



**Metropolitan Police Authority**

**Appendix 1**

# Statement of Accounts 2010/11



**METROPOLITAN  
POLICE**

**Working together for a safer London**

# Metropolitan Police Authority

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# Foreword to the Accounts

## Background

The Metropolitan Police Authority was established in 2000 and is a functional body of the Greater London Authority.

A key duty of the Authority is to secure the maintenance of an efficient and effective police service for its area. It is responsible for managing overall expenditure within the budget. However, responsibility for day to day financial management is delegated to the Commissioner in accordance with the financial framework agreed by the Authority.

## The Accounts

The Statement of Accounts sets out the overall financial position of the Metropolitan Police Authority (MPA) for the year ending 31 March 2011. The MPA is responsible for the finances of the Metropolitan Police Service (MPS) and the Statement of Accounts record all the income and expenditure of the MPS.

The Accounts for the Authority have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) which has statutory force as representing proper accounting practice. This Code is the first to be based on the International Financial Reporting Standards (IFRSs) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS). Previous Accounts were prepared under UK Statement of Recommended Practice (SORP). The overriding requirement of the Code remains that the Statement of Accounts give a 'true and fair view' of the financial position of the Authority. The Code has effect for financial years commencing from 1 April 2010 and, for comparability purposes, the previous year's figures are also restated on the same basis.

The Financial Statements consist of:

- The Comprehensive Income and Expenditure Statement (CIES) – this summarises the resources generated and consumed in the year. At page 11 it shows a surplus of £1,062.7 million, however, this statement should not be viewed in isolation. To gain a true understanding of the Authority's financial performance for the year it is necessary to view the Movement in Reserves Statement which shows how this surplus is managed in the Balance Sheet. Following the Police Officer Pension Fund actuarial gain and accounting adjustments and transfers to revenue reserves, the surplus is offset to the extent that there is no net movement in the General Reserve;
- Movement in Reserves Statement– this shows how the £1,062.7 million surplus and other income and expenditure generated in the CIES is spread over the Usable and Unusable Reserves in the Balance Sheet. Usable reserves decreased from £302 million to £295 million;
- The Balance Sheet – this sets out the assets (land, buildings, equipment, and monies due), liabilities owed by the MPA to others, and the Usable and Unusable Reserves which the Authority maintains. The net worth of the Authority is £1,484 million (excluding the cost of Police Officer and pensioners liabilities);
- The Cash Flow Statement – this shows the inflows and outflows of cash to the Authority. During 2010/11 there was a net cash inflow to the Authority of £38 million. In order that readers can better understand the financial performance of the Authority these cash flows are split between operating activities, investing activities (purchase and sale of property, equipment, investments, etc.) and financing activities (covering new borrowing and repayments of borrowing);

In addition to the Financial Statements the Statement of Accounts include a Statement of Responsibilities for the Accounts, the Annual Governance Statement and the Police Officer Pension Fund (providing statements for income and expenditure, assets and liabilities). This

Foreword provides a brief explanation and overview of the financial performance of the Authority and highlights any significant features.

## Financial Performance for the year

### Setting the budget

The Mayor and London Assembly set the budget for 2010/11 following the submission of proposals by the MPA. The approved budget provided for net expenditure of £2,673.3 million which included savings and efficiencies of £124.1 million identified to ensure a balanced budget.

### Final Outturn

The financial year 2010/11 presented a number of key challenges, particularly meeting the £28 million in-year grant reduction, the pressure on public order budgets from policing the various protests and moving the organisation into a position whereby 2011/12 savings can be delivered. Despite these pressures, the MPA through robust financial management has delivered a provisional underspend of £5.6 million to support the 2011-14 Budget and Business Plan proposals including bridging the anticipated budget gap in future years.

The table below provides a summary of the final outturn position for 2010/11, following transfers to Earmarked Reserves, compared to the approved budget.

| Approved Annual Budget<br>£000 |   | Revised Annual Budget<br>£000 | Actual Income and Expenditure<br>£000 | Variance<br>£000 |
|--------------------------------|---|-------------------------------|---------------------------------------|------------------|
|                                | <b>Pay</b>  |                               |                                       |                  |
| 1,998,676                      | Police Officer Salaries   | 1,966,749                     | 1,963,791                             | (2,958)          |
| 816,879                        | Police Staff Salaries   | 819,418                       | 799,567                               | (19,851)         |
| <b>2,815,555</b>               | <b>Total Pay</b>  | <b>2,786,167</b>              | <b>2,763,358</b>                      | <b>(22,809)</b>  |
|                                | <b>Running Expenses</b>   |                               |                                       |                  |
| 36,350                         | Employee Related Expenditure  | 34,491                        | 36,036                                | 1,545            |
| 262,893                        | Premises Costs  | 218,337                       | 216,460                               | (1,877)          |
| 68,312                         | Transport Costs   | 66,928                        | 66,070                                | (858)            |
| 423,753                        | Supplies & Services   | 408,499                       | 399,337                               | (9,162)          |
| 23,700                         | Capital Financing Costs   | 38,034                        | 42,241                                | 4,207            |
| 30,125                         | Discretionary Pension Costs   | 33,125                        | 34,288                                | 1,163            |
| <b>845,133</b>                 | <b>Total Running Expenses</b>                                       | <b>799,414</b>                | <b>794,432</b>                        | <b>(4,982)</b>   |
| <b>3,660,688</b>               | <b>Total Gross Expenditure</b>                                      | <b>3,585,581</b>              | <b>3,557,790</b>                      | <b>(27,791)</b>  |
| <b>(360,930)</b>               | <b>Total Income</b>   | <b>(317,147)</b>              | <b>(325,789)</b>                      | <b>(8,642)</b>   |
| <b>3,299,758</b>               | <b>Net Expenditure</b>  | <b>3,268,434</b>              | <b>3,232,001</b>                      | <b>(36,433)</b>  |
| (622,229)                      | Specific Grant  | (589,551)                     | (571,909)                             | 17,642           |
| <b>2,677,529</b>               | <b>Net Revenue Expenditure</b>                                      | <b>2,678,883</b>              | <b>2,660,092</b>                      | <b>(18,791)</b>  |
| (4,229)                        | Transfer to/(from) Earmarked Reserves                               | (5,583)                       | 7,578                                 | 13,161           |
| 0                              | Transfer of underspend to General Reserves                          | 0                             | 5,630                                 | 5,630            |
| <b>(4,229)</b>                 | <b>Total - transfers to/(from) General &amp; Earmarked Reserves</b> | <b>(5,583)</b>                | <b>13,208</b>                         | <b>18,791</b>    |
| <b>2,673,300</b>               | <b>Budget Requirement</b>   | <b>2,673,300</b>              | <b>2,673,300</b>                      | <b>0</b>         |

Figures in brackets in the variance column represent an under spend for expenditure and an over receipt of income against the revised annual budget column.

The MPA/MPS Business Plan was approved by MPA Full Authority on 25 March 2010. Changes between the approved annual budget and the revised annual budget are reported in the 2010/11 MPA Finance and Resources Committee papers at <http://www.mpa.gov.uk/committees>.

The main variations against the revised annual budget are as follows;

**Police Officer Salaries (underspend of £3 million)**

The underspend in police officer salaries was principally due to police officer actual strength throughout the year being below the levels assumed in the original budget. There was also a minor underspend in overtime costs reflecting controls in place to manage overtime expenditure within budget. The achievement of a minor underspend was not without difficulty given the scale of some of the demonstrations that required significant policing during the year.

**Police Staff Salaries (underspend of £19.9 million)**

The underspend in police staff salaries primarily relates to vacancies within various directorates, a reduction in the use of agency staff and preparations for restructuring. There was also an underspend of £6.4 million in Territorial Policing chiefly linked to reduced numbers of nurses and designated detention officers working on Project Herald. Police staff overtime was also managed down during the year.

**Employee Related Expenditure (overspend of £1.5 million)**

The overspend was principally within Human Resources and relates to the cost of voluntary departures of police staff from the organisation. This overspend was partially offset by an underspend primarily in Specialist Operations due to vacant seconded officer posts, matched by a reduction in income.

**Premises Costs (underspend of £1.9 million)**

A significant proportion of the underspend (£1.6 million) relates to planned expenditure for Project Herald which will not now occur.

**Transport Costs (underspend of £0.9 million)**

The underspend is mainly within Specialist Operations, due to a reduction in overseas travel for protection officers and as a consequence of staff vacancies.

**Supplies and Services (underspend of £9.2 million)**

The underspend predominantly relates to the Service Improvement Fund budget which is matched by a transfer to reserves.

**Capital Financing Costs (overspend of £4.2 million)**

The overspend relates to increased interest charges resulting from borrowing which was undertaken earlier than originally anticipated for cash flow purposes and an increase in the cost of finance lease interest which is matched by a contra entry against premises costs.

**Discretionary Pension Costs (overspend of £1.2 million)**

The overspend relates to an unanticipated increase in police officer ill health retirements and the identification of some previous underpayments which have now been rectified.

**Income (over-achievement £8.6 million)**

This over-achievement relates principally to the Directorate of Resources, where there has been an over-achievement on Property Services charges and rent receivable. There has also been an over-achievement within the Directorate of Information, where additional income has been received from BAA for works carried out at Heathrow Airport, and also for ACPO IT costs recovered from the Home Office.

**Specific Grant (under-achievement £17.6 million)**

The under-achievement was primarily due to a £6.4 million reduction in Home Office Safer Neighbourhood PCSO funding (following actual numbers being below those required under the terms of the grant) and £6.8 million in Specialist Operations where underspending led to a reduced grant from ACPO TAM. There was also a £3.6 million under-recovery in Territorial Policing where costs for special constables were less than expected, having been budgeted to

achieve a strength of 6,667 against current expectations that are closer to a strength of 5,000. In the Olympics Security Directorate, a forecast under-recovery of £4.1 million is in line with expenditure expectations.

## Capital

Capital expenditure for 2010/11 was financed by grants, borrowing, capital receipts and revenue contributions. The capital expenditure against budget is set out below:

| Original Budget<br>£ million |                                 | Revised Budget<br>£ million | Actual<br>£ million | Variation<br>£ million |
|------------------------------|---------------------------------|-----------------------------|---------------------|------------------------|
| 82.7                         | Property Based Programme        | 90.6                        | 70.8                | (19.8)                 |
| 136.5                        | Information Based Programme     | 141.1                       | 79.8                | (61.3)                 |
| 20.9                         | Transport Based Expenditure     | 21.6                        | 16.6                | (5.0)                  |
| 0.6                          | Other Plant and Equipment       | 0.6                         | 0.2                 | (0.4)                  |
| 35.3                         | Safer Neighbourhoods' Programme | 22.5                        | 7.3                 | (15.2)                 |
| 29.8                         | Olympics & Paralympics          | 33.2                        | 13.5                | (19.7)                 |
| <b>305.8</b>                 | <b>Sub-Total</b>                | <b>309.6</b>                | <b>188.2</b>        | <b>(121.4)</b>         |
| (42.3)                       | Less Over-programming           | (33.3)                      | 0.0                 | 33.3                   |
| <b>263.5</b>                 | <b>Total</b>                    | <b>276.3</b>                | <b>188.2</b>        | <b>(88.1)</b>          |

From 2004/05 onwards, decisions about capital finance affecting the capital programme have been taken in the context of the CIPFA Prudential Framework. The Framework provides authorities with more borrowing flexibility providing rigorous controls on affordability, sustainability and prudence are met.

Capital expenditure of £188.2 million on Authority assets in 2010/11 was financed, in accordance with the Prudential Code, from borrowing of £62.8 million, government capital grants and other third party contributions of £85.0 million, capital receipts of £38.7 million and a revenue contribution of £1.7 million.

Significant slippage in project delivery was experienced during 2010/11 as a number of projects were re-examined in light of the reduced capital grant and other financial resources available to the MPA over coming years.

The major areas of variation are as follows:

- Property Based Programme £19.8m – slippage due to reduction and re-phasing to align the programme of investment with the new Corporate Estate strategy. Delays in lease negotiations and tendering, and changes in building requirements also contributed to the slippage.
- Information Based Programme £61.3m – slippage due to delays arising from procurement of hardware and commercial negotiations, and the need to obtain legal advice following the requirement to use the SPRINT Framework for all hardware.
- Transport Based Expenditure £5m – slippage arising from change in the process used to procure vehicles
- Safer Neighbourhoods' Programme £15.2m – underspend due to reduction in the investment programme following strategic reviews in line with the Corporate Estate Review and Territorial Policing Review
- Olympics & Paralympics £19.7m – underspend due to review of initial estimates which included Home Office Optimism Bias without impact on outputs or programme slippage. All costs are funded by the Home Office.

The underspends will be used to fund alternative future investment whilst slippage will be re-phased to reflect the revised anticipated timing of the investment.

The MPA is currently in the process of modernising its estate, disposing of inefficient and antiquated buildings and investing in new buildings that are fit for purpose. This comprehensive estate review aims to optimise the use of available space whilst providing police officers and staff with improved working conditions and the public with accessible buildings in the right locations. The Safer Neighbourhoods' Programme has become an integral part of this review exercise. Obsolete and redundant property will be disposed of at competitive prices thereby generating suitable income to allow the redevelopment of the estate to continue. Significant efficiency savings are planned which will assist in reducing the impact of the continued lowering of the revenue settlement sums to be awarded to the Authority.

There was £115 million new debt negotiated during 2010/11. This comprised £90 million of long term debt for capital investment and £25 million of short term debt for cash flow purposes. Settlement of maturing debt during the year totalled £1.7 million. As a result, as at 31 March 2011 the level of outstanding debt totalled £235.4 million. Capital receipts of £22.7 million were generated from the disposal of tangible fixed assets during the year.

## **The Balance Sheet**

The presentation of the Balance Sheet has changed as a result of implementing the CIPFA Code of Practice on Local Authority Accounting for 2010/11, a number of descriptions have changed, three new accounts have been created and one account closed. These changes are detailed in the notes to the Accounts.

The net worth of the MPA (excluding the cost of police officer and pensioners liabilities) declined by £18 million from £1,502 million to £1,484 million during 2010/11 mainly as a result of increases in the value of fixed assets and cash/cash equivalents being more than offset by higher levels of short term and long term borrowing. The Balance Sheet continues to be considered to be robust.

## **Reserves**

The Authority's policy for 2010/11 is to have a General Reserve at a minimum of 2% 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 £47.5 million at 31 March 2011 (£47.5m 31 March 2010). The other uncommitted reserve is the Emergencies Contingency Reserve which at 31 March 2011 is £23.1 million (£23.1 million 31 March 2010), which is an earmarked reserve. Together these uncommitted reserves total £70.6 million, 2.6% of the 2010/11 budget requirement.

## **Pensions**

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed on the Balance Sheet, reflect the full implementation of International Accounting Standard IAS 19. The pension liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. Recognition of the total liability has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. The fund valuation shows a significant decrease in liabilities due in the main to the change in assumption for pension increases. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. This is because the Authority makes a pension contribution of 24.2% of pensionable pay to finance the liability, with the actual pensions and commuted lump sums now being met directly by the Police Pension Fund Revenue Account, which is funded by the Home Office.

## Summary of the changes for 2010/11

This Statement of Accounts is the first to implement International Financial Reporting Standards. As such there are a number of changes to accounting regulations since the 2009 SORP. The key changes are set out below:

- The 2010/11 Statement of Accounts shows a number of leases as assets on the Balance Sheet as well as showing a liability for payments to the lessor(s) for these contracts. This follows the requirement set by the Code for identifying finance leases where the lessee, in this case the Authority, has substantially all the risks and rewards incidental to ownership of an asset. Remaining leases continue to be shown in the Accounts as a revenue cost. The MPA has restated the prior year comparatives in the Balance Sheet. Accordingly the Authority has recognised assets in the Balance Sheet arising from its lease contracts. There are three lease contracts which the Authority is deemed to have substantially all the risks and rewards of ownership of the assets (even though title to the property may not be transferred). There are now, in total, six property leases for which the building element is classified as a finance lease and four long term ground leases of land of more than 125 years also classified as finance leases. In addition it has also reclassified 15 long leases of land (125 years or less) as operating leases and accordingly removed them from the Balance Sheet. The overall value shown on the Balance Sheet at 31 March 2011 is £54.8 million with a corresponding liability for the additional three finance leases of £26.3 million. It is considered that the overall impact of this accounting treatment for finance leases is not significant in terms of increasing the net worth of the Authority. Details of the impact of the change in accounting for finance leases can be found on page 56.
- The Authority is required to treat unused short term employee benefits such as holiday leave as a cost to the organisation in the year that they are earned by officers and staff. Accordingly an additional cost has been included in the CIES to reflect the cost of unused rest days (for police officers only) and holiday leave and the same amount offset by taking it into a new accounting reserve named the Accumulated Absences Account to ensure there is no impact on the bottom line. Each year the balance of leave unused will be charged to the CIES and adjusted in that reserve. The Accounts for 2009/10 have been restated on this basis. This has been calculated to be a potential cost of £98.9 million to the Authority, were employees to take all of their entitlements within the following year. In practice officers and staff are encouraged to take all of their holiday entitlement in year, however they are entitled to carry forward a certain number of days reflected in the cost mentioned above.
- The accounting treatment of investment properties has changed to the extent that they shall be measured at fair value. A gain or a loss arising from a change in the fair value is to be recognised in the CIES as a surplus or deficit. Accordingly the Authority has restated its 2009/10 Accounts to reflect this new approach.
- In line with the Code requirements, the Authority has reviewed its grants and donated assets to identify if there are any conditions attached which may require the monies/asset to be returned if they are not met. Where that is not the case all monies/assets received are included in the CIES and then transferred to an appropriate Balance Sheet account.
- Assets Held for Sale – these are principally properties no longer in operational use and are being actively marketed for sale. The value in the Balance Sheet is shown at the lower of its carrying amount and fair value less cost to sell.

In addition as a result of the Chancellor's announcement in the June 2010 Emergency Budget that the public sector pension increases will hence forth be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI), the valuation of the two Police Officer Pension Schemes includes a past service gain of £2.3 billion in respect of the pension increase payable to current and future pensioners of the schemes. The amount has been disclosed separately as an exceptional item on the CIES on page 11.



## **Outlook for 2011/12**

The 2011/12 revenue budget requirement was set at £2,713 million, an increase of 1.5% over the 2010/11 figure. The budget is funded by general government grant £2,025.5 million and council tax income of £687.5 million. The policing element of the Band D council tax precept for 2011/12 is £227.95.

Capital investment of £177.2 million in property, IT and transport to improve the operational capacity of the MPA is planned for 2011/12. This will be funded by borrowing of £68 million, government capital grants and other third party contributions of £47 million, capital receipts of £40 million, a revenue contribution of £19 million and use of capital reserve of £3.2 million.

The Government is legislating through its Police Reform and Social Responsibility Bill, to replace the MPA with a new Mayoral Office for Policing and Crime. This may be implemented during 2011/12.

## **Corporate Governance**

The Accounts and Audit Regulations 2011 require that the Annual Governance Statement (AGS) accompany the Statement of Accounts rather than be included in the Statement of Accounts. The change in wording in the new 2011 regulations is to make it clear that the AGS is separate from the Statement of Accounts for the purpose of external audit. As permitted the MPA has elected to continue to publish the AGS with the Statement of Accounts in a single document.

The AGS highlights the Authority's internal control environment, comments on its effectiveness and identifies issues for future work. The Metropolitan Police Service produces an Annual Assurance Statement detailing the governance arrangements they have in place. Reliance is placed on this in drawing up the Annual Governance Statement.

# Statement of Responsibilities for the Accounts

## Statement of Accounts for the year ended 31 March 2011

The MPA is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (Treasurer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

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

In preparing this Statement of Accounts, the Treasurer has:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the MPA at the accounting date and of the income and expenditure for the year ended 31 March 2011.

**Robert Atkins**  
Treasurer MPA  
30 June 2011

# Independent Auditor's Report

**Metropolitan Police Authority** Statement of Accounts for the year ended 31 March 2011

**To MPA**

To follow

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, in addition to the amount of funding by way of grant income, see Glossary for details

|  | Notes | 31 March 2011      |                  |                    | Restated 31 March 2010 |                  |                    |
|--|-------|--------------------|------------------|--------------------|------------------------|------------------|--------------------|
|  |       | £000               | £000             | £000               | £000                   | £000             | £000               |
| <b>Service Expenditure Analysis</b>                          |       | <b>Expenditure</b> | <b>Income</b>    |                    | <b>Expenditure</b>     | <b>Income</b>    |                    |
| Local Policing   |       | 1,637,602          | (312,616)        | 1,324,986          | 1,726,916              | (306,058)        | 1,420,858          |
| Dealing with the Public                                      |       | 219,083            | (5,474)          | 213,609            | 217,895                | (5,425)          | 212,470            |
| Criminal Justice Arrangements                                |       | 326,682            | (14,795)         | 311,887            | 326,103                | (19,344)         | 306,759            |
| Road Policing  |       | 98,464             | (13,986)         | 84,478             | 104,214                | (16,320)         | 87,894             |
| Specialist Operations  |       | 260,838            | (45,031)         | 215,807            | 266,489                | (45,200)         | 221,289            |
| Intelligence   |       | 179,016            | (8,989)          | 170,027            | 173,061                | (6,999)          | 166,062            |
| Specialist Investigation                                     |       | 493,154            | (39,065)         | 454,089            | 551,063                | (36,060)         | 515,003            |
| Investigative Support  |       | 109,710            | (3,451)          | 106,259            | 111,166                | (2,278)          | 108,888            |
| National Policing  |       | 595,372            | (452,936)        | 142,436            | 598,084                | (444,496)        | 153,588            |
|  |       | <b>3,919,921</b>   | <b>(896,343)</b> | <b>3,023,578</b>   | <b>4,074,992</b>       | <b>(882,180)</b> | <b>3,192,811</b>   |
| Corporate and Democratic Core                                | 11    |                    |                  | 15,668             |                        |                  | 16,705             |
| Non Distributed Cost   | 12    |                    |                  | 5,935              |                        |                  | 8,474              |
| <b>Net Cost of Policing Services</b>                         |       |                    |                  | <b>3,045,181</b>   |                        |                  | <b>3,217,990</b>   |
| <b>Other Operating and Investment Income and Expenditure</b> |       |                    |                  |                    |                        |                  |                    |
| Interest Payable and Similar Charges                         | 13    |                    |                  | 18,001             |                        |                  | 16,858             |
| Police Pensions Interest Cost                                |       |                    |                  | 1,003,500          |                        |                  | 869,600            |
| Exceptional Item   | 14    |                    |                  | (2,262,700)        |                        |                  | 0                  |
| Interest and Investment Income                               | 15    |                    |                  | (1,061)            |                        |                  | (824)              |
| Net Gains on Disposal of Fixed Assets                        | 16    |                    |                  | (5,863)            |                        |                  | (7,679)            |
| Investment Properties Revaluation                            | 19.2  |                    |                  | (6,054)            |                        |                  | 2,921              |
|  |       |                    |                  | <b>(1,254,177)</b> |                        |                  | <b>880,876</b>     |
| <b>Net Operating Expenditure</b>                             |       |                    |                  | <b>1,791,004</b>   |                        |                  | <b>4,098,866</b>   |
| <b>Non Specific Grant Income</b>                             |       |                    |                  |                    |                        |                  |                    |
| S102 Greater London Authority Act 1999 Grant                 | 17    |                    |                  | (1,558,546)        |                        |                  | (1,556,671)        |
| Other Grants   | 18    |                    |                  | (1,214,446)        |                        |                  | (1,211,332)        |
| Capital Grants   | 18    |                    |                  | (80,709)           |                        |                  | (95,528)           |
|  |       |                    |                  | <b>(2,853,701)</b> |                        |                  | <b>(2,863,531)</b> |
| <b>Deficit / (Surplus) on provision of Services</b>          |       |                    |                  | <b>(1,062,697)</b> |                        |                  | <b>1,235,335</b>   |
| <b>Other Income and Expenditure</b>                          |       |                    |                  |                    |                        |                  |                    |
| Loss/(Surplus) on Revaluation of Non Current Assets          |       |                    |                  | (22,436)           |                        |                  | (10,043)           |
| Actuarial Gains or Losses on Police Pension Funds            | 14    |                    |                  | (1,262,900)        |                        |                  | 6,066,400          |
|  |       |                    |                  | <b>(1,285,336)</b> |                        |                  | <b>6,056,357</b>   |
| <b>Total Comprehensive Income and Expenditure</b>            |       |                    |                  | <b>(2,348,033)</b> |                        |                  | <b>7,291,692</b>   |

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'Usable Reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus) or Deficit on the Provision of Services' line shows the true economic cost of providing the Authority's services, more details of which are shown in CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase) /Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

| Year ended 31 March 2011  | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Other Usable Capital Reserves | Total Usable Reserves | Unusable Reserves  | Police Pension Funds | Total Authority Reserves |
|---|----------------------|----------------------------|--------------------------|-------------------------------|-----------------------|--------------------|----------------------|--------------------------|
|   | £000                 | £000                       | £000                     | £000                          | £000                  | £000               | £000                 | £000                     |
| <b>Balance at 1 April 2010</b>  | <b>(47,483)</b>      | <b>(208,923)</b>           | <b>(21,923)</b>          | <b>(23,763)</b>               | <b>(302,092)</b>      | <b>(1,199,848)</b> | <b>19,909,100</b>    | <b>18,407,160</b>        |
| Surplus on Provision of Services  | (1,062,697)          | 0                          | 0                        | 0                             | <b>(1,062,697)</b>    | 0                  | 0                    | <b>(1,062,697)</b>       |
| Other Comprehensive Expenditure and Income                              | 0                    | 0                          | 0                        | 0                             | <b>0</b>              | (22,436)           | (1,262,900)          | <b>(1,285,336)</b>       |
| <b>Total Comprehensive Expenditure and Income</b>                       | <b>(1,062,697)</b>   | <b>0</b>                   | <b>0</b>                 | <b>0</b>                      | <b>(1,062,697)</b>    | <b>(22,436)</b>    | <b>(1,262,900)</b>   | <b>(2,348,033)</b>       |
| Adjustments between Accounting Basis & Funding Basis under Regulations  | 1,049,489            | 0                          | (22,680)                 | 4,324                         | <b>1,031,133</b>      | 72,387             | (1,102,700)          | <b>820</b>               |
| <b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b> | <b>(13,208)</b>      | <b>0</b>                   | <b>(22,680)</b>          | <b>4,324</b>                  | <b>(31,564)</b>       | <b>49,951</b>      | <b>(2,365,600)</b>   | <b>(2,347,213)</b>       |
| Transfers to / from Earmarked Reserves (Note 34.2 & 34.3)               | 13,208               | (13,208)                   | 38,700                   | 0                             | <b>38,700</b>         | (38,700)           | 0                    | <b>0</b>                 |
| <b>(Increase) / Decrease in Year</b>                                    | <b>0</b>             | <b>(13,208)</b>            | <b>16,020</b>            | <b>4,324</b>                  | <b>7,136</b>          | <b>11,251</b>      | <b>(2,365,600)</b>   | <b>(2,347,213)</b>       |
| <b>Balance at 31 March 2011</b>   | <b>(47,483)</b>      | <b>(222,131)</b>           | <b>(5,903)</b>           | <b>(19,439)</b>               | <b>(294,956)</b>      | <b>(1,188,597)</b> | <b>17,543,500</b>    | <b>16,059,947</b>        |

## Movement in Reserves Statement (Continued)

| Year ended 31 March 2010  | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Other Usable Capital Reserves | Total Usable Reserves | Unusable Reserves | Police Pension Funds | Total Authority Reserves |
|---|----------------------|----------------------------|--------------------------|-------------------------------|-----------------------|-------------------|----------------------|--------------------------|
|   | £000                 | £000                       | £000                     | £000                          | £000                  | £000              | £000                 | £000                     |
| Balance at 31 March 2009  | (47,483)             | (223,511)                  | (26,539)                 | (22,119)                      | (319,652)             | (1,185,738)       | 12,597,600           | 11,092,210               |
| Changes in Accounting Policy  | 0                    | (7,237)                    | 0                        | (12,718)                      | (19,955)              | (33,179)          | 0                    | (53,134)                 |
| Balance at 1 April 2009   | (47,483)             | (230,748)                  | (26,539)                 | (34,837)                      | (339,607)             | (1,218,917)       | 12,597,600           | 11,039,076               |
| Surplus or (deficit) on Provision of Services (accounting basis)        | 1,271,051            | 0                          | 0                        | (38,568)                      | 1,232,483             | 2,852             | 0                    | 1,235,335                |
| Other Comprehensive Expenditure and Income                              | 0                    | 0                          | 0                        | 0                             | 0                     | (10,043)          | 6,066,400            | 6,056,357                |
| <b>Total Comprehensive Expenditure and Income</b>                       | <b>1,271,051</b>     | <b>0</b>                   | <b>0</b>                 | <b>(38,568)</b>               | <b>1,232,483</b>      | <b>(7,191)</b>    | <b>6,066,400</b>     | <b>7,291,692</b>         |
| Adjustments between Accounting Basis & Funding basis under Regulations  | (1,249,226)          | 0                          | (29,484)                 | 49,642                        | (1,229,068)           | 60,360            | 1,245,100            | 76,392                   |
| <b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b> | <b>21,825</b>        | <b>0</b>                   | <b>(29,484)</b>          | <b>11,074</b>                 | <b>3,415</b>          | <b>53,169</b>     | <b>7,311,500</b>     | <b>7,368,084</b>         |
| Transfers to / from Earmarked Reserves (Note 34.2 & 34.3)               | (21,825)             | 21,825                     | 34,100                   | 0                             | 34,100                | (34,100)          | 0                    | 0                        |
| <b>(Increase) / Decrease in Year</b>                                    | <b>0</b>             | <b>21,825</b>              | <b>4,616</b>             | <b>11,074</b>                 | <b>37,515</b>         | <b>19,069</b>     | <b>7,311,500</b>     | <b>7,368,084</b>         |
| Balance at 31 March 2010  | (47,483)             | (208,923)                  | (21,923)                 | (23,763)                      | (302,092)             | (1,199,848)       | 19,909,100           | 18,407,160               |

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority, see Glossary for details.

|                                      | Notes | 31 March 2011       | Restated<br>31 March 2010 | Restated<br>1 April 2009 |
|--------------------------------------|-------|---------------------|---------------------------|--------------------------|
|                                      |       | £000                | £000                      | £000                     |
| <b>Long Term Assets</b>              |       |                     |                           |                          |
| Intangible Assets                    | 19.1  | 10,230              | 11,113                    | 12,480                   |
| <b>Property, Plant and Equipment</b> |       |                     |                           |                          |
| Property                             | 19.1  | 1,503,414           | 1,505,937                 | 1,536,093                |
| Vehicles Plant and Equipment         | 19.1  | 236,367             | 215,319                   | 232,683                  |
| Community Assets                     | 19.2  | 1,308               | 1,308                     | 1,121                    |
| <b>Non Operational Assets</b>        |       |                     |                           |                          |
| Assets under Construction            | 19.2  | 162,676             | 169,859                   | 103,208                  |
| Investment Properties                | 19.2  | 50,967              | 44,900                    | 35,334                   |
| <b>Total Fixed Assets</b>            |       | <b>1,964,962</b>    | <b>1,948,436</b>          | <b>1,920,919</b>         |
| Long Term Debtors                    | 20    | 25,286              | 24,265                    | 33,610                   |
| <b>Total Long Term Assets</b>        |       | <b>1,990,248</b>    | <b>1,972,701</b>          | <b>1,954,529</b>         |
| <b>Current Assets</b>                |       |                     |                           |                          |
| Assets Held for Sale                 | 21    | 2,094               | 236                       | 0                        |
| Inventories                          | 22    | 8,336               | 7,519                     | 6,722                    |
| Short Term Debtors                   | 23    | 169,335             | 180,835                   | 226,361                  |
| Short Term Investments               | 24    | 15,000              | 0                         | 0                        |
| Cash & Cash Equivalents              | 25    | 75,000              | 36,000                    | 36,000                   |
| <b>Total Current Assets</b>          |       | <b>269,765</b>      | <b>224,590</b>            | <b>269,083</b>           |
| <b>Current Liabilities</b>           |       |                     |                           |                          |
| Short Term Creditors                 | 26    | (299,774)           | (311,084)                 | (358,460)                |
| Short Term Borrowing                 | 27    | (45,697)            | (5,275)                   | (8,255)                  |
| Cash & Cash Equivalents              | 28    | (6,403)             | (5,383)                   | (9,860)                  |
| <b>Total Current Liabilities</b>     |       | <b>(351,874)</b>    | <b>(321,742)</b>          | <b>(376,575)</b>         |
| <b>Long Term Liabilities</b>         |       |                     |                           |                          |
| Provisions                           | 30    | (122,106)           | (138,130)                 | (128,373)                |
| Long Term Borrowing                  | 31    | (193,750)           | (120,350)                 | (42,500)                 |
| Capital Grants Receipts in Advance   | 32    | (5,292)             | (7,594)                   | (6,348)                  |
| Long Term Contractor Liability       | 33    | (103,438)           | (107,535)                 | (111,292)                |
| Police Officer Pension Liability     | 34.1  | (17,543,500)        | (19,909,100)              | (12,597,600)             |
| <b>Total Long term Liabilities</b>   |       | <b>(17,968,086)</b> | <b>(20,282,709)</b>       | <b>(12,886,113)</b>      |
| <b>Net Assets</b>                    |       | <b>(16,059,947)</b> | <b>(18,407,160)</b>       | <b>(11,039,076)</b>      |
| <b>Financed by:</b>                  |       |                     |                           |                          |
| <b>Unusable Reserves</b>             |       |                     |                           |                          |
| Revaluation Reserve                  | 34.1  | 119,064             | 103,794                   | 100,287                  |
| Capital Adjustment Account           | 34.1  | 1,168,423           | 1,204,809                 | 1,208,029                |
| Accumulated Absence Account          | 34.1  | (98,890)            | (108,755)                 | (89,399)                 |
| Police Officer Pension Reserve       | 34.1  | (17,543,500)        | (19,909,100)              | (12,597,600)             |
| <b>Total Unusable Reserves</b>       |       | <b>(16,354,903)</b> | <b>(18,709,252)</b>       | <b>(11,378,683)</b>      |
| <b>Usable Reserves</b>               |       |                     |                           |                          |
| Capital Grants Unapplied             | 34.2  | 6,447               | 8,134                     | 11,880                   |
| Usable Capital Receipts Reserve      | 34.2  | 5,903               | 21,923                    | 26,539                   |
| Earmarked Capital Reserves           | 34.2  | 3,251               | 5,888                     | 5,838                    |
| Capital Grant Reserve                | 34.2  | 9,741               | 9,741                     | 17,119                   |
| General Revenue Reserve              |       | 47,483              | 47,483                    | 47,483                   |
| Earmarked Revenue Reserves           | 34.3  | 222,131             | 208,923                   | 230,748                  |
| <b>Total Usable Reserves</b>         |       | <b>294,956</b>      | <b>302,092</b>            | <b>339,607</b>           |
| <b>Total Reserves</b>                |       | <b>(16,059,947)</b> | <b>(18,407,160)</b>       | <b>(11,039,076)</b>      |

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the way the Authority has managed its cash outflows against the monies received by way of grant income and from the recipients of services provided by the Authority. Investing activities shows how the Authority has made best use of its resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities consist of short and long term borrowing in addition to repayment of PFI and finance lease liabilities and other payments for financing activities and are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

|   | Notes | 31 March 2011   | Restated<br>31 March 2010 |
|---|-------|-----------------|---------------------------|
|   |       | £000            | £000                      |
| Net (Surplus) or Deficit on the Provision of Services   |       | (1,062,697)     | 1,235,335                 |
| Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements                                   | 36.1  | 1,003,019       | (1,289,799)               |
| Adjustments for Items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities | 36.2  | 22,680          | 29,484                    |
| <b>Net cash flows from Operating Activities</b>   |       | <b>(36,998)</b> | <b>(24,980)</b>           |
| Investing Activities  | 36.3  | 185,356         | 144,378                   |
| Financing Activities  | 36.4  | (186,338)       | (123,875)                 |
| <b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>  |       | <b>(37,980)</b> | <b>(4,477)</b>            |
| Cash and Cash Equivalents at the Beginning of the Period  |       | (30,617)        | (26,140)                  |
| <b>Cash and Cash Equivalents at the End of the Period</b>   |       | <b>(68,597)</b> | <b>(30,617)</b>           |



# Notes to the Financial Statement

This set of notes represents the consolidated notes for the Statement of Accounts for 2010/11 as presented in the preceding pages 11 to 15.

## 1. Statement of accounting policies

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### 1.1 General Principles

The Financial Statements cover the year to 31 March 2011 and summarise the transactions of the MPA and the MPS for the year ended 31 March 2011. These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2003 and the Best Value Accounting Code of Practice 2010/11 (BVACOP). The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS). Previous Accounts were prepared under UK Reporting Standards, Statement of Recommended Practice (SORP).

The financial statements have been prepared on a going concern basis as it is considered by the MPA that whilst the Government is legislating through its Police Reform and Social Responsibility Bill to replace the MPA with a new Mayoral Office for Policing and Crime (MOPC) that this will not impact on the statement of accounts as all rights, liabilities and assets will be transferred to the MOPC.

### Basis of Preparation

The Accounts have been prepared on a historic cost convention, modified to account for the revaluation of certain categories of tangible fixed assets and financial liabilities. This is the first year in which the Authority has prepared its financial statements under IFRS. The comparative figures have been restated from SORP to comply with IFRS. Explanations of the effects on various parts of the Accounts are explained in the relevant notes. The principal accounting policies adopted are set out below.

### Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business net of discounts and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many aspects and revenue is only recognised when all related work has been completed. Consideration received in advance is recognised as deferred revenue in the Balance Sheet and released as income is earned. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

### 1.2 Significant Estimates and Judgements

The preparation of the financial statements requires the Authority to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

- Establishing the valuations of operational and residential properties (see notes 19.3 and 19.10 for details of amounts and valuation process involved). Depreciation is a calculation, by the system, based on asset value and expected useful life of the asset. If the useful life of an asset is reduced then the depreciation charge to CIES will increase. The Authority monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year.
- In respect of police staff when estimates are required, the calculation of unused holidays is based on a sample of staff (see note 30) and average cost of each grade of staff. Additional estimates are used where insufficient data is gathered for each grade of police staff;
- The provision for compensation payments in note 30 is determined by applying historic experience of past claims and professional advice to determine the probable outflow of economic benefits in respect of existing claims.
- A judgement made in the Statement of Accounts in regards to a deposit made with an Icelandic Bank which is in administration. A decision by the Icelandic courts is being sought as to whether the Authority will have the status of a preferred creditor or whether the amount recorded in the Balance Sheet as a long term debtor will have to be substantially written off.
- The costs of a pension arrangement require estimates regarding future cash flows that will arise under the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the MPA as advised by their actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population.

### **1.3 Accruals of Income and Expenditure**

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

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

### **1.4 Provisions**

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

*Short term compensated absences* - These are periods during which an employee does not provide services to the employer, but employee benefits continue to be earned (such as periods of annual leave and rest days). Short term accumulated absences are recognised in the Accounts in the period in which officers or police staff render the service which entitles them to the benefit, not necessarily when they enjoy the benefit. The cost of leave earned, but not taken by police officers and staff at the end of the financial year is recognised in the

financial statements to the extent that staff are entitled to carry forward leave into the following year.

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

*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.

## **1.5 Reserves**

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

The Authority also maintains a General Reserve and an Emergency Contingency Fund, to meet unforeseen or emergency expenditure which cannot be contained within the approved budget and has agreed that for 2010/11 this reserve be established at a minimum of 2% of net budgeted expenditure, as and when conditions permit, provided that there are adequate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control.

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

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

## **1.6 Government Grants and Contributions**

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

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

Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the CIES after Net Operating Expenditure.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure

## **1.7 Employee Benefits**

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the Authority. IAS 19 Employee Benefits requires the Authority to account for short term compensating absences which include time owing and annual leave accrued by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. The accrual for untaken leave is charged to the Provision of Services, and reversed out through the Movement in Reserves Statement so that the leave is charged to revenue in the financial year in which the holiday absence is taken.

#### Termination Benefits

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

#### Post employment benefits

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

##### *Police Officers*

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

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

Following the Codes requirements, IAS 19 has been fully recognised in the MPA Accounts. Scheme liabilities as shown on the Balance Sheet are calculated by determining future liabilities for pension payments and applying a discount rate to reduce them to present day values. IAS 19 specifies the use of a discount rate equal to the yield on an index of long-dated AA-rated corporate bonds as at 31 March 2011. The pension liabilities in these Accounts have been calculated accordingly at a discount rate of 5.5% (5.5% in 2009/10).

##### *Police Staff*

The Authority joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme but police staff may opt for a defined contribution alternative. The PCSPS is deemed to be a multi-employer scheme and as such the underlying assets and liabilities within the Scheme are not broken down and attributed to individual employers. The appropriate level of disclosure has been followed in accordance with IAS 19.

## 1.8 Intangible Assets

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

## 1.9 Property, Plant and Equipment

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

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

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

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

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

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

**Impairment:** The values of each category of assets and material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is attributable to the clear consumption of economic benefits – the loss is charged to the relevant service account. Where the loss is determined for a previously revalued asset, it is written off against any revaluation gains held for the relevant asset in the Revaluation Reserve, with any excess charged to the CIES.

**Disposals:** When an asset is disposed of, the value of the asset in the Balance Sheet is debited to the CIES before being transferred to an accounting reserve and the receipts are credited to the CIES as part of the gain or loss on disposal before being transferred to the Capital Receipts Reserve. No additional revaluation is made at the point of disposal. Proceeds from individual asset sales in excess of £10,000 are categorised as capital receipts and can then only be used for new capital investment or set aside to reduce the MPA's underlying need to borrow.

**Grants and Contributions:** Grants and contributions relating to capital expenditure shall be recognised in the CIES as income except to the extent that the grant or contribution has a condition that the Authority has not satisfied. In that event the amount subject to condition is transferred to the Capital Grants Receipts in Advance account. The previous practice of deferring grants/contributions over the useful life of the relevant asset to match depreciation does not apply. In view of this the Government Grant Deferred Account has been closed. For those instances where the conditions of the grant/contribution are satisfied, but expenditure for which the grant is given has not yet been incurred, then such sums will continue to be transferred to the Capital Grants Unapplied Reserve.

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

|                               | Category   | Years  |
|-------------------------------|--|--|
| Land and Buildings            | Land<br>Buildings - operational<br>- residential   | Not depreciated.<br>10 – 50 years<br>50 years.                         |
| Vehicles, Plant and Equipment | Information Technology and communications equipment<br>Software development<br>Policing support vehicles including Patrol vehicles<br>Air Support Unit – helicopters | 3 - 7<br>3 - 5<br>3 - 15<br>10   |
| Intangible Assets             | Software licences.   | 3  |
| Community Assets              | Pictures, museum contents and vintage vehicles.  | Depreciation is only applied when appropriate.                         |
| Non Operational Assets        | Assets under Construction<br>Assets held awaiting disposal<br>Investment properties  | Not depreciated until completed.<br>Not depreciated<br>Not depreciated |

### 1.10 Charges to Revenue for Property, Plant and Equipment

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

- Depreciation attributable to the assets used by the relevant service;
- Revaluation gains or losses on investment properties;
- Impairment losses on tangible fixed assets (primarily vehicles) used by the service;
- Amortisation of intangible fixed assets attributable to the service.

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

### 1.11 Non-current Assets Held for Sale

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

### 1.12 Investment Properties

Properties held solely for the purpose of generating rental or for capital appreciation and these are occupied by third parties. Investment properties are not depreciated however they

are subject to revaluations in line with the Authority's revaluation policy although any revaluation gains or losses are taken to the CIES.

### **1.13 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset, is charged as expenditure to the CIES in the year.

### **1.14 Leases**

All leases are evaluated at inception in accordance with IAS 17 'Leases', to determine whether they are a finance lease or an operating lease. Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease is for land and buildings, the land and building components are separated. The land element is usually treated as an operating lease, unless it is for 125 years or more, in which instance the land is deemed to be a finance lease. A de minimus of £5,000 is applied to the annual rental of leases to determine their treatment as a finance lease.

All major contracts are reviewed under IFRIC 4 to determine whether an arrangement contains an embedded lease.

#### *Finance Leases*

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

#### *Operating Leases*

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

#### *The MPA as lessor*

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

### **1.15 Donated Assets**

Donated assets are assets which are transferred for nil consideration or less than fair value. Where they are transferred with no conditions attached as to their use their fair value is recorded in the fixed asset register and shown in the CIES as income. Where there are conditions attached then the fair value of the asset is set up in the fixed asset register and credited to a Donated Assets Account within the Balance Sheet until any conditions of the transfer have been met.

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

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

## **1.17 Financial Liabilities**

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

## **1.18 Financial Assets**

Financial assets held by the MPA comprise loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Interest and other income received is based on the capital value of the investment multiplied by the rate of interest. For most of the loans that the MPA has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. Interest is credited to the CIES with the amount receivable for the year defined in the loan agreement.

The loans made by the MPA are short-term investments consisting of fixed term deposits.

## **1.19 Contingent Assets and Liabilities**

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

## **1.20 Inventories**

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

## **1.21 Private Finance Initiative**

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

In addition to the assets created for the PFI buildings on the Balance Sheet, long term liability accounts are also disclosed on the Balance Sheet to reflect future payments to the contractor. Payments made by the MPA under contract are charged in part to revenue to reflect the value of services received and in part to the Balance Sheet, to reflect the financing costs of the contract and the payment of the outstanding liability.

## **1.22 Cash and Cash Equivalents**

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

## **1.23 Events after the Balance Sheet Date**

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised



in the Statement of Accounts will be adjusted to take into account any values that reflect the adjustment event.

Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the Accounts.

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

#### **1.24 Overhead Costs**

In line with Best Value Accounting of Code of Practice and Police Objective Analysis, the costs of support services are fully allocated to the Authority's services. Support service costs identified as Corporate and Democratic Core costs and Non Distributed Costs are not charged to services but are shown separately in the CIES.

#### **1.25 Accounting Standards that Have Been Issued, but Not Yet Adopted**

The 2011/12 Code adopts the accounting treatment for heritage assets set out in FRS 30 in full, which distinguishes heritage assets from community assets. In future years heritage assets will have to be identified separately on the Balance Sheet. Currently these assets are classified as community assets on the 2010/11 Balance Sheet. When community assets are re-classified in 2011/12 their value is not expected to change from their current value in the Balance Sheet and no depreciation will be deducted from these assets.

#### **1.26 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately on the face of the CIES and in the notes to the Accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## 2. Explanation of transition to IFRS

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2011 including comparative year information. An explanation of how the transition from SORP to IFRS has affected the Authority's financial position is set out in the notes on the following pages. A summary of the changes for Property, Plant and Equipment and Reserves can be found in notes 19 and 35 respectively. Changes made in the comparative year revenue figures are shown below:

|  | Restatement<br>under IFRS | IFRS<br>Changes | Original<br>2009/10 |
|--|---------------------------|-----------------|---------------------|
|  | £000                      | £000            | £000                |
| <b>Net Cost of Policing Services</b>             | <b>3,217,990</b>          | <b>379,480</b>  | <b>2,838,510</b>    |
| Interest Payable and Similar Charges             | 16,858                    | 776             | 16,082              |
| Police Pensions Interest Cost                    | 869,600                   | 19,300          | 850,300             |
| Interest and Investment income                   | (824)                     | 0               | (824)               |
| Net Gains in Disposal of Fixed Assets            | (7,679)                   | 0               | (7,679)             |
| Investment Properties                            | 2,921                     | 2,921           | 0                   |
| <b>Net Operating Expenditure</b>                 | <b>4,098,866</b>          | <b>402,477</b>  | <b>3,696,389</b>    |
| This was financed by:                            |                           |                 |                     |
| S102 Greater London Authority Act 1999 Grant     | (1,556,671)               | 0               | (1,556,671)         |
| Other Grants                                     | (1,211,332)               | 0               | (1,211,332)         |
| Capital Grants                                   | (95,528)                  | (95,528)        | 0                   |
|  | <b>(2,863,531)</b>        | <b>(95,528)</b> | <b>(2,768,003)</b>  |
| <b>Deficit/(Surplus) on Provision of Service</b> | <b>1,235,335</b>          | <b>306,949</b>  | <b>928,386</b>      |

The amendments totalling £306.9 million consist of the following IFRS changes:-

|              |                   | £000           |  |
|--------------|-------------------|----------------|--|
| IAS 17       | Leases            | 2,089          | (see note 19.10 for more details)  |
| IAS 19       | Injury Pensions   | 380,725        | (see note 14 for more details)   |
| IAS 19       | Employee benefits | 19,356         | (see note 30 for more details)   |
| IAS 20       | Government grants | (95,131)       | (Transfer of capital grants through revenue under IFRS 20 - see accounting policy) |
| IAS 20       | Donated assets    | (90)           |  |
| <b>Total</b> |                   | <b>306,949</b> |  |

### 3. Net subjective expenditure

Operating income and expenditure for the year ended 31 March 2011 and restated comparative year figures are presented in subjective analysis format below:

|                                 | 2010/11          | 2009/10          |
|---------------------------------|------------------|------------------|
|                                 | £000             | £000             |
| <b>Expenditure</b>              |                  | <b>Restated</b>  |
| Employee Costs                  |                  |                  |
| Police Officer Salaries         | 1,668,130        | 1,699,475        |
| Police Staff Wages and Salaries | 685,568          | 683,976          |
| Employee Related Expenditure    | 11,629           | 17,774           |
| Net Police Officer Pensions     | 586,782          | 756,723          |
| Net Police Staff Pensions       | 123,569          | 117,489          |
| Premises-related                | 215,745          | 211,963          |
| Transport-related               | 69,577           | 72,983           |
| Supplies and Services           | 399,594          | 423,045          |
| Capital Charges                 | 180,930          | 116,520          |
| <b>Total Gross Expenditure</b>  | <b>3,941,524</b> | <b>4,099,948</b> |
| <b>Income</b>                   |                  |                  |
| Fees and Charges                | (175,274)        | (183,685)        |
| Other Income                    | (214,414)        | (199,676)        |
| Specific Grants                 | (506,655)        | (498,597)        |
| <b>Net Expenditure</b>          | <b>3,045,181</b> | <b>3,217,990</b> |

The analysis of income and expenditure by service on the face of the CIES is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of monthly management reports analysed across business groups.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular, interest, specific grants for the Crime Fighting Fund and Special Formula Grant, capital charges and movements on reserves are not included in the management report. The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.

The following two tables show the income and expenditure of the Authority's principal business groups as recorded in MPA budget monitoring reports for years 2010/11 and 2009/10. A third table on page 29 shows a reconciliation between the Management Accounts and the Statement of Accounts.

## Segmental Note for Financial Statements - Year Ended 31 March 2011

|                                 | Territorial Policing | Specialist Crime | Specialist Operations | Central Operations | Olympics Security Directorate | Deputy Commissioner's Portfolio | Directorate of Public Affairs | Directorate of Information | Resources Directorate | Human Resources Directorate | Metropolitan Police Authority | Centrally Held Budgets | Total            |
|---------------------------------|----------------------|------------------|-----------------------|--------------------|-------------------------------|---------------------------------|-------------------------------|----------------------------|-----------------------|-----------------------------|-------------------------------|------------------------|------------------|
|                                 | £000                 | £000             | £000                  | £000               | £000                          | £000                            | £000                          | £000                       | £000                  | £000                        | £000                          | £000                   | £000             |
| Fees, Charges and Other Income  | (139,191)            | (34,976)         | (70,487)              | (15,068)           | (85)                          | (1,519)                         | (32)                          | (2,614)                    | (17,525)              | (38,164)                    | (38)                          | (6,090)                | (325,789)        |
| Specific Grants                 | (118,128)            | (14,274)         | (264,782)             | (28,036)           | (22,913)                      | (1,998)                         | (856)                         | (5,965)                    | (14,878)              | (616)                       | 0                             | (99,463)               | (571,909)        |
| <b>Total Income</b>             | <b>(257,319)</b>     | <b>(49,250)</b>  | <b>(335,269)</b>      | <b>(43,104)</b>    | <b>(22,998)</b>               | <b>(3,517)</b>                  | <b>(888)</b>                  | <b>(8,579)</b>             | <b>(32,403)</b>       | <b>(38,780)</b>             | <b>(38)</b>                   | <b>(105,553)</b>       | <b>(897,698)</b> |
| Employee Costs                  | 1,603,104            | 383,700          | 306,778               | 215,764            | 20,374                        | 40,556                          | 3,978                         | 54,031                     | 45,418                | 122,795                     | 6,946                         | (4,050)                | 2,799,394        |
| Premises-related                | 2,783                | 789              | 3,930                 | 687                | 466                           | (7)                             | 11                            | 3,432                      | 203,505               | 189                         | 675                           | 0                      | 216,460          |
| Transport-related               | 11,593               | 7,794            | 14,407                | 7,484              | 510                           | 611                             | 9                             | 541                        | 78                    | 23,024                      | 19                            | 0                      | 66,070           |
| Supplies and Services           | 39,268               | 70,011           | 16,670                | 13,175             | 1,648                         | 18,632                          | 2,906                         | 180,477                    | 6,499                 | 47,432                      | 3,745                         | (1,126)                | 399,337          |
| Capital Charges                 | 0                    | 0                | 0                     | 0                  | 0                             | 0                               | 0                             | 0                          | 42,241                | 0                           | 0                             | 0                      | 42,241           |
| Discretionary Pension Costs     |                      |                  |                       |                    |                               |                                 |                               |                            |                       | 34,288                      |                               |                        | 34,288           |
| <b>Total Operating Expenses</b> | <b>1,656,748</b>     | <b>462,294</b>   | <b>341,785</b>        | <b>237,110</b>     | <b>22,998</b>                 | <b>59,792</b>                   | <b>6,904</b>                  | <b>238,481</b>             | <b>297,741</b>        | <b>227,728</b>              | <b>11,385</b>                 | <b>(5,176)</b>         | <b>3,557,790</b> |
| <b>Cost of Service</b>          | <b>1,399,429</b>     | <b>413,044</b>   | <b>6,516</b>          | <b>194,006</b>     | <b>0</b>                      | <b>56,275</b>                   | <b>6,016</b>                  | <b>229,902</b>             | <b>265,338</b>        | <b>188,948</b>              | <b>11,347</b>                 | <b>(110,729)</b>       | <b>2,660,092</b> |

## Segmental Note for Financial Statements - Year Ended 31 March 2010

|                                 | Territorial Policing | Specialist Crime | Specialist Operations | Central Operations | Olympics Security Directorate | Deputy Commissioner's Portfolio | Directorate of Public Affairs | Directorate of Information | Resources Directorate | Human Resources Directorate | Metropolitan Police Authority | Centrally Held Budgets | Total            |
|---------------------------------|----------------------|------------------|-----------------------|--------------------|-------------------------------|---------------------------------|-------------------------------|----------------------------|-----------------------|-----------------------------|-------------------------------|------------------------|------------------|
|                                 | £000                 | £000             | £000                  | £000               | £000                          | £000                            | £000                          | £000                       | £000                  | £000                        | £000                          | £000                   | £000             |
| Fees, Charges and Other Income  | (150,821)            | (33,530)         | (73,263)              | (16,789)           | 68                            | (1,799)                         | (73)                          | (3,421)                    | (21,066)              | (44,415)                    | (88)                          | (10,785)               | (355,982)        |
| Specific Grants                 | (114,411)            | (13,936)         | (265,914)             | (26,412)           | (8,621)                       | (1,478)                         | (739)                         | (7,595)                    | (14,107)              | (680)                       | 0                             | (136,319)              | (590,212)        |
| <b>Total Income</b>             | <b>(265,232)</b>     | <b>(47,466)</b>  | <b>(339,177)</b>      | <b>(43,201)</b>    | <b>(8,553)</b>                | <b>(3,277)</b>                  | <b>(812)</b>                  | <b>(11,016)</b>            | <b>(35,173)</b>       | <b>(45,095)</b>             | <b>(88)</b>                   | <b>(147,104)</b>       | <b>(946,194)</b> |
| Employee Costs                  | 1,625,837            | 359,345          | 303,261               | 221,275            | 7,266                         | 37,718                          | 3,877                         | 51,295                     | 47,451                | 131,014                     | 8,491                         | (2,388)                | 2,794,442        |
| Premises-related                | 3,370                | 1,474            | 4,217                 | 520                | 0                             | 41                              | (23)                          | 764                        | 217,475               | 415                         | 1,031                         | 2,033                  | 231,317          |
| Transport-related               | 13,616               | 8,580            | 13,979                | 8,661              | 207                           | 720                             | 17                            | 638                        | (219)                 | 24,866                      | 26                            | (1,059)                | 70,032           |
| Supplies and Services           | 55,152               | 77,259           | 21,169                | 10,147             | 1,080                         | 17,569                          | 2,561                         | 182,020                    | 25,381                | 57,931                      | 4,087                         | 8,053                  | 462,409          |
| Capital Charges                 | 0                    | 0                | 0                     | 0                  | 0                             | 0                               | 0                             | 0                          | 21,894                | 0                           | 0                             | 0                      | 21,894           |
| <b>Total Operating Expenses</b> | <b>1,697,975</b>     | <b>446,658</b>   | <b>342,626</b>        | <b>240,603</b>     | <b>8,553</b>                  | <b>56,048</b>                   | <b>6,432</b>                  | <b>234,717</b>             | <b>311,982</b>        | <b>214,226</b>              | <b>13,635</b>                 | <b>6,639</b>           | <b>3,580,094</b> |
| Cost of Service                 | 1,432,743            | 399,192          | 3,449                 | 197,402            | 0                             | 52,771                          | 5,620                         | 223,701                    | 276,809               | 169,131                     | 13,547                        | (140,465)              | 2,633,900        |

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

|  | 2010/11          | 2009/10          |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Cost of Service per Management Accounts</b>   | <b>2,660,092</b> | <b>2,633,900</b> |
| Accounting Adjustments:                          |                  |                  |
| • Specific Grants                                | 99,691           | 127,703          |
| • Net Interest Paid                              | (16,938)         | (15,258)         |
| • Capital Adjustments                            | 155,700          | 54,217           |
| • Pension Adjustments                            | 156,511          | 404,196          |
| • Unused Holiday/Rest-day Costs                  | (9,865)          | 19,356           |
| Reserve Movements                                | (10)             | (6,124)          |
| <b>Cost of Service per Statement of Accounts</b> | <b>3,045,181</b> | <b>3,217,990</b> |

## 4. Police officers and police staff remuneration

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### 4.1 Police and Police Staff Numbers

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

|                 | Police Officers and Staff (numbers) |         |
|-----------------|-------------------------------------|---------|
|                 | 2010/11                             | 2009/10 |
| Police Officers | 32,459                              | 33,260  |
| Police Staff    | 14,060                              | 14,413  |
| PCSO            | 3,963                               | 4,607   |
| Traffic Wardens | 183                                 | 247     |

Included in the numbers of police officers are 89 seconded officers from other forces who are posted within Specialist Operations

Termination benefits were paid to police staff in 2010/11 following a re-organisation within a number of Business Groups within the MPS. Some 405 staff accepted early voluntary departure terms and left the MPS before the end of 2010/11. The cost of staff leaving in 2010/11 is some £10.9 million.

The Authority uses a number of volunteers for its policing activities who are called Metropolitan Special Constables (MSC). They are expected to spend a minimum of 200 hours a year fulfilling the duties of police officers in line with their training and part time involvement. The role of the MSC is to provide additional uniformed support to Boroughs and other Command Units in their work to implement the Commissioner's priorities, values, mission and behaviours. This will normally be through their work within a Safer Transport, Safer Neighbourhoods, Safer Schools or Safer Town Centre Team.

The number of these volunteers is as follows:

|         |       |
|---------|-------|
| 2010/11 | 4,946 |
| 2009/10 | 3,125 |

This includes a number of MSCs who are also police staff and were willing to volunteer their time in the service of the force, these numbered:

|         |     |
|---------|-----|
| 2010/11 | 569 |
| 2009/10 | 437 |

In addition there is a Metropolitan Volunteer Programme (MVP) which provides volunteers to support the MPS in making London safe. It was established in 2001 with the aim of increasing contact between local communities and the police, building upon Safer Neighbourhoods to improve the service the MPS gives to the public.

The number of volunteers at the 31st March is:

|         |       |
|---------|-------|
| 2010/11 | 1,979 |
| 2009/10 | 1,200 |

## 4.2 Police and Police Staff Remuneration

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

| Remuneration Band £ | Police Officers and Staff (numbers) |         |
|---------------------|-------------------------------------|---------|
|                     | 2010/11                             | 2009/10 |
| 50,000-54,999       | 4,908                               | 4,635   |
| 55,000-59,999       | 2,269                               | 2,762   |
| 60,000-64,999       | 1,861                               | 2,039   |
| 65,000-69,999       | 595                                 | 659     |
| 70,000-74,999       | 267                                 | 291     |
| 75,000-79,999       | 179                                 | 194     |
| 80,000-84,999       | 143                                 | 127     |
| 85,000-89,999       | 74                                  | 77      |
| 90,000-94,999       | 63                                  | 26      |
| 095,000-99,999      | 21                                  | 22      |
| 100,000-104,999     | 8                                   | 14      |
| 105,000-109,999     | 11                                  | 15      |
| 110,000-114,999     | 10                                  | 11      |
| 115,000-119,999     | 6                                   | 3       |
| 120,000-124,999     | 5                                   | 4       |
| 125,000-129,999     | 4                                   | 2       |
| 130,000-134,999     | 1                                   | 3       |
| 135,000-139,999     | 0                                   | 1       |
| 140,000-144,999     | 2                                   | 0       |
| 145,000-149,999     | 1                                   | 2       |
| 150,000-154,999     | 0                                   | 2       |
| 155,000-159,999     | 0                                   | 0       |
| 160,000-164,999     | 0                                   | 0       |
| 165,000-169,999     | 0                                   | 1       |

The banding scale is based on all taxable remuneration, excluding pension costs, paid in the year rather than annual salary. Taxable remuneration includes overtime, compensation for loss of office and may also include back dated pay awards, which relate to previous years but were actually paid in the years in question. The numbers in the table above exclude senior staff and relevant police officers as defined below in 4.3. In these particular cases, a more detailed analysis of remuneration for 2010/11 and 2009/10 is shown on the following pages.

## 4.3 Relevant police officers and senior staff remuneration

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



#### 4.4 Relevant Police Officers and Senior Staff Remuneration - Salary is £150,000 or more per year ended 31 March 2011

| Post Holder Information<br>(Post Title) | Name            | Notes | Salary<br>(including<br>Fees &<br>Allowances) | Bonuses<br>Relates<br>to<br>Previous<br>Year<br>2009/10 | Benefits<br>in Kind | Total<br>Remuneration<br>Excluding<br>Pension<br>Contributions<br>2010/11 | Pension<br>Contributions | Total<br>Remuneration<br>Including<br>Pension<br>Contributions<br>2010/11 |
|---|-----------------|-------|---|---|---------------------|---|--------------------------|---|
|   |                 |       | £   | £   | £                   | £   | £                        | £   |
| Commissioner                            | P Stephenson    | 1     | 276,588                                       | 0   | 14,840              | 291,428   | 15,478                   | 306,906   |
| Deputy Commissioner                     | T Godwin        | 2     | 243,503                                       | 0   | 10,875              | 254,378   | 55,227                   | 309,605   |
| Assistant Commissioner                  | C Allison       | 3     | 190,846                                       | 0   | 6,212               | 197,058   | 44,004                   | 241,062   |
| Assistant Commissioner                  | C Dick          | 4     | 190,846                                       | 0   | 3,025               | 193,871   | 44,004                   | 237,875   |
| Assistant Commissioner                  | J Yates         | 5     | 200,713                                       | 0   | 5,295               | 206,008   | 46,392                   | 252,400   |
| Assistant Commissioner                  | L Owens         | 6     | 160,097                                       | 0   | 1,380               | 161,477   | 29,911                   | 191,388   |
| Assistant Commissioner                  | I McPherson     | 7     | 192,917                                       | 0   | 2,883               | 195,800   | 44,004                   | 239,804   |
| Deputy Assistant Commissioner           | J Kaye          | 8     | 150,806                                       | 0   | 0                   | 150,806   | 33,865                   | 184,671   |
| Deputy Assistant Commissioner           | S Akers         | 9     | 150,098                                       | 0   | 751                 | 150,849   | 33,865                   | 184,714   |
| Deputy Assistant Commissioner           | S Osborne       | 10    | 158,873                                       | 0   | 2,834               | 161,707   | 33,865                   | 195,572   |
| Director of Resources                   | A McMeel        | -     | 175,493                                       | 0   | 0                   | 175,493   | 30,034                   | 205,527   |
| Director of Information                 | A Beaton        | -     | 194,555                                       | 0   | 0                   | 194,555   | 30,034                   | 224,589   |
| Director of Human Resources             | M Tiplady       | -     | 191,031                                       | 0   | 1,341               | 192,372   | 30,034                   | 222,406   |
| Chief Medical Officer                   | E Cahil-Canning | -     | 167,136                                       | 0   | 0                   | 167,136   | 40,614                   | 207,750   |

#### **4.4 Relevant Police Officers and Senior Staff Remuneration - Salary is £150,000 or more per year ended 31 March 2011**

##### **Notes**

Note 1: P. Stephenson declined to accept a bonus payment in his role. A driver for the Commissioner's vehicle(s) is provided for security purposes and excluded from benefits in kind in the table above.

Note 2: T. Godwin was Acting Commissioner from 15/12/10 to 17/4/11 with an annualised salary of £260,088. He declined to accept a bonus payment in his role.

Note 3: C. Allison declined to accept a bonus payment.

Note 4: C. Dick declined to accept a bonus payment.

Note 5: J. Yates was Acting Deputy Commissioner from 15/12/10 to 17/4/11 with an annualised salary of £214,722. He declined to accept a bonus payment.

Note 6: L.Owens became Assistant Commissioner on 20/12/10 with an annualised salary of £181,455. She declined to accept a bonus payment.

Note 7 I. McPherson salary includes an element of backdated rent and housing allowance. He declined to accept a bonus payment.

Note 8: J.Kaye is currently seconded to Her Majesty's Inspectorate of Policing. He declined to accept a bonus payment.

Note 9: S. Akers declined to accept a bonus payment.

Note 10 S. Osborne declined to accept a bonus payment.

##### **Additional Information**

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

#### 4.5 Relevant Police Officers and Senior Staff Remuneration - Salary is £150,000 or more per year ended 31 March 2010

| Post Holder Information<br>(Post Title) | Name             | Notes | Salary<br>(including<br>Fees &<br>Allowances) | Bonuses<br>Relates to<br>Previous<br>Year<br>2008/09 | Benefits<br>in Kind | Total<br>Remuneration<br>Excluding<br>Pension<br>Contributions<br>2009/10 | Pension<br>Contributions | Total<br>Remuneration<br>Including<br>Pension<br>Contributions<br>2009/10 |
|---|------------------|-------|---|--|---------------------|---|--------------------------|---|
|   |                  |       |   |  |                     | £   |                          | £   |
| Commissioner                            | P Stephenson     | 1     | £ 269,009                                     | £ 0  | £ 14,486            | £ 283,495   | £ 61,262                 | £ 344,757   |
| Deputy Commissioner                     | T Godwin         | 2     | 224,667                                       | 13,574   | 8,728               | 246,969   | 50,669                   | 297,638   |
| Assistant Commissioner                  | C Allison        | -     | 186,289                                       | 13,416   | 5,177               | 204,882   | 42,902                   | 247,784   |
| Assistant Commissioner                  | C Dick           | 3     | 175,676                                       | 0  | 3,824               | 179,500   | 40,399                   | 219,899   |
| Assistant Commissioner                  | J Yates          | -     | 186,289                                       | 20,471   | 4,864               | 211,624   | 42,902                   | 254,526   |
| Assistant Commissioner                  | R Quick          | 4     | 38,426  | 0  | 3,534               | 41,960  | 7,043                    | 49,003  |
| Assistant Commissioner                  | I McPherson      | 5     | 47,332  | 0  | 2,370               | 49,702  | 10,839                   | 60,541  |
| Deputy Assistant Commissioner           | R Fitzpatrick    | 6     | 175,682                                       | 14,292   | 6,422               | 196,396   | 40,404                   | 236,800   |
| Deputy Assistant Commissioner           | J Williams       | 7     | 147,332                                       | 9,307  | 5,116               | 161,755   | 35,410                   | 197,165   |
| Deputy Assistant Commissioner           | J McDowall       | -     | 156,557                                       | 9,307  | 3,912               | 169,776   | 30,236                   | 200,012   |
| Deputy Assistant Commissioner           | S Osborne        | 8     | 147,998                                       | 5,604  | 1,516               | 155,118   | 32,343                   | 187,461   |
| Director of Resources                   | A McMeel         | -     | 171,213                                       | 0  | 0                   | 171,213   | 30,035                   | 201,248   |
| Director of Information                 | A Beaton         | -     | 189,896                                       | 0  | 0                   | 189,896   | 30,035                   | 219,931   |
| Director of Human Resources             | M Tiplady        | -     | 186,373                                       | 0  | 829                 | 187,202   | 30,035                   | 217,237   |
| Chief Medical Officer                   | E Cahill-Canning | -     | 163,060                                       | 0  | 0                   | 163,060   | 39,624                   | 202,684   |

## **4.5 Relevant Police Officers and Senior Staff Remuneration - Salary is £150,000 or more per year ended 31 March 2010**

### **Notes**

Note 1: P. Stephenson declined to accept a bonus payment. A driver for the Commissioner's vehicle(s) is provided for security purposes and excluded from benefits in kind in the table above.

Note 2: T. Godwin: Bonus paid for Service as Assistant Commissioner during 2008/2009. Mr. Godwin declined to accept a bonus payment within his role as Deputy Commissioner.

Note 3: C Dick became Assistant Commissioner on 06/07/2009 (with an annualised basic salary of £176,943 as at 31 March 2010)

Note 4: R Quick ceased employment on 31/05/2009 with an annualised salary of £172,458

Note 5: I McPherson commenced employment on 01/01/2010 (with an annualised basic salary of £176,943 as at 31 March 2010)

Note 6: R Fitzpatrick was temporarily promoted to Assistant Commissioner (with an annualised basic salary of £176,943 as at 31/12/2009) and became Deputy Assistant Commissioner with effect from 01/01/2010 (with an annualised basic salary of £135,660 as at 31 March 2010)

Note 7: J Williams was temporarily promoted to Assistant Commissioner from 09/04/2009 with an annualised basic salary of £172,458 and became Deputy Assistant Commissioner with effect from 06/07/2009 (with an annualised basic salary of £135,660 as at 31 March 2010)

Note 8: S Osborne became Deputy Assistant Commissioner on 11/5/2009 (with an annualised basic salary £135,660 as at 31 March 2010)

### **Additional information:**

Bonuses paid in 2009/10 are in respect of performance in the post held during 2008/09

Benefits in Kind may include health care benefits and provision of a vehicle and driver to certain police officers ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes). The 2009/10 figures were estimates as full calculations for HMRC purposes were not made until later in the year. Medical care may include screening which is paid bi-annually from the date of joining the scheme. The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and two Assistant Commissioners required in the effective execution of their duties.

| 4.6 Senior Staff where salary is between £50,000 to £150,000 per annum 2010/11 |      |                                |  |                  |                                 |                |   |                                |   |
|--|------|--------------------------------|--|------------------|---------------------------------|----------------|---|--------------------------------|---|
| Post   | Note | Salary inc fees and Allowances | Bonuses Relates to Previous year 2009/10 | Benefits in Kind | Compensation for Loss of Office | Other Payments | Total Remuneration (excl Pension Contributions) 2010/11 | Employers Pension Contribution | Total Remuneration incl pension Contributions 2010/11 |
|  |      | £                              | £  | £                | £                               | £              | £   | £                              | £   |
| <u>MPS</u><br>Director of Public Affairs                                       |      | 143,831                        | 0  | 1,341            | 0                               | 0              | 145,172   | 30,034                         | 175,206   |
| <u>MPA</u><br>Chief Executive  |      | 142,860                        | 0  | 0                | 0                               | 0              | 142,860   | 34,593                         | 177,453   |
| Deputy Chief Executive   |      | 116,150                        | 0  | 1,581            | 0                               | 0              | 117,731   | 28,224                         | 145,955   |
| Treasurer  |      | 120,000                        | 0  | 0                | 0                               | 0              | 120,000   | 29,160                         | 149,160   |
| Director of Audit, Risk and Assurance  |      | 100,508                        | 0  | 0                | 0                               | 0              | 100,508   | 24,300                         | 124,808   |

### Notes

Benefits in Kind represents health care benefits.

**4.7 Senior Staff where salary is between £50,000 to £150,000 per annum 2009/10 (restated)**

| Post  | Note | Salary inc fees and Allowances | Bonuses Relates to Previous year 2008/09 | Benefits in Kind | Compensation for Loss of Office | Other Payments | Total Remuneration (excl Pension Contributions) 2009/10 | Employers Pension Contribution | Total Remuneration incl pension Contributions 2009/10 |
|---|------|--------------------------------|--|------------------|---------------------------------|----------------|---|--------------------------------|---|
|   |      | £                              | £  | £                | £                               | £              | £   | £                              | £   |
| <u>MPS</u>                                    |      |                                |  |                  |                                 |                |   |                                |   |
| Director of Public Affairs                    |      | 140,537                        | 0  | 829              | 0                               | 0              | 141,366   | 30,035                         | 171,401   |
| <u>MPA</u>                                    |      |                                |  |                  |                                 |                |   |                                |   |
| Chief Executive                               |      | 142,008                        | 0  | 0                | 0                               | 0              | 142,008   | 34,508                         | 176,516   |
| Deputy Chief Executive                        |      | 118,721                        | 0  | 1,125            | 0                               | 0              | 119,846   | 27,992                         | 147,838   |
| Treasurer - A                                 | 1    | 37,228                         | 0  | 829              | 100,030                         | 0              | 138,087   | 7,616                          | 145,703   |
| Treasurer - B                                 | 2    | 24,516                         | 0  | 0                | 0                               | 0              | 24,516  | 5,957                          | 30,473  |
| Acting Treasurer                              | 3    | 54,700                         | 0  | 264              | 0                               | 0              | 54,964  | 12,485                         | 67,449  |
| Head of Committee Liaison and Member Services | 4    | 59,989                         | 0  | 0                | 28,510                          | 0              | 88,499  | 13,248                         | 101,747   |
| Head of Community Engagement                  | 5    | 60,510                         | 0  | 0                | 51,785                          | 0              | 112,295   | 13,361                         | 125,656   |
| Director of Internal Audit - A                | 6    | 54,629                         | 0  | 829              | 92,893                          | 0              | 148,351   | 13,275                         | 161,626   |
| Director of Audit, Risk and Assurance - B     | 7    | 50,214                         | 0  | 0                | 0                               | 0              | 50,214  | 12,202                         | 62,416  |

**Notes**

Note 1: Ceased employment on 02/07/2009

Note 2: Commenced employment on 04/01/2010, with an annualised basic salary of £120,000

Note 3: Acting Treasurer for the period of 03/07/2009 to 03/01/2010

Note 4: Also held the post of Monitoring Officer: Ceased employment 31/01/2010

Note 5: Ceased employment on 31/01/2010

Note 6: Ceased employment on 30/09/2009

Note 7: Commenced as Director of Audit, Risk and Assurance 1/10/09, with an annualised basic salary of £100,000

Benefits in Kind represents health care benefits. Compensation for loss of office for Treasurer (A) and the Director of Internal Audit (A), were not included in the 2009/10 Accounts as it was previously covered by a confidentiality agreement.

## 5. Members' allowances and expenses

A total of £499,432 was paid for the year ended 31 March 2011 (2009/10 £496,565) in respect of allowances and expenditure payable to Members.

## 6. Related party transactions

IAS 24 (Related Party transactions) requires the Authority to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. This disclosure note has been prepared on the basis of specific declarations obtained in April 2011, in respect of related party transactions.

During the year, transactions with related parties not disclosed elsewhere in these Accounts amounted to:

|                                   | 2010/11<br>£000 | 2010/11<br>£000 | 2009/10<br>£000 | 2009/10<br>£000 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Income (Net)                      | Income          | Debtor          | Income          | Debtor          |
| Immigration Services*             | 829             | 1               | 862             | 0               |
| Special Service Agreements*       | 60,559          | 2,534           | 62,688          | 216             |
| National Identification Service** | 779             | 0               | 1,897           | 0               |
| Transport for London*             | 85,327          | 8,167           | 89,786          | 2,290           |
| City of London Police*            | 315             | 125             | 236             | 65              |
| National Crime Squad*             | 52              | 0               | 290             | 0               |
| SOCA**                            | 380             | 0               | 303             | 0               |
| ACPO TAM***                       | 40,739          | 136             | 39,220          | 291             |
| Seconded Officers*                | 10,439          | 302             | 13,049          | 261             |

\* Fees and Charges (page 26)

\*\* Other Income (page 26)

\*\*\* Specific Grants (page 26)

|                           | 2010/11<br>£000 | 2010/11<br>£000 | 2009/10<br>£000 | 2009/10<br>£000 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
|                           | Expense         | Creditor        | Expense         | Creditor        |
| Forensic Science Services | 33,660          | 1,944           | 35,919          | 2,856           |

The Authority is one of the functional bodies of the Greater London Authority (GLA) group, the other bodies being London Fire and Emergency Planning Authority, Transport for London and the London Development Agency. The Authority is made up of 23 members, twelve of whom are appointed by the Mayor from the London Assembly. In addition to appointing members to the

Authority, the Mayor sets the budget of the MPA, subject to the Home Secretary's reserve power to set a minimum budget for the MPA. The London Assembly approves the Mayor's budget for the police and is able to summon members of the MPA to answer questions at Assembly meetings. Monies received from the GLA in the form of grants and precepts are disclosed in note 17.

C. Butts MPA member and T. Godwin Deputy Commissioner are both trustees of the Safer London Foundation, and P Stephenson, Commissioner, is the President. The Authority provided £500,000 to the Foundation in the year ended 31 March 2011.

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

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

## **7. Auditors' remuneration**

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The audit fee payable to the Audit Commission during the year totalled £493,037. In 2009/10 the fee was £516,000.

## **8. Specific operational activities**

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The Authority is involved in the security of the Olympics in 2012 in conjunction with the Home Office. Costs spent for 2010/11 amount to £39.3 million. The Authority is on course to meeting its commitments in time for the start of the Olympics in July 2012.

In addition the Authority is involved in numerous other partnership agreements where it receives funding in return for specific operational activities. The value of this funding in 2010/11 amounted to £29.9 million.

## **9. The Service Expenditure Analysis (SEA)**

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The CIES is presented in accordance with the CIPFA Best Value Accounting Code of Practice (BVACOP). For 2010/11 Police Forces have used nine divisions of service under which expenditure should be analysed, as part of the Net Cost of Service. These figures include an overhead allocation on a consistent basis with other headings in the statement. The divisions of service (and the activities which fall within these headings) are listed below:



**Local Policing**

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

**Dealing with the Public**

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

**Criminal Justice Arrangements**

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

**Road Policing**

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

**Specialist Operations**

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

**Intelligence**

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

**Specialist Investigation**

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

**Investigative Support**

- Scenes of crime officers
- External forensic costs
- Fingerprint/DNA bureau

- Photographic image recovery
- Other forensic services

**National Policing** (See below)

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

In addition there are two separate headings defined in BVACOP (defined in Sections 11 and 12 below). These costs are provided for centrally and do not affect the nature and scale of the activities listed above and are therefore accounted for separately in the CIES as part of the Net Cost of Services.

- Corporate and Democratic Core
- Non-Distributed Costs

## **10. National policing and international and capital city functions**

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The MPS performs a range of national and international/capital city functions. The relevant grant from central government for both activities amounted to £556 million (2009/10 £547 million). The CIPFA BVACOP provides a separate category in the Service Expenditure Analysis (above) for national policing to assist comparisons between forces. The definition of national policing differs from that traditionally used by the MPA for grant purposes. The BVACOP figures include IFRS accounting adjustments for instance for impairment, depreciation and pension liabilities and incorporates some expenditure and income which is otherwise netted off for grant purposes. The BVACOP figures also exclude some costs and grant income in relation to international and capital city functions such as:

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

## **11. Corporate and democratic core**

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Costs relating to the Authority's status as a multi-functional democratic organisation that cannot be apportioned to operational activities.

## **12. Non-Distributed costs**

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

### 13. Interest payable and similar charges

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|                                  | 2010/11       | 2009/10       |
|----------------------------------|---------------|---------------|
|                                  | £000          | £000          |
|                                  |               | Restated      |
| PWLB Loans                       | 6,448         | 3,662         |
| PFI and Finance Lease            | 12,690        | 11,422        |
| Landsbanki Impairment Adjustment | (1,137)       | 1,774         |
| <b>Total</b>                     | <b>18,001</b> | <b>16,858</b> |

### 14. Pension costs

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

#### 14.1 Police Officers

There are two pension schemes for police officers, the 2006 Police Officer Pension Scheme (NPPS) and the Police Pension Scheme (PPS); both of which are unfunded, defined benefit schemes. An unfunded, defined benefit scheme has no investment assets to meet its pension liability and must generate cash to meet the actual pension payments as they fall due. These benefits payable are funded by contributions from employers and police officers and any shortfall is met by a top up grant from the Home Office. Further details of the schemes can be found in the Police Officer Pension Fund Accounts on pages 85 to 87.

#### *Income and Expenditure Account*

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

|   | 2010/11            | 2009/10          |
|---|--------------------|------------------|
|   | £000               | £000             |
| Current Service Cost  | 678,600            | 429,200          |
| Past Service Cost   | 300                | 900              |
| Past Service Gain (treated as an exceptional item -See below) | (2,262,700)        | 0                |
| Interest Cost   | 1,003,500          | 869,600          |
| Actuarial Loss/(Gain) -Excluding Injury Pensions              | (1,262,900)        | 6,066,400        |
| Actuarial Loss/(Gain) - Injury Pensions                       | (92,600)           | 337,000          |
| <b>Total Charges to Expenditure</b>                           | <b>(1,935,800)</b> | <b>7,703,100</b> |

- Current/past service costs, past service gains and the actuarial loss/(gain) have been produced by actuaries.
- Interest on pension liability represents the expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Following the implementation of the code, injury pensions are deemed to be a cost to the Service and as such the gains/loss on this type of pension has been incorporated in the Net Cost of Services together with other related charges. This change has been completed in both the current year and comparative year figures. In addition the Balance Sheet prior year pension liabilities and reserve account balances have also been amended (See below for analysis of movements on liabilities for both funds).

Police officers contributions to the schemes amounted to £132.3 million in the year ended 31 March 2011. In the year ended 31 March 2011, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £304.5 million.

In the year to 31 March 2011 the net costs of pensions and other benefits amounted to £429.9 million, representing 34.3% of pensionable pay.

### ***Assets and Liabilities in relation to retirement benefits***

In accordance with IAS 19 requirements, a reserve showing the total liability of the Police Officer Pension Fund is included in the Balance Sheet. Although these will not actually be payable until officers retire, the Authority has a commitment to make the payments that need to be disclosed at the time that officers earn their future entitlement.

#### Exceptional item

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Authority's liabilities in the 2006 Police Officer Pension Scheme (NPPS) and the Police Pension Scheme (PPS) by £2,263 million and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The Authority had the following overall liabilities for pensions at 31 March 2011 that have been included in the Balance Sheet:

|  | 2010/11          | 2009/10          |
|--|------------------|------------------|
| <b>Estimated liabilities in the scheme</b> | <b>£ million</b> | <b>£ million</b> |
| Officer Members                            | (8,634)          | (10,540)         |
| Deferred Pensioners                        | (447)            | (558)            |
| Pensioners                                 | (7,520)          | (7,715)          |
| Injury Pensions                            | (943)            | (1,096)          |
| <b>Total value of scheme liabilities</b>   | <b>(17,544)</b>  | <b>(19,909)</b>  |

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality

rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2011.

The movement in the present value of the scheme liabilities for the year to 31 March 2011 can be reconciled as follows:

|  | Defined Benefits |                 | Injury         |                |
|--|------------------|-----------------|----------------|----------------|
|  | 2010/11          | 2009/10         | 2010/11        | 2009/10        |
|  | £ million        | £ million       | £ million      | £ million      |
| <b>Scheme liabilities at 1 April</b>                     | <b>(18,813)</b>  | <b>(11,889)</b> | <b>(1,096)</b> | <b>(709)</b>   |
| Movement in Year:  |                  |                 |                |                |
| Current service cost including Home Office contribution. | (640)            | (403)           | (39)           | (26)           |
| Officer Contributions                                    | (132)            | (130)           | 0              | 0              |
| Benefits Paid  | 536              | 500             | 0              | 0              |
| Injury Award Expenditure                                 | 0                | 0               | 26             | 25             |
| Transfers from / to Other Authorities                    | (1)              | (3)             | 0              | 0              |
| Past Service Gain (see <b>note 1</b> below)              | 2,134            | 0               | 128            | 0              |
| Past Service Cost (Injury Benefits)                      | 0                | (1)             | 0              | 0              |
| Interest cost on Pension Liabilities.                    | (948)            | (821)           | (55)           | (49)           |
| Actuarial Gain / (Loss)                                  | 1,263            | (6,066)         | 93             | (337)          |
| <b>Scheme liabilities at 31 March</b>                    | <b>(16,601)</b>  | <b>(18,813)</b> | <b>(943)</b>   | <b>(1,096)</b> |

### **Actuarial Assumptions**

The value of the liabilities for IAS19 purposes is heavily dependent on assumptions made by the Authority's actuaries, Hymans Robertson. The financial assumptions reflect market expectations at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pension-in-payment), can have a significant effect on the value of the liabilities reported. A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in the sensitivity analysis schedule below.

There is also uncertainty around the life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in-payment. The disclosures have been prepared using the Actuarial Profession's Continuous Mortality Investigation Board (CMIB) 'year of birth' tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin.

The principal actuarial assumptions used in their calculations are:

|   | 2010/11 | 2009/10 |
|---|---------|---------|
| Rate of Inflation                                 | 3.6%    | 3.8%    |
| Rate of Increase of Salary (note i)               | 4.6%    | 5.3%    |
| Rate of Increase in Pensions                      | 2.8%    | 3.8%    |
| Rate for Discounting Scheme Liabilities (note ii) | 5.5%    | 5.5%    |

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

The actuarial mortality rate assumptions used in their calculations are:

|                    | Males      | Females    |
|--------------------|------------|------------|
| Current Pensioners | 27.9 years | 30.8 years |
| Future Pensioners  | 29.5 years | 32.3 years |

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

Future pensioners are assumed to retire at age 60 in 2024.

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

|                                     | 2010/11 | 2009/10 | 2008/09 | 2007/08 | 2006/07 |
|-------------------------------------|---------|---------|---------|---------|---------|
|                                     | £000    | £000    | £000    | £000    | £000    |
| Actuarial Gain/(Losses)             | 1,355   | (6,400) | 1,005   | 3,115   | 1,092   |
| Cumulative Actuarial Gains/(Losses) | (3,621) | (4,976) | 1,424   | 419     | (2,696) |

The present value of scheme liabilities and gains and losses are as follows:

|   | 2010/11  | 2009/10  | 2008/09  | 2007/08  | 2006/07  |
|---|----------|----------|----------|----------|----------|
|   | £million | £million | £million | £million | £million |
| Present Value of Defined Benefits Obligation  | (17,544) | (19,909) | (12,598) | (12,434) | (14,574) |
| Surplus/(Deficit)                             | (17,544) | (19,909) | (12,598) | (12,434) | (14,574) |
| Experience Gains/(Losses) on Liabilities      | 248      | (242)    | 420      | 55       | 106      |
| Experience Gains/(Losses) as % of Liabilities | 1.4%     | (1.2%)   | 3.3%     | 0.4%     | 0.7%     |

An estimate of contributions expected to be paid to the scheme for the year to 31 March 2012 is:

|                                | £ million    |
|--------------------------------|--------------|
| Projected Current Service Cost | 573          |
| Interest on Obligation         | 934          |
| <b>Total</b>                   | <b>1,507</b> |

### **Sensitivity Analysis**

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

| Change in financial assumptions at year end 31 March 2011 | Approximate % increase to Employer Liability | Approximate Monetary Amount (£000) |
|---|--|------------------------------------|
| 0.5% Decrease in Real Discount Rate                       | 10%  | 1,701,400                          |
| 1 year Increase in Member Life Expectancy                 | 3%   | 513,300                            |
| 0.5% Increase in the Salary Increase Rate                 | 2%   | 322,600                            |
| 0.5% Increase in the Pension Increase Rate (CPI)          | 8%   | 1,349,300                          |

### **14.2 Police Staff**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme (see accounting policies note on page 19 for details of membership). The Authority is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation as carried out as at 31 March 2011 can be found in the Resource Accounts of the Cabinet Office, who administer the fund.

For the year ended 31 March 2011, employer's contributions of £116.7 million were payable to the PCSPS at one of four rates in the range 17.1 to 25.5 percent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme. In the year to 31 March 2011, the net costs of pensions amounted to £123.6 million (£117.5 million 2009/10), representing 20.2% of pensionable pay (19.6% 2009/10).

## **15. Interest and investment income**

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Interest and investment income for the year ended 31 March 2011 consisted of interest on Short Term Deposits and Call Accounts.

## 16. Gains and losses on disposal

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

|            | 2010/11          |                  |               | 2009/10          |                  |               |
|------------|------------------|------------------|---------------|------------------|------------------|---------------|
|            | Property<br>£000 | Vehicles<br>£000 | Total<br>£000 | Property<br>£000 | Vehicles<br>£000 | Total<br>£000 |
| Gains      | 6,236            | 94               | 6,330         | 7,715            | 54               | 7,769         |
| Losses     | (37)             | (115)            | (152)         | (90)             | 0                | (90)          |
| <b>Net</b> | <b>6,199</b>     | <b>(21)</b>      | <b>6,178</b>  | <b>7,625</b>     | <b>54</b>        | <b>7,679</b>  |

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

## 17. S102 Greater London Authority Act 1999 Grant

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The Greater London Authority precepts London Boroughs for Council Tax and receives Revenue Support Grant and National Non-Domestic Rates directly from central government. The GLA provides funding to the Authority in the form of instalments through a Section 102 Grant. The central funding allocated and the police precept for the year ended 31 March 2011 was:

|                             | 2010/11<br>£000  | 2009/10<br>£000  |
|-----------------------------|------------------|------------------|
| Revenue Support Grant       | 115,764          | 167,773          |
| National Non-Domestic Rates | 797,220          | 726,879          |
| Police Precept              | 645,562          | 662,019          |
| <b>Total</b>                | <b>1,558,546</b> | <b>1,556,671</b> |

## 18. Other grants

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Other revenue grants received during the year ended 31 March 2011 were:

|  | 2010/11<br>£000  | 2009/10<br>£000  |
|--|------------------|------------------|
| Police Revenue Grant<br>(including amendment grants) | 1,114,754        | 1,083,629        |
| Crime Fighting Fund                                  | 72,980           | 72,980           |
| Special Formula                                      | 26,712           | 54,723           |
| <b>Total</b>   | <b>1,214,446</b> | <b>1,211,332</b> |

### Capital Grants

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



## 19. Property, plant and equipment

### 19.1 Tangible & Intangible Assets for the year ended 31 March 2011

|   | Intangible<br>Fixed<br>Assets | Property, Plant and Equipment        |                                      |                                   |
|---|-------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|
|   |                               | Land and<br>Buildings<br>Operational | Land and<br>Buildings<br>Residential | Vehicles,<br>Plant &<br>Equipment |
|   |                               | £000                                 | £000                                 | £000                              |
| <b>Cost or Valuation at 1 April 2010</b>      | <b>24,716</b>                 | <b>1,491,172</b>                     | <b>84,461</b>                        | <b>595,150</b>                    |
| Transfers – (Reclassification)                | 4,403                         | 28,852                               | (593)                                | 61,235                            |
| Additions                                     | 771                           | 40,038                               | 0                                    | 53,182                            |
| Other Additions                               | 0                             | 0                                    | 295                                  | 440                               |
| Disposals                                     | 0                             | (4,207)                              | (13,891)                             | (12,229)                          |
| Impairment                                    | 0                             | 0                                    | 0                                    | (66)                              |
| Revaluation Movements through<br>CIES         | 0                             | (26,457)                             | 1,941                                | 0                                 |
| Revaluation Movements in<br>Reserves          | 0                             | (6,555)                              | 84                                   | 0                                 |
| Capital Adjustment                            | 1                             | (3)                                  | 2                                    | 0                                 |
| <b>Cost or Valuation at 31 March<br/>2011</b> | <b>29,891</b>                 | <b>1,522,840</b>                     | <b>72,299</b>                        | <b>697,712</b>                    |
|   |                               |                                      |                                      |                                   |
| <b>Depreciation at 1 April 2010</b>           | <b>(13,603)</b>               | <b>(68,921)</b>                      | <b>(775)</b>                         | <b>(379,831)</b>                  |
| Depreciation for the year                     | (6,058)                       | (51,645)                             | (1,009)                              | (92,600)                          |
| Redundant Depreciation                        | 0                             | 27,751                               | 1,156                                | 0                                 |
| Depreciation on Assets Sold                   | 0                             | 1,469                                | 246                                  | 10,623                            |
| Depreciation on Transferred Assets            | 0                             | 12                                   | (9)                                  | 463                               |
| Depreciation on Impaired Assets               | 0                             | 0                                    | 0                                    | 0                                 |
| <b>Depreciation at 31 March 2011</b>          | <b>(19,661)</b>               | <b>(91,334)</b>                      | <b>( 391)</b>                        | <b>(461,345)</b>                  |
|   |                               |                                      |                                      |                                   |
| <b>Net Book Value at 31 March 2011</b>        | <b>10,230</b>                 | <b>1,431,506</b>                     | <b>71,908</b>                        | <b>236,367</b>                    |
| <b>Net Book Value at 31 March 2010</b>        | <b>11,113</b>                 | <b>1,422,251</b>                     | <b>83,686</b>                        | <b>215,319</b>                    |

Restated Tangible & Intangible Assets for the year ended 31 March 2010

|   | Property, Plant and Equipment |                                |                                |                             |
|---|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
|   | Intangible Fixed Assets       | Land and Buildings Operational | Land and Buildings Residential | Vehicles, Plant & Equipment |
|   | £000                          | £000                           | £000                           | £000                        |
| <b>Cost or Valuation at 1 April 2009</b>          | <b>19,469</b>                 | <b>1,506,273</b>               | <b>111,814</b>                 | <b>566,108</b>              |
| IFRS Changes in Accounting Policy                 | 0                             | (10,907)                       | (9,029)                        | 0                           |
| <b>Restated Cost or Valuation at 1 April 2009</b> | <b>19,469</b>                 | <b>1,495,366</b>               | <b>102,785</b>                 | <b>566,108</b>              |
| Transfers – (Reclassification)                    | 2,745                         | 4,955                          | (1,836)                        | 34,565                      |
| IFRS Reclassification Adjustments                 | 0                             | 0                              | (240)                          | 0                           |
| Additions   | 2,698                         | 20,822                         | 451                            | 41,203                      |
| Other Additions                                   | 0                             | 750                            | 597                            | 105                         |
| Disposals   | (196)                         | 0                              | (21,696)                       | (45,616)                    |
| Impairment  | 0                             | 0                              | 0                              | (1,215)                     |
| Impairment Fall in Prices                         | 0                             | (46,588)                       | (5,574)                        | 0                           |
| Revaluations                                      | 0                             | 19,616                         | 9,009                          | 0                           |
| IFRS Revaluation Adjustments                      | 0                             | (3,654)                        | 965                            | 0                           |
| Capital Adjustment                                | 0                             | (89)                           | 0                              | 0                           |
| IFRS Capital Adjustments                          | 0                             | (6)                            | 0                              | 0                           |
| <b>Cost or Valuation at 31 March 2010</b>         | <b>24,716</b>                 | <b>1,491,172</b>               | <b>84,461</b>                  | <b>595,150</b>              |
|   |                               |                                |                                |                             |
| <b>Depreciation at 1 April 2009</b>               | <b>(6,989)</b>                | <b>(60,321)</b>                | <b>(1,819)</b>                 | <b>(333,425)</b>            |
| IFRS Changes in Accounting Policy                 | 0                             | 82                             | 0                              | 0                           |
| <b>Restated Depreciation at 1 April 2009</b>      | <b>(6,989)</b>                | <b>(60,239)</b>                | <b>(1,819)</b>                 | <b>(333,425)</b>            |
| Depreciation for the Year                         | (6,810)                       | (46,253)                       | (1,516)                        | (91,539)                    |
| IFRS Depreciation Adjustments                     | 0                             | 32                             | 723                            | 0                           |
| Redundant Depreciation                            | 0                             | 31,893                         | 1,324                          | 0                           |
| Depreciation on Assets Sold                       | 196                           | 0                              | 490                            | 44,215                      |
| Depreciation on Transferred Assets                | 0                             | 5,553                          | 23                             | 0                           |
| Depreciation on Impaired Assets                   | 0                             | 93                             | 0                              | 918                         |
| <b>Depreciation at 1 April 2010</b>               | <b>(13,603)</b>               | <b>(68,921)</b>                | <b>(775)</b>                   | <b>(379,831)</b>            |
|   |                               |                                |                                |                             |
| <b>Net Book Value at 31 March 2010</b>            | <b>11,113</b>                 | <b>1,422,251</b>               | <b>83,686</b>                  | <b>215,319</b>              |
| <b>Net Book Value at 1 April 2009</b>             | <b>12,480</b>                 | <b>1,435,127</b>               | <b>100,966</b>                 | <b>232,683</b>              |

### Opening Balance Restatement

|  | Land and Buildings Operational | Land and Buildings Residential | Total            | Investment Properties |
|--|--------------------------------|--------------------------------|------------------|-----------------------|
|  | £000                           | £000                           | £000             | £000                  |
| <b>Opening asset balance at 31 March 2009</b>        | <b>1,506,273</b>               | <b>111,814</b>                 | <b>1,618,087</b> | <b>36,041</b>         |
| IAS 17 Finance Leases                                | 17,684                         | 0                              | 17,684           | 0                     |
| IAS 17 Operating Lease Land                          | (28,591)                       | (9,029)                        | (37,620)         | (231)                 |
| <b>Opening asset balance at 1 April 2009</b>         | <b>1,495,366</b>               | <b>102,785</b>                 | <b>1,598,151</b> | <b>35,810</b>         |
|  |                                |                                |                  |                       |
| <b>Opening depreciation balance at 31 March 2009</b> | <b>(60,321)</b>                | <b>(1,819)</b>                 | <b>(62,140)</b>  | <b>(476)</b>          |
| IAS 17 Finance Leases (note 19.10)                   | 82                             | 0                              | 82               | 0                     |
| <b>Opening depreciation balance at 1 April 2009</b>  | <b>(60,239)</b>                | <b>(1,819)</b>                 | <b>(62,058)</b>  | <b>(476)</b>          |

### In Year Restatement for 2009/10

|  | Land and Buildings Operational | Land and Buildings Residential | Total   | Investment Properties |
|--|--------------------------------|--------------------------------|---------|-----------------------|
|  | £000                           | £000                           | £000    | £000                  |
| IAS 16 Property, Plant & Equipment - Reclassify Properties held for Sale | 0                              | (240)                          | (240)   | 0                     |
| IAS 17 Operating Lease Land (see below)                                  |                                |                                |         |                       |
| • Revaluation Adjustment   | (3,654)                        | 965                            | (2,689) | (675)                 |
| • Capital Adjustment   | (6)                            | 0                              | (6)     | 0                     |
|  |                                |                                |         |                       |
| <b>Depreciation</b>  |                                |                                |         |                       |
| IAS 16 Property, plant & Equipment - Reclassify Properties Held for Sale | 0                              | 4                              | 4       | 0                     |
| IAS 17 Finance Leases (note 19.10)                                       |                                |                                |         |                       |
| • Depreciation Adjustment  | (604)                          | 0                              | (604)   | 0                     |
| IAS 17 Operating Lease land (see below)                                  |                                |                                |         |                       |
| • Depreciation Adjustment  | 636                            | 719                            | 1,355   | 435                   |

Following the implementation of IAS 17 and the identification of a number of finance leases the Authority identified land in the fixed asset register on a leased basis which was inconsistent with the new accounting requirements. Accordingly the value of this land has been removed from the register for 2009/10.

## 19.2 Community and Non Operational Assets for the year ending 31 March 2011

|   | Other Property, Plant and Equipment |                           |                       |
|---|-------------------------------------|---------------------------|-----------------------|
|   | Community Assets                    | Assets under Construction | Investment Properties |
|   | £000                                | £000                      | £000                  |
| <b>Cost or Valuation at 1 April 2010</b>  | <b>1,308</b>                        | <b>169,859</b>            | <b>50,499</b>         |
| Transfers – (Reclassification)            | 11                                  | (96,471)                  | 13                    |
| Additions                                 | 0                                   | 94,233                    | 0                     |
| Other Additions                           | 0                                   | 164                       | 0                     |
| Impairment                                | 0                                   | (5,035)                   | 0                     |
| Revaluation Movements through CIES        | 0                                   | 0                         | 6,054                 |
| Capital Adjustment                        | 0                                   | (74)                      | 0                     |
| <b>Cost or Valuation at 31 March 2011</b> | <b>1,319</b>                        | <b>162,676</b>            | <b>56,566</b>         |
|   |                                     |                           |                       |
| <b>Depreciation at 1 April 2010</b>       | <b>0</b>                            | <b>0</b>                  | <b>(5,599)</b>        |
| Depreciation on Transferred Assets        | (11)                                | 0                         | 0                     |
| <b>Depreciation at 31 March 2011</b>      | <b>(11)</b>                         | <b>0</b>                  | <b>(5,599)</b>        |
|   |                                     |                           |                       |
| <b>Net Book Value at 31 March 2011</b>    | <b>1,308</b>                        | <b>162,676</b>            | <b>50,967</b>         |
| <b>Net Book Value at 31 March 2010</b>    | <b>1,308</b>                        | <b>169,859</b>            | <b>44,900</b>         |

## Community and Non Operational Assets for the year ended 31 March 2010

|   | Other Property, Plant and Equipment |                           |                       |
|---|-------------------------------------|---------------------------|-----------------------|
|   | Community Assets                    | Assets under Construction | Investment Properties |
|   | £000                                | £000                      | £000                  |
| <b>Cost or Valuation at 1 April 2009</b>          | <b>1,121</b>                        | <b>103,208</b>            | <b>36,041</b>         |
| IFRS Changes in Accounting Policy                 | 0                                   | 0                         | (231)                 |
| <b>Restated Cost or Valuation at 1 April 2009</b> | <b>1,121</b>                        | <b>103,208</b>            | <b>35,810</b>         |
| Transfers – (Reclassification)                    | 0                                   | (50,048)                  | 9,619                 |
| Additions   | 0                                   | 121,124                   | 0                     |
| Impairment  | 0                                   | (4,281)                   | 0                     |
| Impairment Fall in Prices                         | 0                                   | 0                         | (2,044)               |
| Revaluations                                      | 0                                   | 0                         | 7,789                 |
| IFRS Revaluation Adjustments                      | 0                                   | 0                         | (675)                 |
| Capital Adjustment                                | 187                                 | (144)                     | 0                     |
| <b>Cost or Valuation at 31 March 2010</b>         | <b>1,308</b>                        | <b>169,859</b>            | <b>50,499</b>         |
|   |                                     |                           |                       |
| <b>Depreciation at 1 April 2009</b>               | <b>0</b>                            | <b>0</b>                  | <b>(476)</b>          |
| Redundant Depreciation                            | 0                                   | 0                         | 18                    |
| Depreciation on Transferred Assets                | 0                                   | 0                         | (5,576)               |
| IFRS adjustment                                   | 0                                   | 0                         | 435                   |
| <b>Depreciation at 1 April 2010</b>               | <b>0</b>                            | <b>0</b>                  | <b>(5,599)</b>        |
|   |                                     |                           |                       |
| <b>Net Book Value at 31 March 2010</b>            | <b>1,308</b>                        | <b>169,859</b>            | <b>44,900</b>         |
| <b>Net Book Value at 1 April 2009</b>             | <b>1,121</b>                        | <b>103,208</b>            | <b>35,334</b>         |

The Authority's property portfolio which is located throughout London's 32 boroughs includes 133 police stations (2009/10 - 137), 294 residential properties (2009/10 - 404) 257 investment properties (2009/10 - 257) and 403 other operational buildings (2009/10 - 396) including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices.

The Authority also operates 5,120 patrol cars, motorbikes and other vehicles (2009/10 - 5,369), 34 boats including inflatables and dinghies (2009/10 – 33) and 3 helicopters (2009/10 - 3).

### 19.3 Basis of Valuation

The operational property portfolio was revalued as at 1 April 2010 as part of the revaluation programme. For the revaluation programme 20% of the assets are physically inspected as well as the top 20 properties by value whilst 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by G. L. Hearn Ltd (member of the Royal Institute of Chartered Surveyors) ensuring that all operational land and buildings within the estate are subject to inspection and revaluation at least once every five years.

The residential and investment portfolios have been subjected to a revaluation exercise by Drivers Jonas (member of the Royal Institute of Chartered Surveyors) and their values shown in the Accounts as at 31 March 2011 in line with accounting policies.

Buildings under construction are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2011.

Short life assets such as vehicles, helicopters, 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, medals, vehicles, furniture and museum pieces, which are at present in long-term storage, which have been gifted over many years.

During the year, transfers of £96.5 million were made for those assets under construction, which were completed and became operating assets.

#### 19.4 Redundant Depreciation

The redundant depreciation figure totalling £28.9 million, shown in table 19.1, is an offset to amounts arising from the new valuation for property, which gives a more accurate figure for the value of land and buildings. The balances for accumulated depreciation for these buildings become redundant and should not be carried forward in the Balance Sheet, but are offset against the Revaluation Reserve.

#### 19.5 Impairment Losses

The Authority has recognised impairment losses within a number of fixed asset categories. The impairments and the categories they relate to are detailed in notes 19.1 and 19.2 above. Impairment reviews were also performed at the year-end on land and buildings and on vehicles, plant and equipment.

#### 19.6 Capital Expenditure

Items of capital expenditure for the year were:

|                                  | 2010/11        | 2009/10        |
|----------------------------------|----------------|----------------|
|                                  | £000           | £000           |
| <b>Intangible Assets</b>         | 771            | 2,698          |
| <b>Tangible Assets</b>           |                |                |
| Land and Buildings               | 40,038         | 21,273         |
| Plant and Equipment              | 168            | 19             |
| Information Technology           | 37,424         | 28,229         |
| Vehicles                         | 15,590         | 12,955         |
| Assets under Construction        | 94,233         | 121,124        |
| <b>Total Capital Expenditure</b> | <b>188,224</b> | <b>186,298</b> |

## 19.7 Sources of Capital Finance

|  | 2010/11        | 2009/10        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Capital Payments to be Financed</b> | <b>188,224</b> | <b>186,298</b> |
| Supported Borrowing                    | 19,635         | 19,635         |
| Unsupported Borrowing                  | 43,122         | 29,319         |
| Other Contributions                    | 4,405          | 846            |
| Capital Grants                         | 80,628         | 61,713         |
| Capital Receipts                       | 38,700         | 34,100         |
| Revenue Contribution                   | 1,734          | 40,685         |
| <b>Total Financing</b>                 | <b>188,224</b> | <b>186,298</b> |

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. The Authorised Limit for the year ended 31 March 2011 was £318.15 million. The Operational Boundary was £303 million. All Prudential Code indicators are approved by the full Authority prior to the start of the financial year as required by statute and are monitored on a monthly basis throughout the financial year.

## 19.8 PFI Assets

These assets form part of the Land and Buildings - operational category within Note 19.1 above.

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

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

The table below shows the value of Training Ground PFI land and buildings for the Police Station PFI broken down by movements in year with comparatives.

|                               | 2010/11        | 2009/10        |
|-------------------------------|----------------|----------------|
|                               | £000           | £000           |
| Balance as at 1 April         | 144,867        | 154,686        |
| Additions                     | 864            | 654            |
| Depreciation for Year         | (8,478)        | (7,725)        |
| Redundant Depreciation        | 0              | 7,726          |
| Revaluation (Decrease)        | 0              | (10,474)       |
| <b>Balance as at 31 March</b> | <b>137,253</b> | <b>144,867</b> |

### 19.9 Payment Analysis

The PFI agreements impose 25 year commitments on the Authority from occupation/use of the new facilities from 2003. The unitary payments to be made under the PFI contracts as at 31 March 2011 are shown below. PFI liabilities are shown in notes 33.

|                | Payment Analysis |                |                |                | Payment Analysis |                |                |                |
|----------------|------------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|
|                | 2010/11          |                |                |                | 2009/10          |                |                |                |
|                | Liability        | Interest       | Service Charge | Total          | Liability        | Interest       | Service Charge | Total          |
|                | £000             | £000           | £000           | £000           | £000             | £000           | £000           | £000           |
| Within 1 year  | 3,997            | 10,900         | 8,411          | 23,308         | 3,584            | 10,750         | 8,386          | 22,720         |
| 2 to 5 years   | 15,168           | 43,536         | 40,419         | 99,123         | 14,504           | 43,271         | 38,930         | 96,705         |
| 6 to 10 years  | 21,823           | 53,438         | 63,235         | 138,496        | 20,680           | 53,410         | 61,028         | 135,118        |
| 11 to 15 years | 33,701           | 53,753         | 69,241         | 156,695        | 30,030           | 52,971         | 69,874         | 152,875        |
| 16 to 20 years | 26,704           | 30,560         | 31,869         | 89,133         | 36,179           | 42,536         | 43,343         | 122,058        |
| <b>Total</b>   | <b>101,393</b>   | <b>192,187</b> | <b>213,175</b> | <b>506,755</b> | <b>104,977</b>   | <b>202,938</b> | <b>221,561</b> | <b>529,476</b> |



## 19.10 Leases

### Authority as Lessee

#### Operating leases

The Authority has acquired a large and diverse portfolio of property leases, for example, office accommodation, police stations and patrol bases. In addition the Authority leases many safer neighbourhood offices, most of which have 10 year lives. In the year to 31 March 2011, the Authority spent £45.3 million on operating leases for property (£42.9 million in 2009/10) and £2.0 million on operating leases for vehicles, most of which have 3 year lives (£2.2 million in 2009/10). The lease payments due under non-cancellable leases in future years are:

| Future Periods                               | 2010/11        |              | 2009/10            |              |
|--|----------------|--------------|--------------------|--------------|
|  | Property       | Vehicles     | Property           | Vehicles     |
|  | £000           | £000         | (Restated)<br>£000 | £000         |
| <b>Operating Leases</b>                      |                |              |                    |              |
| Not later than 1 year                        | 41,020         | 1,602        | 38,093             | 746          |
| Later than 1 year and not later than 5 years | 137,401        | 927          | 129,827            | 819          |
| Later than 5 years                           | 155,162        | 0            | 167,958            | 0            |
| <b>Total</b>                                 | <b>333,583</b> | <b>2,529</b> | <b>335,878</b>     | <b>1,565</b> |

#### Finance Leases

The Authority does not have any finance leases for Vehicles, Plant, or Equipment. Following the adoption of IAS 17 the Authority reviewed all existing property leases prior to 1st April 2010 to evaluate the leases as at date of inception in order to determine whether they are a finance lease or an operating lease for land and/or for building. The Authority has reclassified the building element of 3 long leases as finance leases and has added them to the Balance Sheet. There are now, in total, six property leases for which the building element is classified as a finance lease. The MPA continues to record four long term ground leases of land of more than 125 years as finance leases. In addition it has also reclassified 15 long leases of land (125 years or less) from finance leases to operating leases and accordingly removed them from the Balance Sheet. The movements for these adjustments are shown as restatements in 2009/10 below, together with the movements for the current year:

|                                       | 2010/11            | 2009/10                     | Restatement     | 2009/10            |
|---------------------------------------|--------------------|-----------------------------|-----------------|--------------------|
|                                       | Land and Buildings | Land and Buildings Restated |                 | Land and Buildings |
|                                       | £000               | £000                        |                 | £000               |
| <b>Restated Opening Value 1 April</b> | <b>55,351</b>      | <b>43,140</b>               | <b>(32,738)</b> | <b>75,878</b>      |
| Additions                             | 503                | 491                         | 272             | 219                |
| Revaluations                          | 2,018              | 13,629                      | 13,232          | 397                |
| Impairment                            | (1,835)            | (705)                       | 53              | (758)              |
| Depreciation                          | (1,201)            | (1,204)                     | (644)           | (560)              |
| <b>Net Carrying Value 31 March</b>    | <b>54,836</b>      | <b>55,351</b>               | <b>(19,825)</b> | <b>75,176</b>      |

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and also the finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

|  | 2010/11       | 2009/10       |
|--|---------------|---------------|
| <b>Finance Lease Liabilities (NPV of minimum lease payments)</b> | <b>£000</b>   | <b>£000</b>   |
| Current Liability  | 100           | 91            |
| Long Term Liability  | 6,042         | 6,142         |
| Finance Costs Payable in Future Years                            | 20,116        | 20,884        |
| <b>Total of Minimum Lease Payments (Net Present Value)</b>       | <b>26,258</b> | <b>27,117</b> |

The minimum lease payments will be payable over the following periods:

|  | Minimum Lease Payments |               | Finance Lease Liabilities |              |
|--|------------------------|---------------|---------------------------|--------------|
|  | 2010/11                | 2009/10       | 2010/11                   | 2009/10      |
|  | £000                   | £000          | £000                      | £000         |
| <b>Future Periods</b>                        |                        |               |                           |              |
| Not Later than 1 Year                        | 859                    | 859           | 100                       | 91           |
| Later than 1 Year and not later than 5 Years | 3,434                  | 3,434         | 515                       | 467          |
| Later than 5 Years                           | 21,965                 | 22,824        | 5,527                     | 5,675        |
| <b>Total</b>                                 | <b>26,258</b>          | <b>27,117</b> | <b>6,142</b>              | <b>6,233</b> |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £1.2million contingent rents were payable by the Authority (2009/10 £1.2million). The Authority has sub-let shop units located at a garage which are held under a finance lease. At 31 March 2011 the minimum payments expected to be received under non cancellable sub-leases were £0.05 million (2009/10 £0.05 million).

### **Authority as Lessor**

#### *Operating leases*

The Authority leases out various interests in properties, including office space and short term leases for several blocks of flats classified as investment properties. The Authority received rents amounting to £10.5 million in 2010/11 (2009/10 £15.9 million) from the lessees of which £4.6 million is from non cancellable sub-leases.

The current lease payments receivable under non-cancellable leases in future years are:

|  | 2010/11       | 2009/10       |
|--|---------------|---------------|
|  | Property      | Property      |
| Future Periods                               | £000          | £000          |
| Not Later than 1 Year                        | 7,880         | 8,429         |
| Later than 1 Year and not Later than 5 Years | 26,961        | 31,822        |
| Later than 5 Years                           | 7,913         | 12,790        |
| <b>Total</b>                                 | <b>42,754</b> | <b>53,041</b> |

The Authority has not granted any finance leases.

### 19.11 Component Assets

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

### 19.12 Donated Assets

The Authority received donated assets in 2010/11 to the value of £427,770 (2009/10 £89,900). The fair value of these assets was recorded on the asset register and the revenue account was credited to reflect the notional income that has been received. The latter transaction is then reversed with the balancing credit entry being shown within the Capital Adjustment Account.

### 19.13 Future Capital Expenditure Commitments

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

|                               | 2011/12 and<br>Later Years | 2010/11 and<br>Later Years |
|-------------------------------|----------------------------|----------------------------|
|                               | £000                       | £000                       |
| IT Various Projects           | 52,310                     | 45,624                     |
| Building Works                | 20,469                     | 55,178                     |
| Vehicles, Plant and Equipment | 4,751                      | 4,582                      |
| <b>Total</b>                  | <b>77,530</b>              | <b>105,384</b>             |

### 19.14 Investment properties

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

|                        | 2010/11      | 2009/10   |
|------------------------|--------------|-----------|
|                        | £000         | £000      |
| Rental Income          | (603)        | (410)     |
| Direct Operating Costs | 354          | 441       |
| <b>Net income</b>      | <b>(249)</b> | <b>31</b> |

## 20. Long term debtors

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'Long term debtors' is comprised of £2.2 million owed by the National Offenders Management Service (NOMs) for the repayment of MPS debt and £23.1 million which represents an Icelandic debt less expected impairment, arising from the transfer into administration of Landsbanki bank with whom the Authority had invested on a short term basis. This latter debt has not been finalised as it is awaiting the outcome of a court case which will help the administrators of the bank to calculate precisely what is due to the Authority.

## 21. Assets held for sale

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

|   | 2010/11<br>£000 | 2009/10<br>£000 |
|---|-----------------|-----------------|
| Opening Balance                           | 236             | 0               |
| Additional Assets Identified for Disposal | 2,094           | 236             |
| Assets Disposed in Year                   | (236)           | 0               |
| <b>Total</b>                              | <b>2,094</b>    | <b>236</b>      |

## 22. Inventories

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The opening value of inventories has not changed following implementation of IFRS and is listed as below together with the movement during 2010/11.

|  | Balance<br>at 1 April<br>2010<br>£000 | Purchases<br>£000 | Issues<br>£000  | Other<br>Adjustments<br>£000 | Balance<br>at 31<br>March<br>2011<br>£000 |
|--|---------------------------------------|-------------------|-----------------|------------------------------|---|
| Uniforms                               | 4,389                                 | 8,732             | (8,060)         | (43)                         | 5,018                                     |
| Transport and Air Support Unit - Fuel  | 542                                   | 3,089             | (3,091)         | (19)                         | 521                                       |
| Transport and Air Support Unit - Parts | 778                                   | 1,009             | (962)           | 6                            | 831                                       |
| Heating Oil                            | 1,442                                 | 857               | (946)           | 320                          | 1,673                                     |
| Catering Goods                         | 368                                   | 417               | (492)           | 0                            | 293                                       |
| <b>Total</b>                           | <b>7,519</b>                          | <b>14,104</b>     | <b>(13,551)</b> | <b>264</b>                   | <b>8,336</b>                              |

Movement during 2009/10:

|   | Balance<br>at 1 April<br>2009 | Purchases     | Issues          | Other<br>Adjustments | Balance<br>at 31<br>March<br>2010 |
|---|-------------------------------|---------------|-----------------|----------------------|-----------------------------------|
|   | £000                          | £000          | £000            | £000                 | £000                              |
| Uniforms                                  | 4,250                         | 9,045         | (8,815)         | (91)                 | 4,389                             |
| Transport and Air<br>Support Unit - Fuel  | 492                           | 1,473         | (1,434)         | 11                   | 542                               |
| Transport and Air<br>Support Unit - Parts | 786                           | 1,037         | (1,045)         | 0                    | 778                               |
| Heating Oil                               | 775                           | 881           | (933)           | 719                  | 1,442                             |
| Catering Goods                            | 419                           | 430           | (481)           | 0                    | 368                               |
| <b>Total</b>                              | <b>6,722</b>                  | <b>12,866</b> | <b>(12,708)</b> | <b>639</b>           | <b>7,519</b>                      |

## 23. Short term debtors

'Short term debtors' represent assets held for trading or supporting staff and which are expected to be realised within 12 months after the reporting date.

|                                | 2010/11        | 2009/10        | 2008/09        |
|--------------------------------|----------------|----------------|----------------|
|                                | £000           | £000           | £000           |
|                                |                | Restated       | Restated       |
| Central Government Bodies      | 99,861         | 91,808         | 119,479        |
| Local Authorities              | 24,473         | 23,948         | 22,057         |
| Public Corporations            | 617            | 337            | 0              |
| Health Bodies                  | 24             | 26             | 0              |
| Other Debtors                  | 44,501         | 65,043         | 85,538         |
|                                | 169,476        | 181,162        | 227,074        |
| <b>Less Bad Debt Provision</b> | 141            | 327            | 713            |
| <b>Balance</b>                 | <b>169,335</b> | <b>180,835</b> | <b>226,361</b> |

## 24. Short term investments

'Short term investments' represent monies deposited with Banks and Building Societies for periods greater than three months with an upper limit of less than 1 year. The amount as at 31 March 2011 was £15 million (£0 million in 2009/10).

## 25. Cash and cash equivalents

'Cash and cash equivalents' consist of cash on hand, balances with banks, and investments in the money market for less than 3 months. Cash and cash equivalents included in the cash flow statement comprise the following:

|   | 2010/11       | 2009/10       | 2008/09       |
|---|---------------|---------------|---------------|
|   | £000          | £000          | £000          |
| <b>Banks and Financial Institutions</b> | <b>75,000</b> | <b>36,000</b> | <b>36,000</b> |

## 26. Short term creditors

|                           | 2010/11          | 2009/10          | 2008/09          |
|---------------------------|------------------|------------------|------------------|
|                           | £000             | £000             | £000             |
|                           |                  | Restated         | Restated         |
| Central Government Bodies | (93,450)         | (81,644)         | (85,318)         |
| Local Authorities         | (17,499)         | (11,933)         | (10,951)         |
| Public Corporations       | (3,191)          | (4,288)          | 0                |
| Health Bodies             | (1,143)          | (16)             | 0                |
| Other Creditors           | (184,491)        | (213,203)        | (262,191)        |
|                           | <b>(299,774)</b> | <b>(311,084)</b> | <b>(358,460)</b> |

General creditors was restated at 1 April 2009 from £366.5 million to £358.5 million due to the allocation of unconditional grant income to earmarked revenue reserves and capital reserves following the requirement to treat such funding accordingly in IAS 20 Accounting for Grants (see note 34 for reserves restatement). Included in Other Creditors is £29.83 million which is in respect of Employee Related Costs.

## 27. Short term borrowing

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

|                           | 2010/11         | 2009/10        | 2008/09        |
|---------------------------|-----------------|----------------|----------------|
|                           | £000            | £000           | £000           |
| Public Works Loan Board   | (16,600)        | (1,600)        | (4,838)        |
| Local Authorities         | (25,000)        | 0              | 0              |
| PFI Liabilities           | (3,997)         | (3,584)        | (3,417)        |
| Finance lease Liabilities | (100)           | (91)           |                |
| <b>Balance</b>            | <b>(45,697)</b> | <b>(5,275)</b> | <b>(8,255)</b> |

## 28. Cash and cash equivalent (cash book)

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This sum represents transactions which have taken place, but due to timing differences are not yet reflected on the bank account statement(s) of a number of bank accounts held with the Authority's main banker.

## 29. Third party monies

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The Authority administers funds on behalf of third parties. Money held by the funds is not owned by the Authority and is not included in the Balance Sheet. The principal funds are described below. 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 2011 and values at their financial year-end dates, are given below. Not all of the figures have been audited.

| Fund Name      | Income        | Expenditure  | Assets        | Liabilities  |
|----------------|---------------|--------------|---------------|--------------|
|                | £000          | £000         | £000          | £000         |
| M.P.A.P.P.A.F. | 1,903         | 1,048        | 4,796         | 92           |
| M.P.A.D.M.A.   | 1,759         | 1,475        | 7,117         | 16           |
| M.P.B.F.       | 2,014         | 2,354        | 3,583         | 119          |
| M.P.C.F.       | 22            | 17           | 423           | 5            |
| M.P.S.F.       | 824           | 816          | 341           | 43           |
| M.P.S.W.F.     | 33            | 39           | 268           | 1            |
| M.P.A.A.       | 642           | 559          | 2,694         | 60           |
| M.P.S.C.       | 3,308         | 3,485        | 3,836         | 828          |
| COMETS         | 74            | 63           | 114           | 3            |
| <b>TOTAL</b>   | <b>10,579</b> | <b>9,856</b> | <b>23,172</b> | <b>1,167</b> |

### ***M.P.A.P.P.A.F. - Metropolitan Police Authority Police Property Act Fund***

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

### ***M.P.A.D.M.A. - Metropolitan Police Authority Detained Monies Account***

As stated above, until 31 March 2004 the MPAPPAF 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 MPADMA.

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

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

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

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

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

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

#### ***M.P.C.F. - Metropolitan Police Commissioner's Fund***

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

#### ***M.P.S.F. - Metropolitan Police Sports Fund***

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

#### ***M.P.S.W.F. – Metropolitan Police Staff Welfare Fund***

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

#### ***M.P.A.A. - Metropolitan Police Athletic Association***

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

#### ***M.P.S.C. – Metropolitan Police Sports Clubs***

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

#### ***COMETS Metropolitan Police Sports and Social Association***

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



### **Operational Responsibilities**

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

|                                      | 2010/11       | 2009/10       |
|--------------------------------------|---------------|---------------|
|                                      | £000          | £000          |
| Proceeds Of Crime Act Monies         | 33,282        | 42,101        |
| Drug Trafficking Offences Act Monies | 309           | 889           |
| Prisoners' Property and Lost Cash    | 956           | 686           |
| Other                                | 516           | 1,398         |
| <b>Total</b>                         | <b>35,063</b> | <b>45,074</b> |

In addition, the Authority also holds non cash assets which are not valued in the above table. The prisoners' property and lost cash relates to the total amount held in property stores at 31 March 2011 and has therefore been stated separately from the Police Property Act Fund value.

## **30. Provisions**

|                                       | Accumulated Absences | Third Party Liabilities | Other Provisions | Total          |
|---------------------------------------|----------------------|-------------------------|------------------|----------------|
|                                       | £000                 | £000                    | £000             | £000           |
| <b>Balance at 1 April 2010</b>        | <b>108,755</b>       | <b>24,601</b>           | <b>4,774</b>     | <b>138,130</b> |
| Additional Provisions made in 2010/11 | 98,890               | 11,339                  | 100              | 110,329        |
| Amounts used in 2010/11               | (108,755)            | (16,338)                | (1,260)          | (126,353)      |
| <b>Balance at 31 March 2011</b>       | <b>98,890</b>        | <b>19,602</b>           | <b>3,614</b>     | <b>122,106</b> |

|  | Accumulated Absences | Third Party Liabilities | Other Provisions | Total          |
|--|----------------------|-------------------------|------------------|----------------|
|  | £000                 | £000                    | £000             | £000           |
| <b>Balance at 1 April 2009</b>         | <b>0</b>             | <b>32,014</b>           | <b>6,960</b>     | <b>38,974</b>  |
| IFRS Accumulated Absences              | 89,399               | 0                       | 0                | 89,399         |
| <b>Revised Balance at 1 April 2009</b> | <b>89,399</b>        | <b>32,014</b>           | <b>6,960</b>     | <b>128,373</b> |
| Additional Provisions made in 2009/10  | 108,755              | 11,034                  | 636              | 120,425        |
| Amounts used in 2009/10                | (89,399)             | (18,447)                | (2,822)          | (110,668)      |
| <b>Balance at 31 March 2010</b>        | <b>108,755</b>       | <b>24,601</b>           | <b>4,774</b>     | <b>138,130</b> |

In accordance with IAS 19 the Authority has created a provision for accumulated compensated absences representing the cost of police officers and staff who have not taken their full leave entitlement before the financial year end. Other absences such as flexi-leave are not considered material. Police officers and staff are entitled to carry forward untaken annual leave and officers are entitled to carry forward untaken rest days outstanding. The impact on these financial statements is to recognise an increase in pay costs and a provision for these costs.

Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2010 has amended the requirements of the Code in respect of such short-term accumulating compensating absences so as to have no impact on the council tax payer by transferring the cost to revenue of the accumulated unused absences. Accordingly the CIPFA Code permits the creation and use of an Accumulated Absences Account to offset the charge to revenue created by the accumulated absences. Although the regulation takes effect on 1 April 2010, the Authority has adopted the CIPFA Local Authority Accounting Panel's recommendations that the effect of the regulations is reflected in the restated opening 1 April 2009 Balance Sheet and the restated 2009/10 Accounts.

The Authority estimated that at 1 April 2009 a provision was required for unpaid annual leave. This is based on sample data for police staff and data recorded on a time recording system for police officers. No other accumulated absences are considered material enough to merit disclosure. Compared to the 31 March 2009 Balance Sheet prepared under the SORP, the opening 1 April Balance Sheet under the Code includes a new liability of £89.4 million (the provision), matched by a debit balance on the Accumulated Absences Account.

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 2011 for £19.6 million (2009/10 £24.6 million). Over the course of the year agreed claims have been paid from this account amounting to £16.3 million.

Other provisions consist of:

- A provision for the reimbursement to officers of tax deducted in respect of Compensatory Grant - £1.2 million;
- A provision for a repayment of tax and National Insurance - £1.8 million;
- Other - £0.6 million.

## 31. Long term borrowing

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

|                                | 2010/11        | 2009/10        | 2008/09       |
|--------------------------------|----------------|----------------|---------------|
|                                | £000           | £000           | £000          |
| <b>PWLB loans</b>              | <b>193,750</b> | <b>120,350</b> | <b>42,500</b> |
| Analysis of loans by maturity: |                |                |               |
| Between 1 and 2 years          | 46,600         | 16,600         | 500           |
| Between 2 and 5 years          | 9,800          | 9,800          | 1,500         |
| Between 5 and 10 years         | 49,600         | 16,000         | 8,500         |
| Over 10 years                  | 87,750         | 77,950         | 32,000        |

## 32. Capital grants received in advance

This account was created following the implementation of IAS 20 and holds capital grants received before the year-end to finance capital investment schemes where either conditions have not yet been met but are expected to be achieved or where the grant has conditions attached which may require the monies to be refunded if the conditions are not met.

|                            | Restated       |                | Opening<br>Balance<br>Restated |
|----------------------------|----------------|----------------|--------------------------------|
|                            | 2010/11        | 2009/10        |                                |
|                            | £000           | £000           | £000                           |
| <b>Balance at 1 April</b>  | <b>(7,594)</b> | <b>(6,348)</b> | <b>(18,228)</b>                |
| IFRS Movement              | 0              | (3,746)        | 11,880                         |
| Movements                  | (39,776)       | (14,113)       | 0                              |
| Financing                  | 42,078         | 16,613         | 0                              |
| <b>Balance at 31 March</b> | <b>(5,292)</b> | <b>(7,594)</b> | <b>(6,348)</b>                 |

## 33. Long term contractor liability

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

|                            | Restated         |                  | Opening<br>Balance<br>Restated |
|----------------------------|------------------|------------------|--------------------------------|
|                            | 2010/11          | 2009/10          |                                |
|                            | £000             | £000             | £000                           |
| PFI Liability              | (97,396)         | (101,393)        | (104,977)                      |
| Finance Lease Liability    | (6,042)          | (6,142)          | (6,315)                        |
| <b>Balance at 31 March</b> | <b>(103,438)</b> | <b>(107,535)</b> | <b>(111,292)</b>               |

### 33.1 PFI and Finance Lease Contracts

|                             | 2010/11          | 2009/10          | 2010/11                       | 2009/10                       |
|-----------------------------|------------------|------------------|-------------------------------|-------------------------------|
|                             | £000             | £000             | £000                          | £000                          |
|                             | PFI Liability    | PFI Liability    | Finance<br>Lease<br>Liability | Finance<br>Lease<br>Liability |
| Balance as at 1 April       | (104,977)        | (108,394)        | (6,233)                       | (6,315)                       |
| Net Movement in Year        | 3,584            | 3,417            | 91                            | 82                            |
| <b>Total Liability</b>      | <b>(101,393)</b> | <b>(104,977)</b> | <b>(6,142)</b>                | <b>(6,233)</b>                |
| <b>Classified as;</b>       |                  |                  |                               |                               |
| <b>Short Term Liability</b> | <b>(3,997)</b>   | <b>(3,584)</b>   | <b>(100)</b>                  | <b>(91)</b>                   |
| <b>Long Term Liability</b>  | <b>(97,396)</b>  | <b>(101,393)</b> | <b>(6,042)</b>                | <b>(6,142)</b>                |

## 34. Reserves

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

### 34.1 Unusable Reserves

#### Movements on Unusable Reserves 2010/11

|  | Revaluation Reserve | Capital Adjustment Account | Accumulated Absences Account | Police Officer Pension | Total             |
|--|---------------------|----------------------------|------------------------------|------------------------|-------------------|
|  | £000                | £000                       | £000                         | £000                   | £000              |
| <b>Balance as at 1 April 2010 Restated</b>         | <b>(103,794)</b>    | <b>(1,204,809)</b>         | <b>108,755</b>               | <b>19,909,100</b>      | <b>18,709,252</b> |
| Minimum Revenue Provision                          | 0                   | (23,067)                   | 0                            | 0                      | (23,067)          |
| Transfers During Year                              | 7,166               | (7,166)                    | 0                            | 0                      | 0                 |
| Revaluation of Fixed Assets (Including Impairment) | 6,471               | 25,034                     | 0                            | 0                      | 31,505            |
| Financing of Fixed Assets                          | 0                   | (123,734)                  | 0                            | 0                      | (123,734)         |
| Depreciation                                       | 0                   | 151,312                    | 0                            | 0                      | 151,312           |
| Redundant Depreciation                             | (28,907)            | 0                          | 0                            | 0                      | (28,907)          |
| Revenue Contributions to Capital                   | 0                   | (1,734)                    | 0                            | 0                      | (1,734)           |
| Cost of Assets Disposed                            | 0                   | 16,816                     | 0                            | 0                      | 16,816            |
| Movement of Reserves                               | 0                   | (1,075)                    | (9,865)                      | (2,365,600)            | (2,376,540)       |
| <b>Balance as at 31 March 2011</b>                 | <b>(119,064)</b>    | <b>(1,168,423)</b>         | <b>98,890</b>                | <b>17,543,500</b>      | <b>16,354,903</b> |

#### Revaluation Reserve

The Revaluation Reserve was created on 1 April 2007 and records the unrealised revaluation gains on land and buildings arising in the year ended 31 March 2011. Accumulated gains are removed from this account when re-valued assets are sold and also to amortise the gains over the lives of the assets held at 31 March 2011.

The opening balance for 2009/10 has been restated to include entries for IFRS changes which have been detailed in the note below.

## Movements on Unusable Reserves 2009/10

|  | Revaluation Reserve | Capital Adjustment Account | Accumulated Absences Account | Police Officer Pension | Total             |
|--|---------------------|----------------------------|------------------------------|------------------------|-------------------|
|  | £000                | £000                       | £000                         | £000                   | £000              |
| <b>Balance as at 1 April 2009</b>                  | <b>(100,287)</b>    | <b>(1,208,029)</b>         | <b>89,399</b>                | <b>12,597,600</b>      | <b>11,378,683</b> |
| Minimum Revenue Provision                          | 0                   | (21,384)                   | 0                            | 0                      | (21,384)          |
| Transfers During year                              | 675                 | (29,469)                   | 0                            | 0                      | (28,794)          |
| Revaluation of Fixed Assets (Including Impairment) | 23,498              | (5,708)                    | 0                            | 0                      | 17,790            |
| Financing of Fixed Assets                          | 0                   | (34,100)                   | 0                            | 0                      | (34,100)          |
| Depreciation                                       | 2,254               | 148,145                    | 0                            | 0                      | 150,399           |
| Redundant Depreciation                             | (33,235)            | 0                          | 0                            | 0                      | (33,235)          |
| Revenue Contributions to Capital                   | 0                   | (40,685)                   | 0                            | 0                      | (40,685)          |
| Capital Expenditure/ Historic Cost Adjustment      | 3,301               | (36,186)                   | 0                            | 0                      | (32,885)          |
| Cost of Assets Disposed                            | 0                   | 22,607                     | 0                            | 0                      | 22,607            |
| Movement of Reserves                               | 0                   | 0                          | 19,356                       | 7,311,500              | 7,330,856         |
| <b>Balance as at 31 March 2010</b>                 | <b>(103,794)</b>    | <b>(1,204,809)</b>         | <b>108,755</b>               | <b>19,909,100</b>      | <b>18,709,252</b> |

### Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed by capital sources. The year-end balance shows that capital finance has been set aside at a faster rate than fixed assets have been consumed. This account shows a reduction in value due to an increase in depreciation charges during 2010/11.

The opening balance for 2009/10 has been restated to include entries for IFRS changes which have been detailed in the note below.

### Accumulated Absences Account.

The Accumulated Absences Account is a requirement of IAS 19 and represents the value of the future obligation of the Authority to pay officers and staff in respect of unused accumulated absences as at 31 March 2011. This represents an offset to the accounting charge to the revenue account which is reflected in the Accumulated Absences Provision (see note 30).

### Police Officer Pension Reserve

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

## 34.2 Usable Capital Reserves

### Movements on Usable Capital Reserves 2010/11

|                                 | Usable Capital Reserves  |                           |                       |                          |                 |
|---------------------------------|--------------------------|---------------------------|-----------------------|--------------------------|-----------------|
|                                 | Capital Receipts Reserve | Earmarked Capital Reserve | Capital Grant Reserve | Capital Grants Unapplied | Total           |
|                                 | £000                     | £000                      | £000                  | £000                     | £000            |
| <b>Balance at 1 April 2010</b>  | <b>(21,923)</b>          | <b>(5,888)</b>            | <b>(9,741)</b>        | <b>(8,134)</b>           | <b>(45,686)</b> |
| Proceeds of Disposals           | (22,680)                 | 0                         | 0                     | 0                        | <b>(22,680)</b> |
| Financing of Fixed Assets       | 38,700                   | 3,060                     | 36,006                | 3,889                    | <b>81,655</b>   |
| Movement of Reserves            | 0                        | (423)                     | (36,006)              | (2,202)                  | <b>(38,631)</b> |
| <b>Balance at 31 March 2011</b> | <b>(5,903)</b>           | <b>(3,251)</b>            | <b>(9,741)</b>        | <b>(6,447)</b>           | <b>(25,342)</b> |
| <b>Net movement for year</b>    | <b>16,020</b>            | <b>2,637</b>              | <b>0</b>              | <b>1,687</b>             | <b>20,344</b>   |

### Movements on Usable Capital Reserves 2009/10

|                                 | Usable Capital Reserves  |                           |                       |                          |                 |
|---------------------------------|--------------------------|---------------------------|-----------------------|--------------------------|-----------------|
|                                 | Capital Receipts Reserve | Earmarked Capital Reserve | Capital Grant Reserve | Capital Grants Unapplied | Total           |
|                                 | £000                     | £000                      | £000                  | £000                     | £000            |
| <b>Balance at 1 April 2009</b>  | <b>(26,539)</b>          | <b>(5,838)</b>            | <b>(17,119)</b>       | <b>(11,880)</b>          | <b>(61,376)</b> |
| Proceeds of Disposals           | (29,484)                 | 0                         | 0                     | 0                        | <b>(29,484)</b> |
| Financing of Fixed Assets       | 34,100                   | 0                         | 45,946                | 3,746                    | <b>83,792</b>   |
| Movement of Reserves            | 0                        | (50)                      | (38,568)              | 0                        | <b>(38,618)</b> |
| <b>Balance at 31 March 2010</b> | <b>(21,923)</b>          | <b>(5,888)</b>            | <b>(9,741)</b>        | <b>(8,134)</b>           | <b>(45,686)</b> |
| <b>Net Movement for Year</b>    | <b>4,616</b>             | <b>(50)</b>               | <b>7,378</b>          | <b>3,746</b>             | <b>15,690</b>   |

### Usable Capital Receipts

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

### Earmarked Capital Reserve

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

**Capital Grant Reserve**

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

**Capital Grants Unapplied**

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

### 34.3 Usable Earmarked Revenue Reserves

This note identifies amounts set aside to provide financing for future expenditure plans and the amounts posted back from reserves to meet expenditure in 2010/11.

| 2010/11   | Restated<br>Balance at<br>1 April<br>2010<br>£000 | Transfer<br>To<br>£000 | Transfer<br>from<br>£000 | Balance at<br>31 March<br>2011<br>£000 |
|---|---|------------------------|--------------------------|--|
| <b>Earmarked Revenue Reserves</b>                             |   |                        |                          |  |
| <b>Accommodation Strategy/Property Related</b>                |   |                        |                          |  |
| Dilapidations   | 12,727  | 0                      | 0                        | 12,727                                 |
| Property Related Costs  | 23,719  | 0                      | (557)                    | 23,162                                 |
| PFI Contract  | 203   | 0                      | (203)                    | 0                                      |
| <b>Total of Accommodation Strategy/Property related costs</b> | <b>36,649</b>                                     | <b>0</b>               | <b>(760)</b>             | <b>35,889</b>                          |
| <b>Operational costs</b>                                      |   |                        |                          |  |
| Communications Project  | 4,381   | 0                      | (1,300)                  | 3,081                                  |
| Airwave   | 5,344   | 0                      | 0                        | 5,344                                  |
| Insurance Indemnity Fund                                      | 1,155   | 444                    | 0                        | 1,599                                  |
| ICT Contract Issues   | 733   | 0                      | 0                        | 733                                    |
| Kickz   | 1,116   | 0                      | (1,059)                  | 57                                     |
| National Public Order Intelligence Unit                       | 1,534   | 2,069                  | 0                        | 3,603                                  |
| Legal Costs   | 1,187   | 0                      | (954)                    | 233                                    |
| Motor Insurance   | 3,125   | 1,875                  | 0                        | 5,000                                  |
| Operational Costs   | 44,756  | 6,020                  | (18,225)                 | 32,551                                 |
| Proceeds of Crime Act   | 1,512   | 0                      | 0                        | 1,512                                  |
| Protective Clothing   | 354   | 0                      | (143)                    | 211                                    |
| Publicity   | 50  | 0                      | 0                        | 50                                     |
| Pump Priming Fund   | 2,000   | 0                      | (2,000)                  | 0                                      |
| Systems   | 192   | 0                      | 0                        | 192                                    |
| Vehicle Recovery Services                                     | 1,850   | 0                      | 0                        | 1,850                                  |
| TP Youth Violent Crime  | 667   | 0                      | (221)                    | 446                                    |
| Support for Capital Programme                                 | 9,000   | 0                      | (9,000)                  | 0                                      |
| <b>Total of Operational Costs</b>                             | <b>78,956</b>                                     | <b>10,408</b>          | <b>(32,902)</b>          | <b>56,462</b>                          |
| <b>Revenue Support to Capital Re-phasing</b>                  |   |                        |                          |  |
| Capital Programme Re-phasing                                  | 8,150   | 0                      | (6,150)                  | 2,000                                  |
| <b>Total of Revenue Support to Capital Re-phasing</b>         | <b>8,150</b>                                      | <b>0</b>               | <b>(6,150)</b>           | <b>2,000</b>                           |
| <b>Budget Pressures</b>                                       |   |                        |                          |  |
| Budget Pressures  | 19,570  | 58,163                 | (4,724)                  | 73,009                                 |
| Emergencies Contingency Fund                                  | 23,093  | 0                      | 0                        | 23,093                                 |
| <b>Total of Budget Pressures</b>                              | <b>42,663</b>                                     | <b>58,163</b>          | <b>(4,724)</b>           | <b>96,102</b>                          |
| <b>Major Change programmes</b>                                |   |                        |                          |  |
| Modernisation Programmes                                      | 41,352  | 15,102                 | (27,573)                 | 28,881                                 |
| <b>Total of Major Change Programmes</b>                       | <b>41,352</b>                                     | <b>15,102</b>          | <b>(27,573)</b>          | <b>28,881</b>                          |
| <b>MPA initiatives</b>  |   |                        |                          |  |
| MPA   | 1,153   | 2,000                  | (356)                    | 2,797                                  |
| <b>Total of MPA Initiatives</b>                               | <b>1,153</b>                                      | <b>2,000</b>           | <b>(356)</b>             | <b>2,797</b>                           |
| <b>Total Earmarked Revenue Reserves</b>                       | <b>208,923</b>                                    | <b>85,673</b>          | <b>(72,465)</b>          | <b>222,131</b>                         |



2009/10

|   | Restated<br>Balance at<br>01 April<br>2009<br>£000 | Transfer<br>To<br>£000 | Transfer<br>from<br>£000 | Balance at<br>31 March<br>2010<br>£000 |
|---|--|------------------------|--------------------------|--|
| <b>Earmarked Revenue Reserves</b>                             |  |                        |                          |  |
| <b>Accommodation strategy/Property Related</b>                |  |                        |                          |  |
| Dilapidations   | 12,727   | 0                      | 0                        | 12,727                                 |
| Property Related Costs  | 24,566   | 0                      | (847)                    | 23,719                                 |
| PFI Contract  | 203  | 0                      | 0                        | 203                                    |
| <b>Total of Accommodation Strategy/Property related costs</b> | <b>37,496</b>                                      | <b>0</b>               | <b>(847)</b>             | <b>36,649</b>                          |
| <b>Operational costs</b>                                      |  |                        |                          |  |
| Communications Project  | 6,355  | 0                      | (1,974)                  | 4,381                                  |
| Airwave   | 5,344  | 0                      | 0                        | 5,344                                  |
| Insurance Indemnity Fund                                      | 680  | 475                    | 0                        | 1,155                                  |
| ICT Contract Issues   | 733  | 0                      | 0                        | 733                                    |
| Kickz   | 1,900  | 116                    | (900)                    | 1,116                                  |
| National Public Order Intelligence Unit                       | 1,534  | 0                      | 0                        | 1,534                                  |
| Legal Costs   | 1,454  | 0                      | (267)                    | 1,187                                  |
| Motor Insurance   | 2,124  | 1,001                  | 0                        | 3,125                                  |
| Operational Costs   | 54,005   | 3,153                  | (12,402)                 | 44,756                                 |
| Proceeds of Crime Act   | 1,480  | 2,302                  | (2,270)                  | 1,512                                  |
| Protective Clothing   | 354  | 0                      | 0                        | 354                                    |
| Publicity   | 50   | 0                      | 0                        | 50                                     |
| Pump Priming Fund   | 2,000  | 0                      | 0                        | 2,000                                  |
| Systems   | 192  | 0                      | 0                        | 192                                    |
| Vehicle Recovery Services                                     | 3,200  | 0                      | (1,350)                  | 1,850                                  |
| TP Youth Violent Crime  | 3,101  | 97                     | (2,531)                  | 667                                    |
| Support for Capital Programme                                 | 22,000   | 0                      | (13,000)                 | 9,000                                  |
| <b>Total of Operational Costs</b>                             | <b>106,506</b>                                     | <b>7,144</b>           | <b>(34,694)</b>          | <b>78,956</b>                          |
| <b>Revenue Support to Capital Re-phasing</b>                  |  |                        |                          |  |
| Capital Programme Re-phasing                                  | 14,545   | 0                      | (6,395)                  | 8,150                                  |
| <b>Total of Revenue Support to Capital Re-phasing</b>         | <b>14,545</b>                                      | <b>0</b>               | <b>(6,395)</b>           | <b>8,150</b>                           |
| <b>Budget Pressures</b>                                       |  |                        |                          |  |
| Budget Pressures  | 19,570   | 0                      | 0                        | 19,570                                 |
| Emergencies Contingency Fund                                  | 23,093   | 0                      | 0                        | 23,093                                 |
| <b>Total of Budget Pressures</b>                              | <b>42,663</b>                                      | <b>0</b>               | <b>0</b>                 | <b>42,663</b>                          |
| <b>Major Change Programmes</b>                                |  |                        |                          |  |
| Modernisation Programmes                                      | 28,374   | 20,715                 | (7,737)                  | 41,352                                 |
| <b>Total of Major Change Programmes</b>                       | <b>28,374</b>                                      | <b>20,715</b>          | <b>(7,737)</b>           | <b>41,352</b>                          |
| <b>MPA initiatives</b>  |  |                        |                          |  |
| MPA   | 1,164  | 370                    | (381)                    | 1,153                                  |
| <b>Total of MPA Initiatives</b>                               | <b>1,164</b>                                       | <b>370</b>             | <b>(381)</b>             | <b>1,153</b>                           |
| <b>Total Earmarked Revenue Reserves</b>                       | <b>230,748</b>                                     | <b>28,229</b>          | <b>(50,054)</b>          | <b>208,923</b>                         |

### **34.3 Usable Revenue Reserves (Continued)**

#### **Accommodation strategy/Property related costs**

##### Dilapidations

The reserve will be used to fund future expenditure on properties the leases for which have been terminated and result in additional costs.

##### Property Related Costs

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

##### PFI Contracts

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

#### **Operational costs**

##### Communications Project

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

##### Airwave

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

##### Insurance Indemnity Reserve.

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

##### ICT Contract issues

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

##### Kickz

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

##### National Public Order Intelligence Unit

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

##### Legal Costs

To provide for the cost of potential law suits.

##### Motor Insurance

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

##### Operational Costs

The reserve provides for a number of operational activities that have been planned in the year ended 31 March 2011. The expectation is that the majority of the reserve will be used in 2011/12.

##### POCA

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

##### Protective Clothing

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

#### Publicity

A reserve to cover the implementation of the MPA Scrutiny report regarding media handling.

#### Pump Priming Fund

This reserve was closed in 2010/11 due to no further requirement.

#### Support for the Capital Programme

This reserve was closed in 2010/11 due to no further requirement.

#### Systems

The reserve contributes to the cost of developing financial systems.

#### Vehicle Recovery Services

A reserve allocated to fund operations targeting clamping of uninsured vehicles.

#### TP Youth Violent Crime

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

### **Revenue Support to Capital Re-phasing**

#### Capital Programme Re-Phasing

Monies set aside as Revenue Support to agreed Capital Programme Re-phasing in future years.

### **Budget Pressures**

#### Budget Pressures

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

#### Emergencies Contingency Fund

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

### **Major Change Programmes**

#### Modernisation Programme

This reserve is set aside to fund various modernisation programmes, including Transforming Human Resources.

### **MPA Initiatives**

The reserve will be used to support projects that the Metropolitan Police Authority expects to undertake in 2011/12. Additionally it will be used to provide for the establishment of the new Mayors Office for Policing and Crime (MOPC) as proposed in the Draft Police Reform and Social Responsibility Bill. This earmarked reserve is intended to fund all the necessary transition costs.

## **34.4 General Revenue Reserve**

The Authority holds a General Reserve and an Emergency Contingency Fund to:

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

There is no statutory guidance on the level of reserves. CIPFA guidance confirms that, on the advice of their treasurers, authorities should make their own judgements on such matters, taking into account all relevant matters. The Authority's policy is to hold the General Reserve and the

Emergency Contingency Fund at a minimum of 2% 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 £47.5 million at 31 March 2011 and the Emergency Contingency fund is £23.1 million. Together these uncommitted reserves total £70.6 million, 2.6% of the 2010/11 budget requirements.

## 35. Movement in reserves statement

The Movement in Reserves Statement shows the movement in the year in the Authority reserves. Details of the transitional changes arising from amendments to Policy following implementation of IFRS within individual reserves can be seen below:-

### Opening Balance for 2009/10 Restatement

|  | General Fund Balance | Earmarked Revenue Reserves | Capital Usable Reserves | Unusable Reserves | Police Pension Fund | Total               |
|--|----------------------|----------------------------|-------------------------|-------------------|---------------------|---------------------|
|  | £000                 | £000                       | £000                    | £000              | £000                | £000                |
| <b>Equity under UK GAAP at 31 March 2009</b> | <b>47,483</b>        | <b>223,511</b>             | <b>48,658</b>           | <b>1,185,738</b>  | <b>(12,317,900)</b> | <b>(10,812,510)</b> |
| IAS 17 Leases                                | 0                    | 0                          | 0                       | (26,401)          | 0                   | (26,401)            |
| IAS 19 Employee benefits                     | 0                    | 0                          | 0                       | (89,399)          | (279,700)           | (369,099)           |
| IAS 20 Government Grants                     | 0                    | 7,237                      | 12,718                  | 148,979           | 0                   | 168,934             |
| <b>Equity under IFRS at 1 April 2009</b>     | <b>47,483</b>        | <b>230,748</b>             | <b>61,376</b>           | <b>1,218,917</b>  | <b>(12,597,600)</b> | <b>(11,039,076)</b> |

### Movement in Year Restatement for 2009/10

|  | General Fund Balance | Earmarked Revenue Reserves | Capital Usable Reserves | Unusable Reserves | Police Pension Fund | Total         |
|--|----------------------|----------------------------|-------------------------|-------------------|---------------------|---------------|
|  | £000                 | £000                       | £000                    | £000              |                     | £000          |
| IAS 17 Leases                            | 0                    | 0                          | 0                       | 1,313             | 0                   | 1,313         |
| IAS 19 Employee Benefits                 | 0                    | 0                          | 0                       | 19,356            | 0                   | 19,356        |
| IAS 20 Government Grants/ Donated Assets | 0                    | 397                        | 0                       | (90)              | 0                   | 307           |
| IAS 40 Investment Properties             | 0                    | 0                          | 0                       | (2,852)           | 0                   | (2,852)       |
| <b>Total Adjustments Under IFRS</b>      | <b>0</b>             | <b>397</b>                 | <b>0</b>                | <b>17,727</b>     | <b>0</b>            | <b>18,124</b> |

### Adjustments between Accounting Basis and Funding Basis under Regulation.

The following adjustments are derived from resources that are available to the Authority to meet future capital and revenue expenditure and that affect the CIES with proper accounting practice.

The following adjustments are for 2010/11:

|                                    | General Fund     | Earmarked Revenue Reserve | Usable Capital Reserve | Unusable Capital Reserve | Total      |
|------------------------------------|------------------|---------------------------|------------------------|--------------------------|------------|
|                                    | 2010/11          | 2010/11                   | 2010/11                | 2010/11                  | 2010/11    |
|                                    | £000             | £000                      | £000                   | £000                     | £000       |
| Depreciation of Non Current Assets | (145,254)        | 0                         | 0                      | 145,254                  | 0          |
| Amortised Costs                    | (6,058)          |                           |                        | 6,058                    | 0          |
| Impairments                        | (5,101)          | 0                         | 0                      | 5,101                    | 0          |
| Investment Properties              | 6,054            | 0                         | 0                      | (6,054)                  | 0          |
| Revaluation Losses                 | (24,515)         | 0                         | 0                      | 24,515                   | 0          |
| Net Book Value of Disposals        | (16,816)         | 0                         | 0                      | 16,816                   | 0          |
| Donated Assets                     | 428              | 0                         | 0                      | (428)                    | 0          |
| Capital Grants Adjustments         | 80,708           | 0                         | 4,324                  | (85,032)                 | 0          |
| Minimum Revenue Contribution       | 23,067           | 0                         | 0                      | (23,067)                 | 0          |
| Other Capital Adjustments          | (3)              | 0                         | 0                      | 823                      | 820        |
| Application of Capital Grants      | 1,734            | 0                         | 0                      | (1,734)                  | 0          |
| Cash Sale Proceeds                 | 22,680           | 0                         | (22,680)               |                          | 0          |
| Police Pensions                    | 1,102,700        | 0                         | 0                      | (1,102,700)              | 0          |
| Accumulated Absences Movement      | 9,865            | 0                         | 0                      | (9,865)                  | 0          |
| <b>Total</b>                       | <b>1,049,489</b> | <b>0</b>                  | <b>(18,356)</b>        | <b>(1,030,313)</b>       | <b>820</b> |

The following adjustments are for 2009/10:

|                                    | General Fund       | Earmarked Revenue Reserve | Usable Capital Reserve | Unusable Capital Reserve | Total         |
|------------------------------------|--------------------|---------------------------|------------------------|--------------------------|---------------|
|                                    | 2009/10            | 2009/10                   | 2009/10                | 2009/10                  | 2009/10       |
|                                    | £000               | £000                      | £000                   | £000                     | £000          |
| Depreciation of Non Current Assets | (139,308)          | 0                         | 0                      | 139,308                  | 0             |
| Amortised Costs                    | (6,810)            | 0                         | 0                      | 6,810                    | 0             |
| Impairments                        | (5,496)            | 0                         | 0                      | 5,496                    | 0             |
| Investment Properties              | 5,745              | 0                         | 0                      | (5,745)                  | 0             |
| Revaluation Losses                 | (343)              | 0                         | 0                      | 343                      | 0             |
| Net Book Value of Disposals        | (22,607)           | 0                         | 0                      | 22,607                   | 0             |
| Donated Assets                     | 90                 | 0                         | 0                      | (90)                     | 0             |
| Capital Grants Adjustments         | 85,357             | 0                         | 3,697                  | (62,559)                 | 26,495        |
| Minimum Revenue Contribution       | 21,301             | 0                         | 0                      | (21,301)                 | 0             |
| Other Capital Adjustments          | 1,980              | 0                         | 45,945                 | (3,180)                  | 44,745        |
| Application of Capital Grants      | 40,685             | 0                         | 0                      | (40,685)                 | 0             |
| Cash Sale Proceeds                 | 30,286             | 0                         | (29,484)               |                          | 802           |
| Police Pensions                    | (1,240,750)        | 0                         | 0                      | 1,245,100                | 4,350         |
| Accumulated Absences Movement      | (19,356)           | 0                         | 0                      | 19,356                   | 0             |
| <b>Total</b>                       | <b>(1,249,226)</b> | <b>0</b>                  | <b>20,158</b>          | <b>1,305,460</b>         | <b>76,392</b> |

## 36. Notes to the Cash Flow Statement

The figures for 2009/10 have been re-analysed in line with regulatory requirements as can be seen in the Cash Flow Statement on page 15. The amounts for 2009/10 were adjusted to reflect the re-allocation of finance lease payments to different headings in accordance with the CIPFA Code requirements. As the amounts involved were not material the movements have not been disclosed as a table.

### 36.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

|  | 31 March 2011    | 31 March 2010      |
|--|------------------|--------------------|
|  |                  | Restated           |
|  | £000             | £000               |
| Depreciation of Non Current Assets   | (145,254)        | (138,553)          |
| Impairment and Revaluations of Non Current Assets  | (29,616)         | (34,887)           |
| Amortisation of Intangible Assets  | (6,058)          | (6,810)            |
| (Increase)/Decrease in Impairment for Provision for Bad Debts                                    | 186              | 386                |
| (Increase)/Decrease in Creditors   | 11,310           | 47,376             |
| Increase/(Decrease) in Debtors   | (10,665)         | (55,257)           |
| Increase/(Decrease) in Inventories   | 817              | 797                |
| Pension Fund Costs adjustment  | 1,102,700        | (1,240,750)        |
| Carrying Amount of Property, Plant and Equipment, Investment Property and Intangible Assets Sold | (16,817)         | (21,805)           |
| Other Non-Cash Items   | 96,416           | 159,704            |
|  | <b>1,003,019</b> | <b>(1,289,799)</b> |

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

|  | 31 March 2011 | 31 March 2010 |
|--|---------------|---------------|
|  |               | Restated      |
|  | £000          | £000          |
| Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets | 22,680        | 29,484        |
|  | <b>22,680</b> | <b>29,484</b> |

### 36.3 Cash Flows from Investing Activities

|  | 31 March 2011  | 31 March 2010  |
|--|----------------|----------------|
|  |                | Restated       |
|  | £000           | £000           |
| <b>Investing Activities</b>                      |                |                |
| Purchase of Fixed Assets                         | 193,036        | 173,862        |
| Purchase of Short-Term and Long-Term Investments | 15,000         | 0              |
| Proceeds from the Sale of Fixed Assets           | (22,680)       | (29,484)       |
|  | <b>185,356</b> | <b>144,378</b> |

### 36.4 Cash Flows from Financing Activities

|   | 31 March 2011    | 31 March 2010    |
|---|------------------|------------------|
|   |                  | Restated         |
|   | £000             | £000             |
| <b>Financing Activities</b>   |                  |                  |
| Cash Receipts of Short and Long-Term Borrowing  | (185,000)        | (80,000)         |
| Other Receipts from Financing Activities  | (78,740)         | (52,681)         |
| Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases on On-Balance Sheet PFI Contracts (Principle) | 3,582            | 3,417            |
| Repayments Of Short And Long-Term Borrowing   | 73,820           | 5,389            |
|   | <b>(186,338)</b> | <b>(123,875)</b> |

### 36.5 Interest and Dividend Cash Flows

|   | 31 March 2011 | 31 March 2010 |
|---|---------------|---------------|
|   |               | Restated      |
|   | £000          | £000          |
| <b>Operating Activities</b>                               |               |               |
| Interest Received   | (1,167)       | (957)         |
| Interest Paid   | 4,689         | 2,920         |
| Interest Element of Finance Lease and PFI Rental Payments | 12,690        | 10,646        |
|   | <b>16,212</b> | <b>12,609</b> |

## 37. Contingent liabilities and assets

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#### Containment tactics

There is a possible legal challenge to the way the MPA employed the use of containment tactics to police demonstrations during 2010/11. The High Court has recently ruled that the containment of Climate Camp demonstrators during G20 demonstrations was unlawful. A liability will arise if the Court of Appeal rejects the MPA appeal and claims are subsequently made. An estimate of the costs (legal costs and potential claims) has not been disclosed as it is very difficult to estimate, when the exact number of claims is unknown.

#### Injury pensions

There is a possible legal challenge following recent decisions by the Administrative Court and Court of Appeal. A liability will arise for the Authority if a legal challenge is made and the court



rules in favour of retired police officers who have requested to have their injury pensions reinstated to their original levels. An estimate of the costs (legal costs and potential claims) has not been disclosed as it is very difficult to estimate, when the exact number of challenges is unknown.

## **38. Minimum Revenue Provision**

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The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require the Authority to charge to the Statement of Movement in General Fund balance a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For the year ended 31 March 2011 the Authority has made an MRP charge based on:

- the capital financing requirement method for borrowing undertaken prior to 2010/11, and any borrowing undertaken during the year supported through the revenue grant settlement; and
- The depreciation method for unsupported borrowing undertaken in 2010/11 as permitted by the flexibilities provided under the Prudential Code.

An Annual Statement detailing how MRP should be calculated forms part of the formal setting and review of the Prudential Indicators, which are included in the annual Treasury Management Strategy. The MRP amount for the year ended 31 March 2011 was £23.1 million (2009/10 £21.4 million) with a corresponding charge to the Capital Adjustment Account.

## **39. Post Balance Sheet events**

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### **Early Departure Scheme**

The MPA needs to make a significant reduction in staff posts to achieve the programmed savings (as planned in the 2011/12 budget) and is currently operating an early departure scheme to facilitate this process. Estimates at the time of publication of the Accounts suggest that the second phase of the scheme (post 31 March 2011) could amount to around £52m, to be managed within existing budgets and earmarked reserves set aside for this purpose as part of the annual 2011/12 budget planning process. These estimates assume 100% take-up of the voluntary exit programme and in practice the actual costs may be less.

### **Riot (Damages) Act 1886**

There may be additional costs in relation to the Riot (Damages) Act 1886 arising from the events of 6-8 August 2011. Under the Act the MPA is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City). Although the Home Office has agreed to reimburse the MPA with the cost of claims from persons who were uninsured, and other government assistance may be agreed in respect of claims from insurers, there may be a cost to be borne by MPA reserves. An estimate of the costs is not disclosed as the costs are difficult to estimate accurately at present, when the final number and value of claims and the extent of government assistance is unknown.

## 40. Financial instruments

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

|   | Long Term        |                  | Current (within 12 months) |                  |
|---|------------------|------------------|----------------------------|------------------|
|   | 2010/11          | 2009/10          | 2010/11                    | 2009/10          |
|   | £000             | £000             | £000                       | £000             |
| <b>Investments</b>                        |                  |                  |                            |                  |
| Loans And Receivables                     | 0                | 0                | 90,000                     | 36,000           |
| <b>Debtors</b>                            |                  |                  |                            |                  |
| Loans And Receivables                     | 23,214           | 22,046           | 154,265                    | 166,543          |
| <b>Total Investments &amp; Debtors</b>    | <b>23,214</b>    | <b>22,046</b>    | <b>244,265</b>             | <b>202,543</b>   |
| <b>Borrowings</b>                         |                  |                  |                            |                  |
| Financial Liabilities                     | (193,750)        | (120,350)        | (41,600)                   | (1,600)          |
| <b>Other Long Term Liabilities</b>        |                  |                  |                            |                  |
| PFI And Finance Lease Liabilities         | (103,438)        | (107,535)        | (4,097)                    | (3,675)          |
| <b>Creditors</b>                          |                  |                  |                            |                  |
| Financial Liabilities                     | 0                | 0                | (249,633)                  | (257,659)        |
| <b>Total Borrowings &amp; Liabilities</b> | <b>(297,188)</b> | <b>(227,885)</b> | <b>(295,330)</b>           | <b>(262,934)</b> |

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

|  | 2010/11        | 2009/10       |
|--|----------------|---------------|
|  | £000           | £000          |
| <b>Expenses</b>  |                |               |
| Interest Expense   | 19,138         | 15,084        |
| Impairment (Losses)/Gains                                    | (1,168)        | 1,672         |
| <b>Total Expense In Surplus on the Provision of Services</b> | <b>17,970</b>  | <b>16,756</b> |
| <b>Income</b>  |                |               |
| Interest Income  | (1,061)        | (824)         |
| <b>Total Income in Surplus on the Provision of Services</b>  | <b>(1,061)</b> | <b>(824)</b>  |
| <b>Net Gain/(Loss) for the Year</b>                          | <b>16,909</b>  | <b>15,932</b> |

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

- The weighted average interest rate, which at 31 March 2011 is calculated as 3.34% for fixed and variable rate borrowings. All borrowings are from the Public Works Loan Board (PWLB) with the exception of one short term loan from Greater Manchester Pension Fund (GMPF).
- No early repayment or impairment is recognised.

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. The short term loans made by the MPA fall into this category.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount as stated in the table above for current receivables.

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

|                              | 2010/11         | 2010/11        | 2009/10         | 2009/10        |
|------------------------------|-----------------|----------------|-----------------|----------------|
|                              | Carrying Amount | Fair Value     | Carrying Amount | Fair Value     |
|                              | £000            | £000           | £000            | £000           |
| <b>Financial Liabilities</b> | <b>210,350</b>  | <b>224,676</b> | <b>121,950</b>  | <b>129,354</b> |

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

#### 40.1 Nature and Extent of Risks Arising From Financial Instruments

Risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policy approved by the MPA and set out in the annual Treasury Management Strategy.

The Authority's activities expose it to a variety of financial risks:

**Credit Risk** – the possibility that other parties might fail to pay amounts due to the Authority.

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

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

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

The Authority does not generally allow credit for general debtors beyond 30 days, such that of the debtors balance, £199,000 is past its due date for payment, and can be analysed by age as follows.

|                        | 2010/11    | 2009/10    |
|------------------------|------------|------------|
|                        | £000       | £000       |
| Less than Three Months | 170        | 294        |
| Three to Six Months    | 19         | 105        |
| Six Months to One Year | 0          | 485        |
| More than One Year     | 10         | 65         |
| <b>Total</b>           | <b>199</b> | <b>949</b> |

Following the economic downturn and events in the financial markets, the requirement for Governments to guarantee support for their banks and the performance of rating agencies particularly concerning Icelandic Banks, the Treasury Management Strategy was revised accordingly.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are made with banks and financial institutions that have been rated by Fitch Ratings Ltd, Moody's credit ratings and Standard and Poor's and have a minimum score of AA- (long term) and F1+ (short term) by Fitch, Aa3 (long term) and P-1 (short term) by Moody's, and AA-(long term) and A-1+ (short term) by Standard and Poor's. In assessing minimum risk the lowest common denominator from the three agencies is used. The rating agencies also advise when an institution's ratings are under review. Additionally in view of guaranteed support from their Central Governments, only UK and Eurozone banks will be considered as suitable counterparties and where the sovereign rating is AAA. Also only building societies that provide high credit ratings are included on the lending list. The Authority's policy of lending its surplus funds is £20 million lending limit in total with foreign banks and an individual lending limit of £50 million for UK banks and building societies and is for no longer than three months. In addition the Authority will maintain about 25% of its funds with the Debt Management Office, which is an Executive Agency of HM Treasury that carries the government's sovereign AAA credit rating. In November 2009 the MPA engaged Arlingclose as treasury management advisors providing additional monitoring of credit risk.

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

|  | Amount at 31 March 2011 | Historical Experience of Default | Historical Experience Adjusted for Market Conditions at 31 March 2011 | Estimated Maximum Exposure to Default and Uncollectability |
|--|-------------------------|----------------------------------|---|--|
|  | £000                    | %                                | %   | £000   |
|  | A                       | B                                | C   | (A X C)  |
| Deposits with Banks and Financial Institutions | 106,811                 | 41.40%                           | 21.73%  | 23,214   |
| Customers (General Debtors)                    | 69,615                  | 0.33%                            | 0.20%   | 141  |
|  |                         |                                  |   |  |

### Liquidity Risk

As the MPA has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The MPA has also negotiated access to short term funding from within the GLA Group and can also access funding from the market. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority has undertaken £115 million of new borrowings during 2010/11 with long term fixed rate loans of £45 million complementing the existing profile. A further £45 million was shorter term variable rate short term (7 days) fixed rate. The maturity analysis of all the PWLB borrowings is as per Note 31.

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

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

## **Interest Rate Risk**

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

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

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

The Authority has set, for the net position of borrowings and investments, upper limits on fixed interest rate and variable interest rate exposures giving ranges that will limit exposure to interest rate movement. Fixed interest rate exposure is managed within a 70% to 95% (70% to 100% in 2009/10) range and variable interest rate exposures within a 5% to 30% range (5% to 30% 2009/10). Furthermore upper limits for variable rate exposure are set for gross borrowings at 30% and for investments at 100% (15% for gross borrowing and 100% for investments in 2009/10).

## Police Officer Pension Fund

### 1. Police officer pension fund revenue account

This statement shows income and expenditure for the Police Pension Scheme and the New Police Pension Scheme which do not form part of the MPA Statement of Accounts.

|  | Notes | 2010/11<br>£000  | 2009/10<br>£000  |
|--|-------|------------------|------------------|
| <b>Contributions Receivable</b>        |       |                  |                  |
| Police Authority                       |       |                  |                  |
| • Employer Contributions               | 1     | (296,769)        | (290,224)        |
| • Additional Income                    | 3     | (8,111)          | (8,186)          |
| Transfers In From Other Schemes        | 2     | (9,701)          | (13,854)         |
| Officers' Contributions                | 4     | (132,367)        | (129,863)        |
| <b>Net Income</b>                      |       | <b>(446,948)</b> | <b>(442,127)</b> |
| <b>Benefits Payable</b>                |       |                  |                  |
| Pensions Paid                          |       | 412,926          | 396,904          |
| Lump Sum Payments                      |       | 122,341          | 102,804          |
| Lump Sum Death Payments                |       | 1,423            | 2,183            |
| Refund of Contributions                |       | 0                | 160              |
| Other Payments                         | 6     | 231              | 104              |
| Transfers Out to Other Schemes         | 2     | 9,415            | 11,002           |
| <b>Net Expenditure</b>                 |       | <b>546,336</b>   | <b>513,157</b>   |
| <b>Net Amount Payable for the Year</b> |       | <b>99,388</b>    | <b>71,030</b>    |
| <b>Employer Additional Funding</b>     | 5     | <b>(99,388)</b>  | <b>(71,030)</b>  |
| <b>Surplus on Fund</b>                 |       | <b>0</b>         | <b>0</b>         |

### 2. Police Officer Pension Fund Asset Statement

This statement shows the assets and liabilities of the Police Pension Scheme and the New Police Pension Scheme which does not form part of the MPA Statement of Accounts.

|   | Notes | 2010/11<br>£000 | 2009/10<br>£000 |
|---|-------|-----------------|-----------------|
| <b>Current Assets</b>                             |       |                 |                 |
| Funding to Meet Deficit Due From Police Authority |       | 0               | 0               |
| Net Current Assets                                |       | 0               | 0               |
| <b>Current Liabilities</b>                        |       |                 |                 |
| Unpaid Pensions Benefits                          |       | 0               | 0               |
| Net Current Liabilities                           |       | 0               | 0               |
| <b>Total</b>                                      |       | <b>0</b>        | <b>0</b>        |

### **3. Notes to the Police Officer Pension Fund Account**

The Police Officer Pension Fund combines the accounting transactions of two pension schemes for Metropolitan Police Officers. These are the Police Pension Scheme, which was set up in 1987 and the New Police Pension Scheme, which was created by the Home Office under the Police Pensions Regulations 2007.

The Police Officer Pension Fund which is managed by the Metropolitan Police Authority has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and payment or refund to central government for the balance outstanding for each year. The fund does not hold any investment assets nor does it reflect the liabilities of both Schemes to pay present and future pensioners. The fund will be paid sufficient monies from the Home Office in 2010/11 to cover the deficit in year.

These Accounts have been prepared using CIPFA's Pension SORP and the Code principles adopted for the statements of the MPA. These financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The principles contained in the Police Pension Fund Regulations 2007 have been adopted prior to their commencement.

Details of the accounting policies of the MPA can be seen on page 16 to 24. The MPA administers the Fund through its accounting and banking systems. Details of the two schemes' actuarial report and the cost of pensions can be seen in Note 14.

These Accounts are audited by the Audit Commission and their opinion is included in that of the MPA on page 10.

### **4. Revenue Account Notes**

#### **1. Employer Contributions**

Employer contributions are calculated at 24.2% of police officer pensionable pay. Employer contribution is set nationally by the Home Office and is subject to triennial revaluation.

#### **2. Transfers**

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

#### **3. Additional Income**

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

#### **4. Officers' Contributions**

Contributions by officers are deducted from officer wages at a rate of 11% of pensionable pay, for the 1987 police pension scheme or 9.5% for 2006 new police pension scheme. Contributions are subject to triennial revaluation by the government actuaries department.

#### **5. Employer Additional Funding**

This sum represents additional funding required to provide for payment to pensioners. It represents additional funding of £24.1 million received by the MPS in 2010/11 and a statutory transfer from the police fund in respect of a further sum of £36.0 million to be received in 2011/12.

The total contributions received from the Home Office for 2010/11 pension costs was £111.3 million.

## **6. Other Payments**

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

## **7. Related Party Transactions**

As previously stated the fund is administered solely by the MPS and as such this organisation is the only related party to the fund, thus all the transactions shown on the revenue statement have been processed through the MPS.

## **8. Additional Voluntary Pension Contributions**

Additional pension contributions (e.g. added years) made by Police Officers amounted to £54,438 for the PPS scheme (2009/10 £57,625). For the NPPS scheme £35,273 (2009/10 £26,913).

## **9. Members of the Scheme**

The Pension Fund also administers pensions on behalf of members of Her Majesty's Inspectorate of Constabulary. There are 3 HMIC staff who are working members of the scheme and 20 HMIC pensioners and 6 dependants pensioners.



## Glossary of Terms

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### **Accruals**

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

### **Balance sheet**

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

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

### **Budget**

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

### **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.

### **Comprehensive Income and Expenditure Statement (CIES)**

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

### **Corporate 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 police officers and police staff together with national insurance, pension and all other pay-related allowances. Training expenses and professional fees are also included.

**Finance Lease**

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

**Government Grants**

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

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

**Non Distributed Costs**

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

**Operating Lease**

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

**PCSPS**

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

**Provision**

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

**Revenue**

An alternative description for the CIES.

**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).

**Special Service Agreements**

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