements.

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

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

The following adjustments are for 2012/13:

Group and MOPAC £000	General fund	Capital receipts reserve	Usable capital reserves	Unusable reserves	Total
Capital Adjustment Account Adjustments					
Reversal of items adjusted in CIES					
Depreciation of non current assets	(188,012)	0	0	187,877	(135)
Amortised costs	(4,861)	0	0	4,861	0
Impairments	(27,781)	0	0	27,781	0
Investment properties	3,660	0	0	(3,660)	0
Net book value of disposals	(38,037)	0	0	39,274	1,237
Donated assets	27	0	0	(27)	0
Capital grants applied	0	0	33,944	(33,944)	0
Addition of items not in CIES					
Minimum revenue contribution	28,083	0	0	(28,083)	0
Capital expenditure charged against General Fund	15,851	0	0	(15,851)	0
Capital Grants Adjustment					
Capital grants	64,586	0	(31,837)	(32,749)	0
Other Adjustments					
Cash sale proceeds	42,799	(42,799)	0	0	0
Usable capital receipts applied	0	45,000	0	(45,000)	0
Accumulated absences movement	(26,913)	0	0	26,913	0
IAS 19 reversal adjustment	(1,592,800)	0	0	1,592,800	0
Pension costs charged to the General Fund	314,766	0	0	(314,766)	0
Home Office Pension top up	251,334	0	0	(251,334)	0
Total - MOPAC Group	**(1,157,298)**	**2,201**	**2,107**	**1,154,092**	**1,102**
Police pensions	(2,313,400)	0	0	2,313,400	0
Total - MOPAC	**(3,470,698)**	**2,201**	**2,107**	**3,467,492**	**1,102**

The following adjustments were made in 2011/12:

Group and MOPAC £000	General fund	Capital receipts reserve	Usable capital reserves	Unusable reserves	Total
Capital Adjustment Account Adjustments					
Reversal of items adjusted in CIES					
Depreciation of non current assets	(155,944)	0	0	155,944	0
Amortised costs	(6,851)	0	0	6,851	0
Impairments	(24,302)	0	0	24,302	0
Investment properties	8,614	0	0	(8,614)	0
Net book value of disposals	(37,889)	0	0	37,889	0
Capital grants applied	0	0	40,607	(40,864)	(257)
Minimum revenue contribution	26,136	0	0	(26,136)	0
Capital expenditure charged against General Fund	24,413	0	0	(24,413)	0
Capital grants	66,243	0	(37,395)	(28,991)	(143)
Cash sale proceeds	40,196	(40,196)	0	0	0
Usable capital receipts applied	0	41,026	0	(41,026)	0
Accumulated absences movement	11,279	0	0	(11,279)	0
Police pensions	(1,263,900)	0	0	1,263,900	0
Total- MOPAC Group	**(1,312,005)**	**830**	**3,212**	**1,307,563**	**(400)**
Police pensions	(98,300)	0	0	98,300	0
Total - MOPAC	**(1,410,305)**	**830**	**3,212**	**1,405,863**	**(400)**

34. Notes to the cash flow statement

34.1 The cash flow for operating activities included interest and dividend cash flows:

£000	31 March 2013	31 March 2012
Operating activities		
Interest received	(1,151)	(1,002)
Interest paid	8,834	4,363
Interest element of finance lease and PFI rental payments	12,584	12,810
	20,267	**16,171**

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

£000	31 March 2013-Group	31 March 2012-Group	31 March 2013-MOPAC	31 March 2012-MOPAC
Depreciation of non current assets	(188,012)	(155,944)	(188,012)	(155,944)
Impairment and revaluations of non current assets	(27,781)	(24,302)	(27,781)	(24,302)
Amortisation of intangible assets	(4,861)	(6,851)	(4,861)	(6,851)
Reversal of pension service costs and interest	(1,026,700)	(1,263,900)	(3,340,100)	(1,362,200)
(Increase)/decrease in impairment for provision for bad debts	(11)	17	(11)	17
(Increase)/decrease in creditors	(11,506)	(2,292)	(11,506)	(2,292)
Increase/(decrease) in debtors	(36,980)	154,056	(36,980)	154,056
Increase/(decrease) in inventories	(58)	3,512	(58)	3,512
Carrying amount of property, plant and equipment, investment property and intangible assets sold	(38,037)	(32,203)	(38,037)	(32,203)
Other non-cash items	(20,077)	(86,899)	(20,077)	(86,899)
	(1,354,023)	**(1,414,806)**	**(3,667,423)**	**(1,513,106)**

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

£000	31 March 2013	31 March 2012
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	42,799	34,510
Capital grants adjustment	64,586	66,243
	107,385	**100,753**

34.4 Cash flows from investing activities

£000	31 March 2013	31 March 2012
Investing activities		
Purchase of non current assets	188,959	208,033
Proceeds from the sale of non current assets	(42,799)	(34,510)
Proceeds from short term and long term investments	25	(15,000)
Other receipts from investing activities	(61,563)	(69,721)
	84,622	**88,802**

34.5 Cash flows from financing activities

£000	31 March 2013	31 March 2012
Financing activities		
Cash receipts of short and long-term borrowing	(60,000)	(110,000)
Other receipts from financing activities	(5,535)	(8,929)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	2,965	4,078
Repayments of short and long-term borrowing	69,769	41,600
	7,199	**(73,251)**

35. Contingent liabilities and assets

August 2011 Riot Damages Claims

There may be additional costs in relation to the Riot (Damages) Act 1886 arising from the public disturbances in London in August 2011. Under the Act the Group is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City). Although the Home Office has agreed to reimburse the Group with the cost of claims from persons who were uninsured, and other government assistance may be agreed in respect of claims from insurers, a number of lawsuits have commenced against MOPAC which it is defending. These lawsuits are testing the limits of the Riot Damages Act as to what extent MOPAC is liable to recompense organisations and individuals who allege they were financially affected by the public disturbances. The estimated costs of these lawsuits have not been included in the Accounts as the expectation is that we will be ultimately successful in these proceedings.

36. Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require MOPAC to charge to the Movement of Reserves Statement a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For the year ended 31 March 2013 MOPAC has made an MRP charge based on:

- the capital financing requirement method for borrowing undertaken prior to 2012/13, and any borrowing undertaken during the year supported through the revenue grant settlement; and
- the depreciation method for unsupported borrowing undertaken in 2012/13 as permitted by the flexibilities provided under the Prudential Code

An Annual Statement detailing how MRP should be calculated forms part of the formal setting and review of the Prudential Indicators, which are included in the annual Treasury Management Strategy. The MRP amount for the year ended 31 March 2013 was £28.1 million with a corresponding charge to the Capital Adjustment Account.

37. Post year-end accounts signing

The financial statements and notes have not been adjusted for the following events as it provides information that is relevant to an understanding of Mayor's Office for Policing And Crime financial position which took place after 31 March 2013.

Included in the Balance Sheet Property Plant and Equipment, with a carrying value of £116 million, is the Metropolitan Police Peel Centre training headquarters at Hendon. On 16 May 2013 the Deputy Mayor for Policing And Crime announced his decision to market for sale, via the Greater London Authority's London Development Panel framework, land and buildings constituting 21 hectares of the site. Sale receipts are expected over 5-7 years and have been earmarked for the development of a new training centre for which planning consent has been obtained and construction is expected to commence in September 2013. A number of other buildings with a carrying value of £36 million will also be retained within their existing use on the site.

On 12 September the High Court judgement found in favour of the claimant's insurers', deciding that the circumstances surrounding the fire at the distribution centre in Enfield did meet the criteria laid out in the Riot (Damages) Act and that the relevant Police Authority (MOPAC) would be liable for the RDA property damage costs. The other part of the claim that was argued was whether the Riot (Damages) Act extends to include consequential loss/business interruption related costs. On this point, MOPAC were successful but this decision may be subject to appeal. The estimated cost for these cases has not been recognised in our Accounts, as both MOPAC and the claimants have been afforded leave to appeal against these judgments. Instead they are disclosed as contingent liabilities in Note 35. In the event that the claims are ultimately upheld by the Court we are still operating on the assurances given by HM Government that all legitimate claims will be 100% grant funded.

38. Financial instruments

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

	Long term		Current (within 12 months)	
£000	**31 March 2013**	**31 March 2012**	**31 March 2013**	**31 March 2012**
Investments				
Investments	0	0	240	215
Debtors				
Loans and receivables	12,413	17,090	376,889	349,610
Total investments & debtors	**12,413**	**17,090**	**377,129**	**349,825**
Borrowings				
Financial liabilities	(219,836)	(234,292)	(74,457)	(69,457)
Other long term liabilities				
PFI and finance lease liabilities	(97,215)	(100,180)	(2,965)	(3,277)
Creditors				
Financial liabilities	0	0	(262,326)	(245,314)
Total borrowings & liabilities	**(317,051)**	**(334,472)**	**(339,748)**	**(318,048)**

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

£000	**2012/13**	**2011/12**
Expenses		
Interest expense	21,462	20,565
Impairment (losses)/gains	(874)	(3,017)
Total expense in surplus on the provision of services	**20,588**	**17,548**
Income		
Interest income	(1,167)	(817)
Total income in surplus on the provision of services	**(1,167)**	**(817)**
Net gain/(loss) for the year	**19,421**	**16,731**

Financial liabilities (fixed and variable rate borrowings) and financial assets (represented by loans and receivables) are carried in the Balance Sheet for the Group at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following:

- The weighted average interest rate, which at 31 March 2013 is calculated as 2.93% for fixed and variable rate borrowings. All borrowings are from either the Public Works Loan Board (PWLB) or from local authorities.

- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. The short term loans made by the Group fall into this category.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount as stated in the table above for current receivables.

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

£000	2012/13 Carrying amount	Fair value	2011/12 Carrying amount	Fair value
Financial liabilities				
Borrowings				
Financial liabilities-PWLB	224,293	324,276	283,750	324,805
Financial liabilities-other	70,000	70,000	20,000	20,000
Other long term liabilities				
PFI and finance lease liabilities	100,180	100,180	103,457	103,457
Creditors				
Financial liabilities	262,326	262,326	245,314	245,314
Financial assets				
Investments				
Short term investments	240	240	215	215
Debtors				
Loans and receivables	389,302	389,302	366,700	366,700

The fair value is more than the carrying amount because the Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Group would have to pay if either the lender (PWLB) requested or agreed to early repayment of the loans.

38.1 Nature and extent of risks arising from financial instruments

Risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policy approved by the Group and set out in the annual Treasury Management Strategy. The Group's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay amounts due to the Group.

Liquidity risk – the possibility that the Group might not have funds available to meet its commitments to make payments to its suppliers and creditors.

Interest rates risk - Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Foreign exchange risk - Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group does not have any such instruments.

The Group does not generally allow credit for general debtors beyond 30 days, such that of the debtors balance, £468,000 is past its due date for payment, and can be analysed by age as follows.

£000	2012/13	2011/12
Less than three months	330	569
Three to six months	(4)	3
Six months to one year	142	15
More than one year	0	0
Total	**468**	**587**

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

Credit risk

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

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

	Amount at 31 March 2013 £000	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 2013 %**	**Estimated maximum exposure to default and uncollectability £000**
	A	B	C	(A X C)
Deposits with banks and financial institutions	117,319	30.97%	9.85%	11,555
Customers (general debtors)	57,603	0.19%	0.23%	135

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

Liquidity risk

As the Group has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Group has also negotiated access to short term funding from within the GLA Group and can also access funding from the market. Instead, the risk is that the Group will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Group has undertaken £60 million of new borrowings during 2012/13 with fixed rate loans. The maturity analysis of all the PWLB borrowings is as per Note 29.

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

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

Interest rate risk

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

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

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

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

Police officer pension fund

1. Police officer pension fund revenue account

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

Glossary of terms

Accruals

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

Balance Sheet

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

- Usable Reserves. These are reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For instance the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.

- Unusable Reserves. These reserves cannot be used by the Group to provide services. For instance reserves that hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between Accounting Basis and Funding Basis under Regulations'.

Budget

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

Capital expenditure

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

Cash equivalent

A financial deposit placed with 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, e.g. funding capital expenditure or repaying debt.

Comprehensive Income and Expenditure Statement (CIES)

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

Corporate costs

This consists of those activities and costs that provide the infrastructure that allows services to be provided, whether by the CPM or MOPAC, and the information that is required for public accountability. Activities that relate to the provision of services, even indirectly, are overheads on those services and include bank charges, auditors' fees and the cost of the Group as well as the corporate activities of Head Office departments.

Commissioner of Police of the Metropolis (CPM)

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

Credit arrangements

An arrangement other than borrowing where the use of a capital asset is acquired and paid for over a period of more than one year. The main types of credit arrangements are 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, program and service policy making and more general activities relating to governance and the representation of local interests. To give MOPAC maximum flexibility in reflecting its own constitutional arrangements, there are no recommended subdivisions of service.

Employee costs

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

Finance lease

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

Government grants

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

Group

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

Long term debtors

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

Mayor's Office for Policing And Crime (MOPAC)

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

Minimum Revenue Provision

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

Non distributed costs

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

Operating lease

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

PCSPS

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

Provision

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

Revenue expenditure

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

Revenue reserves

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

Special service agreements

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