



Metropolitan Police Authority

Draft Statement of Accounts 2004-2005
Subject to Audit

Metropolitan Police Authority

Statement of Accounts 2004-2005

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Foreword to the Accounts

The Metropolitan Police Authority (MPA) is responsible for the finances of the Metropolitan Police Service (MPS) and the accounts therefore record all the expenditure and income of the MPS. This statement of accounts relates to the period to 31 March 2005.

The accounts consist of:

- The Revenue Account, showing details of expenditure and income;
- The Balance Sheet, setting out the financial position of the Authority at 31 March 2005;
- A Statement of Total Movements in Reserves; and
- The Cash Flow Statement, summarising the inflows and outflows of cash.

Accounting policies and explanatory notes support the accounts so that they can be more easily understood.

Revenue Account

The Mayor and London Assembly set the budget for 2004-05 following the submission of draft proposals by the MPA. The approved budget provided for net expenditure of £2,555 million, funding the roll out of the first 96 Safer Neighbourhood teams, existing expenditure commitments and a limited list of high priority developments. Savings of over £61 million were identified to balance the budget.

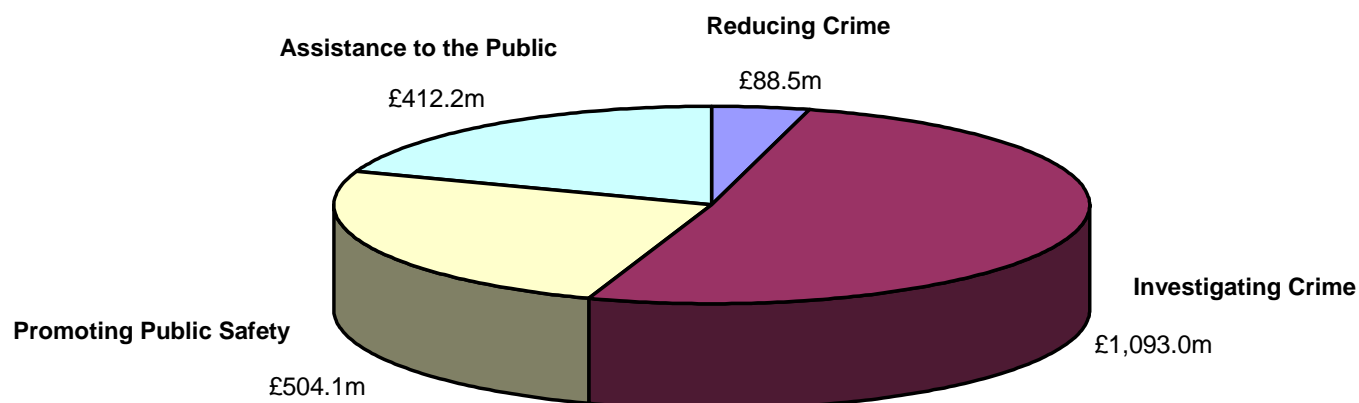
The Authority delegates management of the bulk of the budget to the Commissioner, with the Authority monitoring performance on a regular basis.

The table below provides a summary of the final outturn position for 2004-05 compared to the approved budget:

	Budget £m	Actual £m	Variation £m
Net revenue expenditure	2,567.6	2,602.7	35.1
Application of reserves	(23.7)	(19.5)	4.2
Amount to be met by Local Taxation and Government Grants	2,543.9	2,583.2	39.3
Financed by:			
Greater London Authority Grant	(1,220.2)	(1,220.2)	0
Police Revenue Grant	(1,123.1)	(1,123.1)	0
Other grants	(200.6)	(240.1)	(39.5)
(Surplus) for the year	0.0	(0.2)	(0.2)

The main variation against budget was police pension underspending, including additional income, amounting to £26.9 million. Other principal underspendings were Police Officer and Police Staff Pay (£37.5m) whilst income budgets were exceeded (£5.9m). The main areas of overspending were Police Officer overtime (£16.1m) and Police Staff overtime (£5.2m), DNA testing (£6.6m) and transport costs (£12.1m).

The Authority's revenue account has been presented, at page 20, in accordance with the Best Value Accounting Code of Practice using Activity Based Costing (ABC) methodology. The ABC analysis has been produced based on sample evidence of actual operational staff activity. The chart below shows service expenditure analysed by type of service:



Reserves

The Authority's policy is to have a general reserve at a minimum of 1% of net budgeted expenditure, provided that there are appropriate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control. The general reserve is £28.4 million at 31 March 2005, 1.1% of net budgeted expenditure for 2005-06, which is in excess of the minimum requirement.

Underspendings during the year have allowed for transfers to earmarked reserves to finance future expenditure - tasking (£4 million), rent smoothing (£3 million), vehicle recovery services (£3.2 million), operational costs (£2.6 million) and a centrally held Revenue Budget Resilience Reserve (£20.3 million).

Capital Finance

Capital expenditure for the period was £152.7 million, financed by specific grant, borrowing and capital receipts and revenue contributions. This represented investment in land and buildings (£63.6 million), vehicle, plant and equipment (£26.8 million) and information technology (£62.3 million), including £22.8 million on C3i, which is the project set up to manage the replacement of the Authority's Command, Control, Communications and Information System.

Decisions about capital finance affecting the capital programme for 2004-05 onwards were taken in the context of the prudential framework, which provides authorities with more borrowing flexibility.

Corporate Governance

A statement on the system of internal control is included in the accounts. The statement highlights the Authority's internal control environment, comments on its effectiveness and identifies issues for future work. The Statement is backed by a signed statement by the Commissioner for the first time. The Authority is continuing work to strengthen its risk management arrangements.

Conclusion

This is the fifth set of accounts published since the MPA's inception in 2000 and reflects significant continuing improvement in the MPA's finances.

Audit Opinion

The District Auditor's opinion on the 2004-05 accounts will be included on conclusion of the audit.

Statement of Responsibilities for the Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The Authority has determined the Treasurer as that officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I certify that the Metropolitan Police Authority approved this Statement of Accounts at its meeting on 28 July 2005.

Len Duvall
Chair of the Metropolitan Police Authority

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the accounts, the Treasurer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer has also:

- kept proper records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents fairly the financial position of the Metropolitan Police Authority at 31 March 2005 and its income and expenditure for the period then ended.

Ken Hunt
Treasurer

Statement on System of Internal Control

Position as at 31 March 2005 including plans for the financial year 2005-06

1. Scope of Responsibility

The Metropolitan Police Authority (MPA) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk. In exercising this responsibility the Authority places reliance on the Commissioner of the Metropolitan Police Service (MPS) to support the internal control and risk management processes.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable and foreseeable level rather than trying to eliminate all risk of non-achievement of policies, aims and objectives. This Statement can therefore only provide a reasonable and not absolute assurance of the effectiveness of the system of internal control in managing risk.

This statement (a mandatory requirement under the Accounts and Audit Regulations 2003) has been prepared for the 2004-05 period to show the Authority's current position on internal control as well as outlining future actions, which the Authority will be undertaking to ensure that the prescribed controls are operating effectively.

The system of internal control should include an ongoing risk management process designed to identify the key controls to mitigate the principal risks to the achievement of the Authority's principal objectives, and to evaluate the extent to which those controls manage the risks effectively, efficiently and economically. The system of internal control in place for the year ended 31 March 2005 and up to the date of approval of the annual accounts has been the subject of review. Summary details of plans for improvement are shown in section 5.

3. The Internal Control Environment

The key elements of the Authority's internal control environment have been mapped against various sources of best practice publications to produce the following key elements of the internal control environment:

- **Embedding effective corporate governance arrangements** through the Mission, Vision and Values together with the internal structure of the MPS - Management Board, Operational Command Units, business groups and strategic committee structure.

The Directorate of Strategic Development has direct responsibility for business planning, policy co-ordination, change and risk management, performance

management, Inspection and Review, framework of accountabilities and responsibilities, all of which play a key role in embedding corporate governance.

The MPS Corporate Governance Strategic Committee owns key corporate policies and co-ordinates the corporate governance process. The Authority's Corporate Governance Committee oversees the process.

- **Establishing and monitoring the achievement of the Authority's objectives to ensure that high quality services are delivered efficiently and effectively** via performance monitoring reports at the MPS's Management Board, senior management and Operational Command Unit level (weekly and monthly) to assist management and highlight performance deviation at an early stage to facilitate appropriate interventions. There is a focus on MPA, Home Office Public Service Agreements, Policing Performance Assessment Framework's targets and indicators with monthly reports to the Authority's Planning, Performance and Review Committee.
- **Facilitating effective strategy, policy and decision making** via the implementation of National Intelligence Model (NIM) processes including the production of the Corporate Strategic Assessment which identifies future strategic issues and through analysis of the National Policing Plan to ensure that the MPS strategy (owned by the MPS Management Board and the MPA) fully supports the direction set by Government. The MPS Policy Clearing House has a key role to play in the policy co-ordination and review process together with comprehensive consultation with key stakeholders, the role of strategic committees and monitoring.

The Full Authority and the Co-ordination and Policing Committee meet regularly to consider the strategic direction, plans and progress of the Authority.

- **Ensuring compliance with statutory obligations, laws, regulations, guidance and established policies and procedures** through the engagement of professional qualified staff in key roles throughout the MPA and MPS (e.g. Directorate of Legal Services) with regular reports to the Authority on compliance issues.

The MPS Policy Clearing House has a multi functional role in co-ordinating, reviewing and quality assuring Policies and Standard Operating Procedures of the MPS. Training, communication, compliance and review issues are built in to the "workbook" process of the Policy Clearing House for all policies, which help ensure fitness for purpose.

All Police Authorities have a duty to appoint a Monitoring Officer to ensure the lawfulness and propriety of decision making and to provide and maintain high standards of conduct, within the MPA this responsibility has been delegated to the Deputy Chief Executive and Solicitor.

- **Identifying, assessing and managing the key risks to the Authority's objectives** through deployment of the risk management strategy (approved by the Authority and MPS Management Board) by all Business Groups. The Corporate Risk Management Group supports this, with the Authority's Corporate Governance Committee having responsibility for ensuring that risk management processes and programmes operate effectively. Business risk management incorporates the embedding of risk registers across the whole of the MPS backed up with a training, communication and quality assurance programme. The MPA has also developed a risk profile, reviewed regularly by the senior management team, actions from which are embedded in corporate and team work plans. The business risk management programme has started to be integrated in to the National Intelligence Model and business planning process. Risk is considered in all Management Board papers and within the change management, project management, control strategy processes. The Directorate of Professional Standards, in conjunction with the Business Groups, operates a reputation risk management system.

Business continuity plans have been compiled for all areas of the MPS and MPA with quality assurance procedures in place to ensure fitness for purpose.

A bespoke insurance programme utilising external consultants, optimising high levels of self-insurance with a joint MPA/MPS Insurance Group overseeing the management of insurance, manages insurance risk. The Statement of Internal Control involves a process of information gathering relating to key control areas and therefore assists in the overall management of risk.

- **Ensuring effective corporate financial management and the reporting thereof** is evidenced by publication of the MPA annual accounts for 2004/05 with external audit validation, Audit Commission management letter and compliance with CIPFA Statement of Recommended Accounting Practices.

Monthly monitoring of revenue and capital expenditure is reported to Management Board and the Authority's Finance Committee linked to monthly forecasts, monthly budget maintenance reconciliation and management of reserves and provisions.

Regular meetings are held between the Director of Finance, Director of Resources and the MPA Treasurer who, in accordance with S127 of the Greater London Act 1999, is the financial adviser to the MPA and is responsible for ensuring the financial affairs of the Authority and the MPS are properly administered having regard to probity, legality and appropriate standards.

A devolved accounting framework with support training, devolved operational budgets and central support for local decision makers from Business Accountants are in place.

Also, the production of a budget book for the following financial year, external and internal audits/reviews by, for example MPA, Home Office and HMIC are evident together with the integration of financial management and business management

thus developing a robust performance plan. Fraud and theft risks are mitigated by extensive checking and audit procedures.

- **Ensuring the Authority's information is trusted, accessible and usable** - progress on this control is managed in the MPS by an Information Management (IM) Strategy pursued by the Information Management Group of the Directorate of Information. An MPS internal board has been formed to drive and ratify the IM Strategy and also provides governance for Information Management Business Change Programme (which co-ordinates business change activities for improvement in information management). The METSEC Programme Board, Information Strategy Security Sub Group, Security Incident Reporting (SIR) scheme and the Data Protection and Freedom of Information Steering Group all contribute towards effective MPS information management.
- **Working for and with the community to promote its well being, exercising leadership as necessary** via the deployment of Citizen Focus, which outlines expectations of contact with the Police, interacting and responding to the community and dealing with victims of crime. The MPS Step Change programme to support the growth of Safer Neighbourhoods teams also has a role here, as there has been extensive consultation with external stakeholders and community impact assessments to help determine the police work for the community.

There is a communication and marketing programme around the Authority's commitment to the community. The Community Engagement Committee is responsible for promoting and monitoring the development of effective arrangements to engage with local communities

- **Defining, communicating and monitoring professional standards expected of all personnel** are managed by the Directorate of Professional Standards which oversees the MPS professional standards strategy. This includes a professional standards policy with quarterly reports to the MPS' and the Authority's Professional Standards and Complaints Committee. The Directorate of Professional Standards has, in partnership with the DoI, formed a High Tech Crime Unit. There are comprehensive systems in place for staff and officer vetting.
- **Defining, communicating and monitoring standards of performance expected of all personnel** through numerous Human Resource policies (and associated Standard Operating Procedures) together with annual performance development reviews for all staff with work-related and personal development objectives. Unsatisfactory performance procedures for police officers and inefficiency procedures for police staff aid performance management.

There are regular reports to the Authority's Professional Standards and Complaints Committee and a monthly Human Resources scorecard report. There are numerous induction, training and skills programmes (which are key controls in themselves) for officers and staff with structured induction/ probation programmes and mandatory training for new supervisors and line managers.

A reward and benefits programme helps promote the Authority and MPS as employers of choice.

The Human Resources Directorate has an integrated planning and performance management system with strategy, business planning, audit and evaluation processes.

- **Ensuring economical, effective, efficient and safe use of resources** is managed within the organisation by the structure of the MPA and MPS. MPS Management Board is a decision-making hierarchy backed up by specialist Directorates, Units (for example DoI, Resources, Inspectorate, Internal Consultancy Group) and Committee structures.

There are numerous processes to assist in the management of resources including, but not limited to; annual policing plan, annual budget submission, efficiency plan, National Intelligence Model, Policies and Standard Operating Procedures, resource allocation formula, project management, continuous improvement, change co-ordination, medium term financial planning, financial management structure, personal development review process, training programmes, modernisation of estate and a health and safety management system deployed across the Service with support from Health and Safety Branch. A process of inspections, audits and reviews and regular reporting to the Authority backs all of this up.

4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Authority's Corporate Governance Committee received the Internal Audit Annual Report on 11 July 2005 and endorsed the Director of Internal Audit's assurance on internal control. In particular the Committee noted that for those systems reviewed by Internal Audit in 2004-05 the average assurance score was 3.4 (2.9 in 2003-04) on a scale of 1 to 5 (where a score of 2 reflects a system with adequate controls and 3 to 4 reflects increasing degrees of the need to improve). This follows three years of continuous improvement in the assurance scores for MPS systems and controls. The Authority's Corporate Governance Committee will continue to monitor assurance score trends in the coming year to ensure that the MPS develops an action plan to address the downturn. Follow-up audits did however show a clear improvement from the assurance scores at the time of the original audits with an average score of 2.6. Significantly, the assurance score for the only high-risk audit followed up was 2 (adequate controls).

The review of effectiveness was informed by the work of the internal auditors and managers within the Authority who have the responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. Brief comments on their roles are as follows:

- Internal Audit: The responsibility for maintaining and reviewing the system of internal control rests with the Authority. In practice however the Authority takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit operates to CIPFA's Code of Internal Audit Practice 2003 and the Accounting Practices Board Guidance for Internal Auditors. The Code requires the Director of Internal Audit to include in the annual internal audit report an opinion on the internal control environment; providing any details of weaknesses that qualify this opinion and bringing to the attention of the Authority any issues particularly relevant to the preparation of this Statement of Internal Control. The Authority is satisfied that Internal Audit operates to the standards set out in the Code and can take assurance from their opinion.
 - Internal Audit reports to the Chief Executive and the Corporate Governance Committee;
 - the Director of Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control;
 - external audit express an opinion on the adequacy of internal audit work;
 - internal audit work is planned using a risk-based approach that aims to ensure that the Treasurer's responsibilities under s127 of the GLA Act 1999 are fulfilled and that an effective internal audit service is provided to the Authority.
- External Audit – in their annual audit letter particularly comment on financial aspects of corporate governance and performance management and other reports.
- Other review/assurance mechanisms: for example HMIC, Health and Safety Inspectorate, Corporate Risk Management Group.
- The work of managers within the Authority/MPS. The MPS Director of Risk Management continues to enhance the business risk management process throughout the MPS.

Progress on the 5 Action Points detailed in last years' Statement of Internal Control is summarised as follows:

1. **Disseminate internal financial control requirements throughout the organisation** - the devolved accounting framework allows for the dissemination of and adherence to internal financial controls via publication & updating of financial regulations, training and audit reports.
2. **Develop and deliver appropriate financial training for operational management** - a programme of financial awareness training for local budget holders is in place.
3. **Develop and implement assurances of compliance with control requirements** - a process has been developed for the collation of key control information on a template with nominated key control owners and Management Board sign off for each key control area. Financial management is one of the key control areas within the Statement of Internal Control process.
4. **Put in place measures to monitor and secure internal audit recommendations** - a review is in progress of the role and structure of Inspection and Review (as well as the Inspection framework) with MPA Internal Audit input to ensure commonality of approach.

5. **Develop proposals for the integration of financial management within performance management arrangements** - processes are and continue to be developed to integrate financial management within the performance management and business planning arrangements.

5. Significant Internal Control Issues

Programmes of work are in place for the 2005/06 period which will help develop and enhance existing key controls and risk management. The significant internal control issues and action points going forward are:

- **To further deliver an effective police service across London** - a comprehensive, structured review of the Metropolitan Police Service led by an Assistant Commissioner (the 'Service Review') will better organise the MPS to support front line Service delivery and will examine the functions, activities and processes of the MPS and make recommendations to Management Board in the autumn of 2005. Also in development is a 3-year corporate strategy (a business plan for the MPS) for deployment in 2006. The continual development and implementation of Citizen Focus and the Together approach will improve the quality of services to the public, improve the internal culture of the MPS and increase performance.
- **To ensure that effective decision-making at the right levels is embedded across the MPS** - a new Management Board Operating Framework is to be introduced with Management Board being supported by an Investment Board, Performance Board and Operating Board. This will include developing business case management and overall will have a beneficial impact on the way in which decisions are made within the MPS and corporate risks managed.
- **To further embed the management of risk and reduce the level of risk to an acceptable level** - further embedding of the risk management strategy and a top/down and bottom/up business risk management process (risk registers) across the MPS (from Management Board through Business Groups to Operational Command Units) to feed and inform the decision-making and Statement of Internal Control process, which itself will be developed and refined.
- **To further enable the MPS to plan for major business disruption via business continuity planning** - further development of MPS resilience and business continuity planning led at Assistant Commissioner level including the brigading of the corporate business continuity team with contingency planning and other associated activities within the newly created Central Operations command.
- **To further implement the management of change programmes across the MPS** - further embedding of change co-ordination in to business processes.
- **To ensure the effective deployment of national policing standards** – the MPS continues to enhance an internal infrastructure to respond to and meet new and existing national policing standards going forward.
- **To assist in bringing closer together, resource allocation and planning** - the link between financial planning, business planning and performance management is to be further strengthened including greater alignment of the medium term financial and business planning process. The corporate tactical co-ordinating and tasking process operated by the Director of Tasking has a key role here.

- **To ensure that intelligence led policing continues to be integrated in to the MPS** - further development and embedding of the business planning process incorporating National Intelligence Model's new minimum standards and business risk.
- **To continue with the effective management of MPS policies** - review of the role of Policy Clearing House with a view to improving existing policy implementation and monitoring arrangements.
- **To ensure continuous improvement in the ways in which the MPS manage its information** – this is a core issue for the MPS and the Implementation of the Information Management Strategy will go some way to addressing this. The MPS continues to develop its information management systems with a view to further improving its data quality. The effects of, for example the Bichard report will have wide ranging implications for the future management of information within the MPS.
- **The continue to manage the performance of people across the MPS** - implementation of a co-ordinated approach to people performance management within the HR strategy, incorporating personal development reviews, career pathways, National Occupational Standards (NOS), qualifications and work-based assessments with risk management capabilities embedded within NOS.
- **To continue the effective delivery of the outsourcing programme with maximised benefits** - continuing management of risk within the Outsourcing Programme including regular review of risk registers (change risk) and input from internal and external risk specialists (contractual risk).
- **To continue to respond robustly to the Diversity imperative** – continual implementation of the diversity strategy, the recommendations of the Lawrence Inquiry Report, the monitoring and implementation of the Race Relations (Amendment) Act and the MPA and MPS Race Equality Schemes is on-going. This is essential for developing a broader and more inclusive approach to diversity and the people of London.

Len Duvall
Chair of the Metropolitan Police Authority

Catherine Crawford
Chief Executive and Clerk to the Metropolitan Police Authority

On behalf of the members and senior officers of the Metropolitan Police Authority and Metropolitan Police Service

Accounting Policies

General

These accounts have been prepared in such a way as to present fairly the financial results of the Authority and have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and the Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice.

Revenue Account

The Authority has produced a revenue account that presents a service expenditure analysis in accordance with the Best Value Code of Practice which is supplemented by a separate analysis on a subjective basis.

Employees Costs

The full cost of employees is charged in the revenue account for the period in which the employees worked. Accruals have been made for salaries earned but unpaid at the year end. Where retrospective adjustment or special payments have been identified these have been charged to the revenue account.

Government Grants

Government grants are accounted for on an accruals basis; income has been credited, in the case of revenue grants, to the revenue account to match with the expenditure to which they relate, or in the case of capital grants, to a balance sheet grants account.

Interest

External interest receivable is credited to revenue over the period to which it relates. Interest payable on external borrowings is fully accrued in order that the period bears the full cost of interest related to its actual borrowings.

Supplies and Services

The cost of supplies and services are included in the accounts on an accrued basis in order to account for them in the period during which they were consumed or received.

Pensions

The Authority operates two pension schemes for police officers and police staff.

Police Officers - The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. Officers make contributions of 11% of pensionable pay.

It is a defined benefit scheme paid from revenue (without a managed pension fund). Accrued net pension liabilities have been assessed on an actuarial basis in accordance with FRS 17, the net asset/liability and a pensions reserve of the PPS have been recognised on the balance sheet as have entries in the revenue

account for movements in the asset/liability relating to the defined benefit scheme. Transfers into and out of the PPS scheme representing joining and leaving police officers are recorded on a cash basis as a result of the time taken to finalise the sums involved.

Following SORP requirements, FRS 17 has been fully recognised in the accounts. Scheme liabilities as shown on the balance sheet are calculated by determining future liabilities for pension payments and applying a discount rate to reduce them to present day values. For 2004-05 SORP 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 2005. This change means that the pension liabilities in these accounts have been calculated at a discount rate of 5.4% as opposed to the 6.5% rate used for previous years. As a result the value of the liabilities shown on the balance sheet as at 31 March 2005 has increased by approximately 25%. This change is not a change in accounting policy hence there has been no revision of previous years' disclosures.

The change in the discount rate used also affects the service cost and interest cost shown in the accounts. The resulting service cost is higher, and the interest cost is lower, than the equivalent figures shown for 2003-04. The effect on the revenue account is neutral.

The Authority maintains a reserve to make adequate provision for lump sums payable on retirement to officers who at the end of the financial year have completed 30 years service or are aged 55 years or above and can retire at one month's notice.

Police Staff – The Authority joined the Principal Civil Service Pension Scheme (PCSPS) on 1 September 2002. The PCSPS is an unfunded multi-employer defined benefit scheme but employees may opt for a defined contribution alternative. The Scheme trustees are unable to identify its share of the underlying assets and liabilities. In accordance with FRS17 the PCSPS is deemed to be multi-employer scheme and the appropriate level of disclosure has been followed.

VAT

VAT is included in the accounts of the Authority, whether of a capital or revenue nature, only to the extent that it is not recoverable.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis in accordance with FRS 15 *Tangible Fixed Assets*. Subsequent capital expenditure is capitalised where it provides an enhancement of the economic benefits of the asset in excess of those previously assessed.

The useful economic lives of tangible fixed assets are reviewed annually and adjusted where necessary. The de minimis level policy is to capitalise all capital expenditure over £5,000 (2003-04: £5,000) on an individual asset basis, and projects with a total value in excess of £5,000: expenditure on partnership assets

is capitalised above £1,000. The principal asset categories and their useful economic lives, depreciated on a straight-line basis in accordance with FRS 15, are:

	Category	Years
Land and Buildings	Land	Indefinite, not depreciated
	Buildings	Useful economic life
	Leaseholds	Shorter of expected life and lease period.
Vehicle, Plant and Equipment	Plant, machinery, communications equipment and computers including: <ul style="list-style-type: none"> ▪ Personal Computers ▪ Photographic equipment ▪ Reprographic equipment 	3 - 15 3 10 15
	Policing Support Vehicles including: <ul style="list-style-type: none"> ▪ Patrol vehicles ▪ Coaches 	3 – 10 3 10
Intangible Assets	Software licences	3
Community Assets	Pictures and museum contents	Depreciation is not applicable as the assets are not in operational use.
Non Operational Assets	Vehicles, plant and equipment - Work In Progress	Depreciation is not applicable as the assets are not in operational use.
	Buildings – Work In Progress	

Revaluations

Land and Buildings are periodically revalued by external professional valuers and details of the valuation can be found in note 1 to the balance sheet (page 27).

Surpluses arising from the professional valuations of properties are taken directly to the Fixed Asset Restatement Account. Deficits are set off against any prior revaluation to the extent that they do not exceed the original cost of the property, any excess being charged to the revenue account. The accounting treatment adopted is in accordance with FRS 15 and SORP.

Capital Charges

The capital charges made to revenue equate to the sum of depreciation plus a notional interest charge. This interest charge is applied to all operational assets employed by the Authority. The interest rate used is prescribed by CIPFA each

financial year for such purpose. The rate presently stands at 3.5% for all fixed assets.

Leases

The Authority has a number of operating leases in respect of property and vehicles. Expenditure under operating leases is charged to the revenue account in the period in which it is incurred.

Disposals

Income from the sale of fixed assets is taken to the Usable Capital Receipts Reserve and is available to support the capital programme. The net book value of assets disposed of is written off against the Fixed Asset Restatement Account.

Impairment Review

Properties are subject to an impairment review by qualified in-house surveyors as part of the revaluation process. Any impairment arising, which represents a permanent diminution in the value of the property, is transferred to the Fixed Asset Restatement Account with any amount exceeding the cost of the property charged to the revenue account.

Other assets are reviewed for impairment by experienced in-house staff at the end of the year, where there is no depreciation charge made on the grounds that it would be immaterial or the estimated remaining useful life of the fixed asset exceeds 50 years. Any impairments arising are taken directly to the revenue account.

Deferred Charges

Deferred charges have been reviewed to identify which could be reclassified and included in intangible fixed assets in line with SORP recommendations. The remaining deferred charges have been fully written off in the current year.

Intangible Assets

The Authority treats software licences and other software expenditure as intangible fixed assets and amortises the costs over their useful economic lives.

Short Term Investments

Short term investments consist of fixed term deposits and are shown in the balance sheet at the lower of cost or net realisable value.

Stock

Stock is shown in the balance sheet at the lower of cost or net realisable value of the separate groups of stock.

Debtors and Creditors

The accounts of the Authority are maintained on an accruals basis. Sums due to or from the Authority are accounted for in the year in which they arose by the creation of debtors and creditors, including estimates where appropriate.

Provisions

Provisions for liabilities and charges have been established in accordance with FRS 12 *Provisions, Contingent Liabilities and Assets* and are based on reliable estimates of the expenditure required to settle future legal or constructive obligations that exist at the balance sheet date.

Provisions are charged to the revenue account and are released when the transfer of economic benefit to settle the obligation has been made.

Policy in relation to the principal provisions is as follows:

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 FRS12 because the claims involved are deemed to be estimates based on present day values.

Tax Liability – to make provision for the reimbursement to officers of tax deducted in respect of Compensatory Grant.

Bad Debts – to make 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.

Reserves

The SORP requires the maintenance of a Fixed Asset Restatement Account and a Capital Financing Account within the balance sheet. These accounts do not form part of the resources available to the Authority.

The Authority maintains reserves that are either earmarked for specific purposes or held to meet unforeseen or emergency expenditure. Earmarked reserves will be established from time to time to meet specific expected revenue or capital costs as determined by the Authority.

Details of current earmarked reserves are set out on pages 33 to 37

The Authority also maintains a general reserve to meet unforeseen or emergency expenditure which cannot be contained within the approved budget and has agreed that this reserve be established at a minimum of 1.0% of net budgeted expenditure, provided that there are adequate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control.

Contingent Liabilities

The MPA recognises material contingent 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 MPA's control in the notes to the balance sheet. Details of the extent of the potential liabilities are described in the note.

Private Finance Initiative Contracts (PFI)

The Authority has entered into two long term contractual agreements under PFI whereby the Contractor is responsible for design, construction, finance and maintenance of four new police stations in southeast London and a new public order and firearms training centre. Such PFI schemes meet the conditions set out in FRS 5 *Substance of Transactions* and professional advice has been provided which indicates there is no impact on the balance sheet of the Authority (other than mentioned above). Details of the ongoing revenue commitments are described on page 25.

Redemption of Debt

The Authority is able to finance a proportion of its capital investment projects through borrowing. The opportunity to finance capital expenditure in this way has increased through the flexibilities provided by the Prudential Code. The revenue account is charged with an amount sufficient to ensure that the minimum statutory principal repayment in respect of outstanding debt is repaid. The revenue account also meets all accrued interest costs.

Revenue Account

This summary is presented in Best Value Accounting Code of Practice format as prescribed by CIPFA for the year ended 31 March 2005 . For a subjective analysis see **note 1**.

Year ending 31 March 2004		Notes	Year ending 31 March 2005		
			£'000	£'000	£'000
			Expenditure	Income	
	Service Divisions	2			
79,453	Reducing Crime		94,119	(5,587)	88,532
980,930	Investigating Crime		1,161,994	(68,978)	1,093,016
452,433	Promoting Public Safety		535,945	(31,815)	504,130
369,967	Assistance to the Public		438,257	(26,016)	412,241
1,882,783	Sub Total		2,230,315	(132,396)	2,097,919
249,400	Police Officer Pension	5			396,200
384,691	National Police Services	3			385,155
2,516,874	Cost of Service				2,879,274
14,209	Corporate and Democratic Core				14,968
2,283	Non Distributed Cost - Pension				2,935
2,533,366	Net Expenditure	4, 5, 6, 7 & 8			2,897,177
(48,800)	Transfer Asset Management Revenue Account	9			(50,313)
538,000	Police Pensions interest cost	5			517,100
(13,408)	Interest and Investment Income				(15,782)
475,792					451,005
3,009,158	Net Operating Expenditure				3,348,182
	Appropriations				
36,924	Net Contributions to/(from) Earmarked Reserves				(19,490)
(548,152)	Contributions to/(from) Pensions Reserve	5			(659,012)
(77,890)	Minimum Revenue Provision Adjustment	10			(103,665)
(320)	Contribution to PFI unitary charge	14			(320)
6,925	Revenue Contributions to Capital				17,465
(582,513)					(765,022)
2,426,645	Amounts to be met from Government Grants and Local Taxation				2,583,160
	This was financed by:				
(1,125,400)	S102 Greater London Authority Act 1999 Grant	11			(1,220,216)
(1,305,365)	Other Grants	12			(1,363,185)
(2,430,765)					(2,583,401)
(4,120)	(Surplus) for the period transferred to General Reserve				(241)
(24,047)	Balance on General Reserve at 1 April 2004				(28,167)
(28,167)	Balance on General Reserve at 31 March 2005				(28,408)

Notes to the Revenue Account

1. Net Expenditure

Total revenue income and expenditure for the year to 31 March 2005 is presented in subjective analysis format below:

	2004-05 £'000	2003-04 £'000
Expenditure		
Employee Costs		
Police Officer Salaries	1,309,699	1,222,059
Police Staff Wages and Salaries	382,434	318,412
Police Officer & Police Staff Allowances and Training Expenses	198,748	182,267
Net Police Officer Pensions	390,825	250,595
Net Police Staff Pensions	55,580	45,146
Premises-related	192,690	167,858
Transport-related	56,232	49,007
Supplies and Services	368,929	355,787
Capital Charges	167,089	139,999
Total Gross Expenditure	3,122,226	2,731,130
Income		
Fees and Charges	(135,163)	(128,690)
Other Income	(89,886)	(69,074)
Net Expenditure	2,897,177	2,533,366
Transfer Asset Management Revenue Account	(50,313)	(48,800)
Interest on Pension Liability	517,100	538,000
Interest and Investment Income	(15,782)	(13,408)
	451,005	475,792
Net Operating Expenditure	3,348,182	3,009,158
Appropriations		
Net Contributions to Earmarked Reserves	(19,490)	36,924
Pension Reserve Movement	(659,012)	(548,152)
Minimum Revenue Provision Adjustment	(103,665)	(77,890)
Contribution to PFI Unitary Charge	(320)	(320)
Revenue Contributions to Capital	17,465	6,925
	(765,022)	(582,513)
Amounts to be met from Grants and Local Taxation	2,583,160	2,426,645
This is financed by:		
S102 Greater London Authority Act 1999 Grant	(1,220,216)	(1,125,400)
Other Grants	(1,363,185)	(1,305,365)
	(2,583,401)	(2,430,765)
(Surplus) for the period transferred to General Reserve	(241)	(4,120)
Balance on General Reserve at 1 st April 2004	(28,167)	(24,047)
Balance on General Reserve at 31st March 2005	(28,408)	(28,167)

The two presentations of the revenue account (page 20 and above) do not directly compare due to differing treatments of income. In the revenue account analysed according to service divisions (page 20) income includes pension receipts of £6.7 million and the National Police Services figure includes income of £99.3 million. By taking these amounts into account it is possible to match total income on that statement to the sum of £225.0 million in note 1 above.

2. The Service Expenditure Analysis (SEA)

The categories of service expenditure have been reduced and summarised on a basis consistent with Activity Based Costing methodology, which is used to produce a return to the Home Office. This change is a requirement of SORP and has necessitated the restatement of comparative figures for the previous year.

The BVACOP definitions for the service headings are shown in the glossary.

3. National Police Services

The revenue account entry for National Police Services of £385.2 million incorporates the costs of national, international and capital city functions, inclusive of an overhead allocation on a consistent basis with other headings in the statement. The relevant grant received from central government for these activities amounted to £207.0 million.

The functions included are:

- Support of policing activities that cross national and international borders;
- Activities undertaken outside the Metropolitan Police District;
- Those functions undertaken nationally on behalf of other Forces;
- Support to other national government agencies;
- Royal and Diplomatic protection;
- Activities associated with London being the seat of National Government and the primary residence of the Royal Family;
- Responding to London being the national focus for celebration, demonstration, national history, tourism and culture, entertainment and financial activities.

4. Employment Costs

The Authority has disclosed below the number of employees whose taxable remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000:

Remuneration band £	Number of Employees	
	2004-05	2003-04
50,000-59,999	2985	2051
60,000-69,999	500	380
70,000-79,999	125	77
80,000-89,999	26	42
90,000-99,999	25	13
100,000-109,999	6	9
110,000-119,999	7	2
120,000-129,999	6	5
130,000-139,999	3	1
140,000-149,999	2	1
150,000-159,999	0	0
160,000-169,999	3	1
170,000-179,999	0	1
180,000-189,999	0	0
190,000-199,999	1	0
200,000-209,999	1	0

Note: banding is based on all taxable remuneration, excluding pension costs, paid in the year rather than the annual salary. Taxable remuneration includes overtime and may also include back dated pay awards, which relate to previous years but were actually paid in the years in question. The numbers of staff shown for 2003-04 have been re-stated onto the same basis as for 2004-05 following a review of the method for extracting the information from the payroll system.

5. Pension Costs

As part of the terms and conditions of employment the Authority offers retirement benefits. A full description of both the following schemes is at notes 12 and 13 to the balance sheet.

Police Officers

In the year to 31 March 2005, the net costs of pensions and other benefits amounted to £390.8 million (£396.2 million notional pension costs and £5.4 million past services costs and other ancillary costs), representing 37.51% of pensionable pay.

The Authority recognises retirement benefits in the Net Cost of Services when they are earned by the employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make is based on the actuarially calculated cost, so the real cost of retirement benefits is reversed out of the revenue account after Net Operating Expenditure. The following transactions have been made in the revenue account during the year:

	2004-05 £'000
Current service cost	396,200
Past service costs	1,327
Interest cost	517,100
Movement in pensions reserve	(659,012)
Retirement benefits paid to Officers	255,614

- Current and past service costs have been produced by actuaries (see note 12 to the balance sheet).
- Interest on pension liability represents the increase in the present value of the scheme liabilities that represent the future commitment to pay pensions, because the benefits are one year closer to settlement.
- Pension reserve movement represents a net increase in the pensions reserve as analysed in the Statement of Movement in Reserves.
- Retirement benefits paid to Officers is the actual amount paid during the year, removed from the revenue statement.

Note 12 to the balance sheet contains details of the assumptions made in estimating the figures included in this note. The Notes to the Statement of the Total Movements in Reserves on page 34 shows the reasons for the increase in the pension reserve.

Police Staff

In the year to 31 March 2005, the net costs of pensions (£53.7 million) and other benefits (£1.8 million) amounted to £55.6 million, representing 14.23% of pensionable pay.

Using information provided by PCSPS, the pension liabilities of the Scheme are described in detail in note 13 to the balance sheet.

6. Leases

In the year to 31 March 2005, the Authority spent £0.4 million on operating leases for vehicles and £23.6 million for property.

Outstanding commitments in respect of operating leases at 31 March 2005 are as follows:

Period	31 March 2005		31 March 2004	
	Property £'000	Vehicles £'000	Property £'000	Vehicles £'000
In year 1	24,171	6	23,126	525
Between 2 and 5 years	110,545	Nil	89,286	Nil
More than 5 years	279,931	Nil	264,855	Nil

Included above are future year commitments for Empress State Building. The Authority entered into this lease in October 2004. The term of the lease is 14 years and 9 months. Following a rent-free period to July 2007, rent is £10.9 million per annum.

7. Members' Allowances and Expenses

A total of £183,639 was paid in 2004-05 (2003-04: £183,865) in respect of Members' allowances and expenses.

8. Publicity

Under the requirements of Section 5(1) of the Local Government Act 1986, the Authority is required to identify expenditure on publicity. This amounted to £6.5 million in the period and is analysed below:

	2004-05 £'000	2003-03 £'000
Staff recruitment advertising	3,080	2,982
Other publicity	3,429	2,921
Total	6,509	5,903

9. Asset Management Revenue Account

This account allows the Authority to offset the impact of capital charges in arriving at the total level of expenditure to be financed from government grants and local taxpayers.

	2004-05 £'000	2003-04 £'000
Income		
Capital Charges	(167,089)	(139,999)
Expenditure		
External Interest	5,654	6,374
Provision for Depreciation	107,122	80,556
Amortisation	4,000	4,269
Total	(50,313)	(48,800)

10. Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the Authority to charge to the revenue account a minimum revenue provision (MRP) for the redemption of debt. This amount is calculated as a percentage (presently 4%) of the Authority's capital financing requirement (CFR). To achieve a revenue effect similar to that operating under previous rules the CFR is adjusted to reflect the difference between it and the Authority's adjusted credit ceiling.

The CIPFA SORP requires that the provision for depreciation be regarded as part of MRP, with the difference being a charge or credit to the revenue account. This ensures that the revenue account is charged with no more than the amount required for the repayment of debt.

The MRP amount required for 2004-05 was £7.4 million (2003-04 £6.9 million) and the amount of depreciation and amortisation charged was £111.1 million (2003-04 £84.8 million), requiring a credit to the revenue account of £103.7 million (2003-04 £77.9 million), with a corresponding charge to the Capital Financing Reserve.

11. S102 Greater London Authority Act 1999 Grant

The Greater London Authority precepts London boroughs for Council Tax and receives Revenue Support Grant (RSG) and Non Domestic Rates (NDR) directly from central government. The GLA provides funding to the Authority in the form of instalments through a Section 102 Grant.

The central funding allocated and the police precept for 2004-05 were as follows:

	2004-05 £'000	2003-04 £'000
Revenue Support Grant	598,829	579,160
Non-Domestic Rates	100,069	102,496
Police Precept	521,318	443,744
Total	1,220,216	1,125,400

12. Other Grants

Other revenue grants received during 2004-05 were:

	2004-05 £'000	2003-04 £'000
Police Revenue Grant	1,123,084	1,082,397
London Allowance	29,292	25,054
Crime Fighting Fund	72,981	70,666
Counter-terrorism	47,668	51,548
Street Crime Initiative Fund	12,177	10,845
DNA Database Expansion Programme	7,829	6,418
Airwave Revenue	1,259	5,066
PCSO Funding	17,221	15,475
Loan Charges	2,672	3,423
Local Authority Partnership Receipts	32,024	21,322
Special Priority Payments	10,865	7,733
London Safety Camera Partnership	4,024	3,246
Other	2,089	2,172
Total	1,363,185	1,305,365

13. Related Party Transactions

FRS8 *Related Party Disclosures* requires the Authority to disclose all material related party transactions. During the year, transactions with related parties not disclosed elsewhere in these accounts amount to:

	2004-05 £'000	2003-04 £'000
Expenditure		
Forensic Science Services	34,061	37,464
Income (net)		
Immigration Services	4,735	4,092
Special Service Agreements	46,764	48,441
National Identification Service	5,886	7,151
Transport for London	50,400	40,335
City of London Police	204	239
National Crime Squad	12,279	13,873
National Criminal Intelligence Service	1,360	2,255
Seconded Officers	8,921	8,348

Toby Harris, MPA Member, has been employed as a consultant by KPMG. The Authority paid £66,026 directly to KPMG for

consultancy services. Further to an agreement made under Section 3 of the Audit Commission Act 1988, KPMG supports the Audit Commission with its audit of the Authority. This arrangement is solely between KPMG and the Audit Commission and the MPA is not party to it. The Authority is liable to pay £509,000 to the Audit Commission for 2004-05; part of this sum will be attributed to work undertaken by KPMG

The partner of the Director of Resources is Operations Director (UK and Ireland) of Accenture HR Services, a wholly owned subsidiary of Accenture. The Authority paid £116,169 to Accenture in 2004-05 for consultancy services, but nothing directly to Accenture HR Services.

14. Private Finance Initiative (PFI)

The Authority has entered into two long-term contractual agreements under the PFI whereby the contractor is responsible for design, construction, finance and maintenance of four new police stations in south-east London and a new public order and firearms training centre. The agreements impose twenty-five year commitments on the Authority from occupation/use of the new facilities. The unitary charge for 2004/05 is £13.0 million for the police stations and £5.8 million for the training centre. Half of the unitary charge will be subject to annual adjustments in respect of inflation (RPI) and the remainder adjusted by a fixed percentage. The total unitary charge for the remainder of the lease agreements is £707.6 million

An amount of £0.32 million is included in revenue appropriations, which represents the funding of an additional charge to the unitary payment made to the contractor. In accordance with FRS5 the charge represents a notional increase in the unitary charge which would have arisen had the Authority not made a lump sum payment to the contractor in advance of services provided (see note 4, balance sheet, for net written down value of payment).

15. Auditors Remuneration

The audit fee payable to the Audit Commission during the year totalled £509,000 (2003-04 £509,000).

The audit was jointly conducted by the Audit Commission and KPMG. KPMG earned an additional sum of £24,000 in respect of audit of grant claims.

Balance Sheet

The balance sheet shows the financial position of the Metropolitan Police Authority as at 31 March 2005

31 March 2004		Notes	31 March 2005	
£'000			£'000	£'000
	Tangible Fixed Assets	1		
1,472,891	Land and Buildings (L&B)		1,450,204	
100,925	Vehicles, Plant and Equipment (VPE)		85,143	
1,573,816				1,535,347
	Intangible Fixed Assets	1		
	Deferred Charges	2	0	14,389
22,482	Non-Operational Assets	1	196,267	
178,751	Community Assets	1	1,063	
1,067				197,330
202,300				
20,664	Long Term Debtors	4		19,726
1,796,780	Total Long Term Assets			1,766,792
	Current Assets			
5,787	Stock	3	6,792	
78,938	Debtors	4	132,563	
347,000	Short Term Investments	5	268,500	
431,725				407,855
	Less: Current Liabilities			
(5,298)	Cash and Bank Balances		(5,516)	
(284,985)	Creditors	6	(328,573)	
(18,628)	Loans Repayable in 12 months		(15,000)	
(308,911)				(349,089)
1,919,594	Total Assets less Current Liabilities			1,825,558
	Less: Long Term Liabilities			
(9,375,973)	Police Officer Pension Liability	13		(12,496,488)
(43,800)	Provisions	7		(33,202)
(85,838)	Long Term Borrowing	8		(70,837)
(7,586,017)	Total Assets less Liabilities			(10,774,969)
	Accounting Reserves	9		
1,478,462	Fixed Asset Restatement Account		1,407,872	
24,333	Capital Financing Account		60,150	
86,902	Government Grant Deferred		55,064	
1,589,697				1,523,086
	Usable Reserves			
38,952	Usable Capital Receipts Reserve		46,000	
9,775	C3i/Airwave Capital Reserve		21,539	
4,375	Earmarked Capital Reserves		2,201	
7,576	Capital Grant Reserve		8,361	
111,414	Earmarked Revenue Reserves		91,924	
28,167	General Revenue Reserve		28,408	
200,259				198,433
	Pension Reserve			
(9,375,973)	Police Officer Pension Reserve	12		(12,496,488)
(7,586,017)	Total Equity			(10,774,969)

Notes to the Balance Sheet

1. Fixed Assets

	Intangible Fixed Assets £'000	Tangible Fixed Assets		Non Operational Assets £'000	Community Assets £'000	Total £'000
		Land and Buildings £'000	Vehicles, Plant & Equipment £'000			
Gross book value at 01.04.04	0	1,520,549	187,483	178,751	1,067	1,887,850
Transfers	29,986	(26,053)	5,453	20,600	0	29,986
Additions	731	21,836	18,104	107,988	0	148,659
Disposals	(4,029)	(75,825)	(3,615)	(112,129)	(4)	(195,602)
Revaluations	0	66,933	0	(1,575)	0	65,358
Capital adjustment	0	2,272	25,518	2,632	0	30,422
Gross book value at 31.03.05	26,688	1,509,712	232,943	196,267	1,063	1,966,673
Accumulated depreciation at 01.04.04	0	(47,658)	(86,558)	0	0	(134,216)
Transfer	(7,504)	0	0	0	0	(7,504)
Depreciation for the year	(8,821)	(54,682)	(43,619)	0	0	(107,122)
Depreciation on assets sold	4,026	42,795	15,426	0	0	62,247
Capital adjustment	0	37	(33,049)	0	0	(33,012)
Total Depreciation and Capital Adjustment	(12,299)	(59,508)	(147,800)	0	0	(219,607)
Net book value at 31.03.05	14,389	1,450,204	85,143	196,267	1,063	1,747,066
Net book value at 31.03.04	0	1,472,891	100,925	178,751	1,067	1,776,116

The Authority's property portfolio which is located throughout London's 32 boroughs includes 174 police stations, 684 operational buildings, 1,064 residential properties, Safer Neighbourhood bases, patrol bases, headquarter buildings and offices.

The Authority also operates 4,840 patrol and other vehicles, 30 boats including inflatables and dinghies, a radio network with 28,700 radios and 3 helicopters.

Basis of valuation

At the year-end a revaluation has been performed of the entire operational property portfolio, with 20% being physically inspected and 80% being reviewed on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by G. L. Hearn Ltd (qualified 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 portfolio has been subject to a revaluation exercise on 20% of the total value by Drivers Jonas (qualified surveyors) ensuring that all such properties are revalued once every five years.

Buildings under construction are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2005.

Short life assets such as vehicles, plant, furniture and equipment are included at depreciated historic cost.

Community assets have been included in the balance sheet following valuations placed on them by internal and external valuers. These consist of pictures, furniture and museum pieces which are at present in long term storage, which have been gifted over many years.

Impairment Review

Impairment reviews were performed at the year-end on Land and Buildings as part of the revaluation process and on Vehicles, Plant and Equipment. There were no impairments identified as a result of the exercise in the year to 31 March 2005.

Capital Expenditure

Items of capital expenditure for the year were:

	2004-05	2003-04
	£'000	£'000
Plant and Equipment	10,026	8,712
Information Technology	57,352	47,239
Vehicles	16,800	18,019
Land and Buildings	59,631	59,501
Communication equipment	4,850	10,187
Sub total	148,659	143,658
Deferred Charge	4,000	13,595
PFI Contribution	0	8,000
Total	152,659	165,253

Sources of Capital Finance

	2004-05	2003-04
	£'000	£'000
Total capital expenditure	152,659	165,253
Add/(Less): Accruals and adjustments	7,127	(4,675)
Capital payments to be financed	159,786	160,578
Financing: Supported Borrowing	18,999	16,842
Unsupported Borrowing	32,823	0
Other contributions	2,578	0
Capital grants	66,418	98,872
Capital receipts (prior years)	14,191	32,185
Revenue contribution (prior years)	3,677	17,868
Revenue contribution (prior years)	17,465	5,450
Revenue contribution (prior years)	3,635	21,100
Total financing	159,786	160,578

Future Capital Expenditure Commitments

Capital expenditure to be incurred in later years includes the following:

	2005 and later years	2004 and later years
	£'000	£'000
IT various projects	126,174	136,289
Building works	108,223	64,331
Vehicles, Plant & Equipment	49,134	2,071

Application of the Prudential Code

In carrying out its duties under Part 1 of the Local Government Act 2003 the Authority 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.

2. Deferred Charges

The amount capitalised in the year to 31 March 2005 represents costs incurred on a housing scheme.

	£'000
Opening balance at 01.04.2004	29,986
Transfers in the year to Intangible Fixed Assets	(29,986)
Additions in the year	4,000
Capital adjustment	0
Gross Book Value at 31.03.2005	4,000
Amortisation at 01.04.2004	(7,504)
Transfers in year to Intangible Fixed Assets	7,504
Capital adjustment	0
Amortisation charge for the year	(4,000)
Amortisation at 31.03.2005	(4,000)
Net Book Value at 31.3.2005	0
Net Book Value at 31.3.2004	22,482

3. Stocks

	At 31 March 2005	At 31 March 2004
	£'000	£'000
Uniforms	4,657	4,040
Transport	867	850
Heating Oil	944	582
Catering goods	324	315
Balance	6,792	5,787

4. Amounts owed to the Authority

	At 31 March 2005 £'000	At 31 March 2004 £'000
Long Term Debtors:		
GLMCA/NPS repayment of MPS debt	12,366	12,984
PFI Contribution	7,360	7,680
Balance	19,726	20,664
Other Debtors:		
Staff Advances	2,145	1,908
Government Departments	60,938	27,898
General Debtors	3,261	3,094
Other Local Authorities	6,692	4,077
GLMCA/NPS	8,504	8,010
Payments in Advance	40,661	21,430
Customs and Excise	11,333	14,215
	133,534	80,632
Less Bad Debt provision	971	1,694
Balance	132,563	78,938

5. Short Term Investments

This amount represents short term and overnight deposits with banks and building societies. It includes £78 million of 'cash on call' which is not defined as an investment for FRS 1 purposes.

6. Amounts owed by the Authority falling due within one year

	At 31 March 2005 £'000	At 31 March 2004 £'000
Receipts in advance	(21,202)	(29,278)
Government Departments	(36,584)	(44,720)
General Creditors	(264,089)	(203,671)
GLMCA/NPS	(6,698)	(7,316)
Balance	(328,573)	(284,985)

7. Provisions

	At 31 March 2005 £'000	At 31 March 2004 £'000
Third party liabilities	29,702	40,000
Tax liability	3,500	3,800
Balance	33,202	43,800

The Authority seeks to make provision for realistic estimates of the future settlement of known liabilities in respect of legal compensation and accident claims that are not covered by insurance. Accordingly a provision has been made at 31 March 2005 for £29.7 million (£10.3 million was released to revenue in year; the balance at 31 March 2004 was £40 million).

A provision of £3.5 million liability has been created to provide for tax refunds due to Police

Officers arising from the payment of a compensatory grant allowance in 2004-05.

8. Long Term Borrowing

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

	At 31 March 2005 £'000	At 31 March 2004 £'000
PWLB loans	70,837	85,838
Analysis of loans by maturity:		
Between 1 and 2 years	13,500	15,000
Between 2 and 5 years	24,337	33,500
Between 5 and 10 years	0	4,338
Over 10 years	33,000	33,000

9. Reserves

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

Details of movements on these reserves are shown in the Statement of Total Movement in Reserves and Notes on pages 33-37.

10. Contingent Liabilities

There is a contingent liability in respect of a claim from the liquidator of Whitrad Ltd (trading as Bells of Richmond Ltd) for £2.9 million. Counter claims totalling over £7 million have been submitted by the MPA together with evidence to extinguish the liquidator's claim. The matter remains under dispute at the time of publishing the accounts.

11. Third Parties' Monies

The Authority administers funds on behalf of third parties. Money held by the funds is not owned by the Authority and is not included on the balance sheet. Authority staff administer the Metropolitan Police Authority Police Property Act Fund and the Metropolitan Police Detained Monies Account on behalf of the Authority 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 twelve months to 31 March 2005, and values at their financial year end dates are given below. Not all of the figures have been audited:

Fund Name	Income £'000	Expenditure £'000	Fund Value 31.03.05 £'000
MPAPPAF	591	602	5,112
MPADMA	1,650	1,570	1,680
M.P.C.B.F.	1,589	1,375	609
M.C.P.R.F.	373	183	897
M.P.W.W.F.	76	420	1,441
M.P.C.H.F.	1,075	1,061	554
M.P.C.F.	26	26	454
M.P.S.F.	914	911	589
M.P.A.A.	561	484	2,100
M.P.S.C	4,197	4,242	2,255
M.P.C.S.W.F	16	9	196
COMETS	39	38	89
Other Funds	4,905	4,865	600
TOTAL	16,012	15,786	16,576

M.P.A.P.P.A.F. - Metropolitan Police Authority Police Property Act Fund – Under section 43 of the Powers of the Criminal Courts Act 1973, the Authority is empowered to seize monies or property used, or intended for use, for the purpose of a crime. The monies seized are held within the Fund and are either returned to defendants or released to the Authority as a result of court proceedings. It is current policy to donate monies released to charitable organisations including the Safer London Foundation.

M.P.A.D.M.A. - Metropolitan Police Authority Detained Monies Account – Until 31 March 2004 the M.P.A.P.P.A.F was used to hold for the time being money that had been detained from persons suspected of criminal activity, such money being retained pending a decision as to its disposal. Since 1 April 2004 detained money has been paid into the M.P.A.D.M.A.

M.P.C.B.F. - Metropolitan Police Combined Benevolent Fund – This is the main charitable fund into which police officers make monthly contributions and where donations and bequests from the public are received. The income received is distributed on a proportionate basis between four registered charities: Metropolitan and City Police Relief Fund, Metropolitan Police Widows' and Widowers' Fund, Metropolitan Police Convalescent Home Fund and the Metropolitan and City Police Orphans Fund. This fund is not administered by Authority staff but is a joint charity with the City of London Police.

M.C.P.R.F – Metropolitan and City Police Relief Fund – The fund (a registered charity) provides financial support to serving police officers considered to be deserving of assistance on account of sickness (whether of themselves or their families), injuries received in the discharge of their duties or for other reasons. Note: Despite the title City of London Police Officers do not contribute to the fund and do not benefit from it.

M.P.W.W.F. - Metropolitan Police Widows' and Widowers' Fund – The fund (a registered charity) gives financial assistance by means of grants to deserving cases among widows and widowers of former police officers.

M.P.C.H.F. - Metropolitan Police Convalescent Home Fund – Monies received into the fund are directed to The Police Rehabilitation Centre at Goring-on-Thames. The centre provides residential care to police officers in order to facilitate their recovery from illness or injury.

M.P.C.F. - Metropolitan Police Commissioner's Fund – This registered charity was established to provide financial assistance to police officers and police staff.

M.P.A.A. - Metropolitan Police Athletic Association – The fund is the umbrella organisation for 44 sporting sections of the Metropolitan Police Service. The fund provides Metropolitan Police staff with financial assistance in obtaining new sporting facilities and managing sporting activities.

M.P.S.C – Metropolitan Police Sports Clubs – There are four principal recreational sports clubs included under this heading. The clubs are Bushey Sports Club, Chigwell Sports Club, Imber Court Sports Club and Hayes Sports Club.

M.P.S.F - Metropolitan Police Sports Fund - This registered charity receives monthly contributions from police officers for sporting activities, athletic and other recreational activities. The majority of the income is distributed to the four principal sports clubs (referred to above). Financial assistance is also given to five area sports and social clubs.

M.P.C.S.W.F – Metropolitan Police Civil Staff Welfare Fund – The fund provides financial assistance to members and past members of police staff, their families and dependants who are in need.

COMETS – The aim of the COMETS is to promote sports and social activities and is primarily for the benefit of police staff.

Other Funds - There are 107 other funds managed by the Metropolitan Police Authority's staff and officers. Monies received into the funds are utilised for a number of welfare, sports and social activities. The figures are in respect of clubs etc. whose income or expenditure in their last financial year exceeded £10,000 or whose funds at their respective year-end dates exceeded £10,000.

Operational Responsibilities - The Authority also holds monies on behalf of third parties arising from its operational responsibilities. The amounts, not included in the balance sheet, are as follows:

	£'000
Drug Trafficking Offences Act monies	10,402
Prisoners property and lost cash	1,523
Other	<u>1,768</u>
Total	<u>13,693</u>

The prisoners property and lost cash relates to the total amount held in property stores at 31 March 2005 and has therefore been stated separately from the Police Property Act Fund value.

12. Police Pensions Liabilities

As part of the terms and conditions of employment of its police officers, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Police Pension Scheme for police officers is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated from revenue to meet the actual pensions payments as they fall due. Police officers make contributions to the scheme; in 2004-05 this amounted to £105.3 million.

In 2004-05, pensions costs have been charged to the revenue account on the basis of pensions payable in the year to retired officers. The Authority had the following overall liabilities for pensions at 31 March 2005 that have been included in the balance sheet:

	31 March 2005	31 March 2004
Estimated liabilities in the scheme	£ million	£ million
Officer members	6,333	4,815
Deferred Pensioners	296	359
Pensioners	5,867	4,202
Total value of scheme liabilities	12,496	9,376

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 2005. The main assumptions used in their calculations are:

	2004-05	2003-04
Rate of inflation	2.9%	2.9%
Rate of increase of salary (<i>note a</i>)	4.4%	4.4%
Rate of increase in pensions	2.9%	2.9%
Rate for discounting scheme liabilities (<i>note b</i>)	5.4%	6.5%

a. Future salary increases are assumed to be 1.5% more than price increases.

b. The current discount rate is determined by reference to the market yield on high quality corporate bonds.

The movement in the scheme liabilities for the year to 31 March 2005 can be analysed as follows:

	2004-05	2003-04
	£ million	£ million
Deficit in scheme at beginning of the year	(9,376)	(8,815)
<i>Movement in year:</i>		
Current service cost.	(396)	(249)
Employer contributions	262	246
Transfers in from / to other authorities	(6)	(5)
Past service cost (injury benefits)	(2)	(2)
Interest cost on pension liabilities.	(517)	(538)
Actuarial gain / (loss)	(2,461)	(13)
Scheme liabilities at 31 March 2005	(12,496)	(9,376)

The actuarial gain can be further analysed as follows:

	2004-05	2003-04
	£ million	£ million
Other experience gains/(losses) on liabilities	43	(13)
Actuarial gain / (loss)	(2,461)	(13)
Present value of liabilities	12,496	9,376
Percentage of the present value of liabilities	0.3%	0.1%

13. Police Staff Pensions Liabilities

The PCSPS is an unfunded multi-employer defined benefit scheme but the Metropolitan Police Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2005. Details can be found in the resource accounts of the Cabinet Office.

For 2004-05, employers' contributions of £53.7 million were payable to the PCSPS at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will increase from 2005-06. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme.

Statement of Total Movements in Reserves

See pages 34-37 for details of movements

	2004-05	
	£'000	£'000
Surplus for the year	241	
Less reduction in earmarked reserves	(19,490)	
Total decrease in revenue reserves		(19,249)
Increase in usable capital receipts	7,048	
Increase in unapplied capital grants	785	
Increase in earmarked capital reserves	9,590	
Total increase in realised capital resources		17,423
Gains on revaluation of fixed assets	65,358	
Reduction in value of fixed assets	(2,594)	
Total decrease in unrealised value of fixed assets		62,764
Value of assets sold, disposed of		(133,354)
Capital receipts set aside	24,242	
Revenue resources set aside	11,575	
Movement on Government Grants Deferred	(31,838)	
Total increase in amounts set aside to finance capital investments		3,979
Total recognised gains and losses		(68,437)

Notes to the Statement of Total Movements in Reserves

Details of movements in revenue and other reserves

Notes	Accounting Reserves			
	Fixed Asset Restatement Account	Capital Financing Account	Government Grant Deferred Account	Total
	£'000 1	£'000 2	£'000 3	£'000
Balance as at 1.04.2004	(1,478,462)	(24,333)	(86,902)	(1,589,697)
Minimum Revenue Provision Adjustment	0	103,665	0	103,665
Transfers during year	0	(98,096)	98,096	0
Revaluation of fixed assets	(65,358)	0	0	(65,358)
Cost of assets disposed	133,354	0	0	133,354
Capital expenditure adjustment	2,594	(17,144)	0	(14,550)
Financing of Fixed Assets	0	(24,242)	(66,258)	(90,500)
Balance as at 31.03.2005	(1,407,872)	(60,150)	(55,064)	(1,523,086)

Notes	Usable Capital Reserves				
	Usable Capital Receipts	C3i/Airwave Capital Reserve	Earmarked Capital Reserve	Capital Grant Reserve	Total
	£'000 1	£'000 2	£'000 3	£'000 4	£'000
Balance as at 1.04.2004	(38,952)	(9,775)	(4,375)	(7,576)	(60,678)
Transfers during year	0	(41,750)	(2,053)	(39,020)	(82,823)
Proceeds of disposals	(25,100)	0	0	0	(25,100)
Financing of Fixed Assets	18,052	29,986	4,227	38,235	90,500
Balance as at 31.03.2005	(46,000)	(21,539)	(2,201)	(8,361)	(78,101)

Note	Police Officer Pension Reserve £'000 1
Balance as at 1.04.2004	9,375,973
Actuarial gain	2,461,502
Revenue Reserve movement	659,013
Balance as at 31.03.2005	12,496,488

Accounting Reserves

1. Fixed Asset Restatement Account

The Fixed Asset Restatement Account is debited or credited with the deficits or surpluses that arise on the revaluation of fixed assets as well as being written down by the net book value of assets when they are disposed of. The account cannot be used to support spending.

2. Capital Financing Account

The capital finance account contains the amount of capital expenditure that has been financed from revenue and capital receipts excluding sums received in respect of loans negotiated to finance capital investment. The account also contains the difference between the minimum revenue provision and depreciation. Additionally, it handles the release of government grants from the government grants deferred account as funds are applied for financing purposes. The account cannot be used to support spending.

3. Government Grant Deferred Account

Government grants are received and applied to finance capital expenditure on fixed assets. Such grants are usually non-specific to particular capital schemes and cannot be written off through the asset management revenue account to match depreciation. Instead, they are written off to the capital financing account in the year of application. Where grants are specific the grant is released to the capital financing account as the book value of purchased fixed assets is depleted.

Usable Capital Reserves

1. 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.

2. C3i/Airwave Capital Reserve

This reserve comprises monies assigned to the replacement of the Authority's Command, Control, Communications and Information System (C3i Programme) that remain unspent at the end of the financial year and are required to be carried forward to support capital expenditure on this programme of works in future years.

3. 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 through the reserve to be reassigned to named projects in future financial years. The earmarked capital reserve presently operates for MPA Estate improvements, and third party contributions to property refurbishment.

4. Capital Grant Reserve

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

Police Officer Pension Reserve

1. 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 FRS17.

Usable Revenue Reserves

	Balance at 1 April 2004 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2005 £'000
Earmarked Revenue Reserves (Note 1)				
Airwave	(8,582)	0	8,582	0
Budget Pressures	(11,600)	(200)	8,936	(2,864)
Contract Review	(1,500)	0	1,500	0
Efficiency and Effectiveness / Service Review	(531)	0	24	(507)
Expenditure Support 2004-05	(17,336)	0	17,336	0
Rail Travel	(5,000)	0	5,000	0
Laming Enquiry	(399)	0	255	(144)
Legal Costs	(1,596)	0	1,557	(39)
MPA	(1,171)	0	1,057	(114)
Operational Command Unit (OCU) carryover	(3,547)	0	2,419	(1,128)
Operational costs	(4,508)	(2,621)	2,130	(4,999)
PFI contract	(600)	0	89	(511)
Police Pensions	(45,494)	0	0	(45,494)
Property related costs	(5,508)	(1,200)	1,965	(4,743)
Protective clothing	(3,650)	0	3,161	(489)
Systems	(302)	(90)	0	(392)
Training	(90)	0	90	0
Vehicle recovery services	0	(3,200)	0	(3,200)
Rent Smoothing	0	(3,000)	0	(3,000)
Budget Resilience	0	(20,300)	0	(20,300)
Central Operations Tasking	0	(4,000)	0	(4,000)
Total Earmarked Revenue Reserves	(111,414)	(34,611)	54,101	(91,924)
General Revenue Reserve (Note 2)	(28,167)	(241)	0	(28,408)
Total of Revenue Reserve movements	(139,581)	(34,852)	54,101	(120,332)

Note 1**Earmarked Revenue Reserves****Airwave**

This account set aside monies for the expected costs of delivering this communications project, incurred either direct by the MPA or by PITO.

Budget Pressures

This reserve is to meet specific unbudgeted pressures in 2004-05, with a new unbudgeted reserve for 2005-06.

Contract Review

The reserve provided for the cost of reviewing various significant contracts of the MPA.

Efficiency and Effectiveness / Service Review

The reserve was in respect of consultancy costs to fund the continuing efficiency and effectiveness review programme. A review determined that the reserve was no longer required for this purpose and should be held to finance the MPS Service Review in 2005-06.

Expenditure Support 2004-05

Created from the managed underspend in 2003-04 to support one-off expenditure in the 2004-05 budget.

Rail Travel

This account set aside a sum to contribute towards the additional cost of providing police officers with free public transport in support of their duties.

Laming Enquiry

To cover the likely cost of the impact of the Laming report into the murder of Victoria Climbié and its recommendations.

Legal Costs

To provide for the cost of potential law suits.

MPA

The reserve will be used to support the additional costs that the Metropolitan Police Authority expect to incur in 2005-06.

OCU Carryover

This amount represents underspend on devolved budgets as per the MPA's Scheme of Devolved Financial Management.

Operational Costs

The reserve provides for a number of operational activities that have been planned in 2005-06.

PFI Contracts

To reserve part of the costs of a PFI property development.

Police Pensions

A reserve to mitigate the expected rise in police officer pension costs, which includes the redesignation of the pension provision (to meet lump sum pension payments to serving officers who have already reached full pension entitlement) referred to in accounting policies.

Property Related Costs

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

Protective Clothing

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

Systems

The reserve contributes to the cost of developing financial systems.

Training

This reserve provided for additional financial awareness training for police staff.

Vehicle Recovery Services

To fund the fitting out costs of an additional car pound.

Rent Smoothing

A reserve set up to fund future years' increase in rent payable on a newly occupied building.

Budget Resilience

This reserve is set aside to provide assurance to mitigate any possible difficulties in achieving compliance with the 2005-06 budget. The position will be reviewed regularly during the year when the scope for releasing the reserve for other priority areas will be assessed.

Central Operations Tasking

This reserve is to provide for funding of central tasking in the Central Operations groups following removal of a grant for this purpose.

Note 2

General Revenue Reserve

This reserve was established to provide cover for emergencies and the policy of keeping the general reserve at a minimum of 1% of the revenue budget.

Cash Flow Statement

The consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2003-04 £'000		Note	2004-05 £'000
	Outflow		
1,713,429	Pay to officers and staff		1,872,416
1,027,051	Other operating expenditure		920,308
	Inflows		
(13,717)	Rent		(14,190)
(129,750)	Sale of goods and services		(136,475)
(2,450,723)	Revenue grants (see below)		(2,596,923)
(233,339)	Other receipts		(19,373)
(87,049)	<u>Cash flow from Revenue Activities</u>	1	25,763
	<u>Returns on Investments and Servicing of Finance</u>		
6,757	Interest paid		5,654
(12,341)	Interest received		(17,010)
(5,584)	Net cash inflow from Investment activity		(11,356)
	<u>Capital Activities</u>		
160,621	Purchase of fixed assets		12,594
(32,185)	Sale of fixed assets		(25,100)
(73,363)	Capital grants received		(98,811)
55,073	Net cash outflow from capital activities		(111,317)
	<u>Management of Liquid Resources</u>		
24,400	Purchases of short term investments		78,500
	<u>Financing Activities</u>		
10,000	Repayment of loans		18,628
(3,160)	(Increase)/decrease in cash	2	218

Notes to the Cash Flow Statement

1. Reconciliation of Deficit to revenue cashflow

2003-04 £'000		2003-04 £'000
(4,120)	Surplus/(Deficit)	(241)
	<u>Non-cash Transactions</u>	
(86,380)	net transfer from reserves	7,023
33,129	net transfer from provisions	11,320
	<u>Items on an accruals basis</u>	
(53,148)	(increase)/decrease in revenue creditors	(46,612)
838	increase/(decrease) in stocks	1,004
17,048	increase/(decrease) in debtors	41,913
	<u>Items shown later in the cashflow statement</u>	
12,341	investment income	17,010
(6,757)	interest paid	(5,654)
(87,049)	Net cashflow from revenue activities	25,763

2. Analysis of cash balances

Cash balances include not only corporate and local bank balances but also imprest balances held across the organisation.

	Balance 31.3.2004 £'000	Balance 31.3.2005 £'000	Movement in the year £'000
Cash and bank	(5,298)	(5,516)	(218)

3. Analysis of Net Debt

	Balance 31.03.2004 £'000	Cash Flow £'000	Balance 31.03.2005 £'000
Cash at bank and in hand	(5,298)	(218)	(5,516)
Debt due within 1 year	(18,628)	3,628	(15,000)
Debt due after 1 year	(85,838)	15,000	(70,837)
Short Term Investments	347,000	(78,500)	268,500
Total	237,236	(60,090)	177,147

Glossary of Terms

Assistance to the Public

This heading covers activities such as involving the community in police activity through various initiatives, operating Police Community Support Officers and in dealing with press and public relations.

Budget

A statement defining the Authority's policy over a specified period and expressed in financial or other terms.

Capital Charges

A charge made to the revenue account for capital assets used in the delivery of service. The capital charge comprises two elements; a financing charge that is based on the value that the asset is held at, in the balance sheet, and a depreciation charge for assets with a finite life.

Capital Expenditure

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

Capital Receipts

Money obtained on the sale of a capital asset. They can only be used for capital purposes, e.g. funding capital expenditure or repaying debt.

Corporate Democratic Core Costs

This covers bank charges, auditors' fees and the cost of the Authority as well as the corporate activities of Head Office departments.

Credit Arrangements

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

Creditors

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

Debtors

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

Employee Costs

The salaries and wages of employees together with national insurance, superannuation 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 s.102 payments made by the GLA. In addition, the Home Office pays specific grants direct to the Authority towards both revenue and capital expenditure.

Investigating Crime

This heading includes activities such as investigation, information gathering, analysis of crimes and criminal activity by detectives, specialist staff and specialist units such as marine, air and dog units.

Long Term Debtors

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

Minimum Revenue Provision

The amount that the Authority is statutorily required to set aside from revenue each year as a provision to meet credit liabilities. For the Authority this relates to a principal sum calculated by reference to the capital financing requirement, which is used for the redemption of external debt.

Non Distributed Costs

This consists of charges for police officers and police staff early retirements.

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.

Promoting Public Safety

This heading covers activities such as the provision of operational support units to cover traffic incidents, use of firearms, sporting events and other public activities.

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.

Reducing Crime

This heading covers activities to reduce crime, for example through liaison with local communities and the management of specialist intelligence gathering units.

Revenue Expenditure

Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and capital financing charges.

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).