

Metropolitan Police Authority

Statement of Accounts 2001-2002

Contents

Page

Foreword	1
Audit Opinion	3
Statement of Responsibilities	5
Accounting Policies	6
Revenue Account	10
Notes to the Revenue Account	12
Balance Sheet	15
Notes to the Balance Sheet	16
Statement of Total Movements in Reserves	19
Notes to the Statement of Total Movements in Reserves	20
Cash Flow Statement	22
Notes to the Cash Flow Statement	23
Glossary	24

Foreword to the Accounts

The Metropolitan Police Authority was established on 3 July 2000. The Authority's first set of accounts were published as at 31 March 2001 and therefore covered a nine-month period only. This statement of accounts relates to the period to 31 March 2002 and is therefore the first set of the Authority's accounts to cover a full twelve-month period. The Authority is responsible for the finances of the Metropolitan Police Service (MPS) and the accounts therefore record the expenditure and income of the MPS.

The accounts consist of:

- The Revenue Account which shows details of expenditure and income;
- The Balance Sheet which sets out the financial position of the Authority at 31 March 2002;
- A Statement of Total Movements in Reserves; and
- The Cash Flow Statement which summarises the inflows and outflows of cash.

The accounts are supported by the Statement of Accounting Policies and explanatory notes so that they can be more easily understood.

In the foreword to the Authority's first statement of accounts reference was made to the unique circumstances in which the accounts had been prepared. Although some of the points made then are no longer relevant to this second set of accounts others still have an influence. In particular it will take some time for the Authority's balance sheet to reflect fully the requirements of an accruals-based accounting regime which applied to the finances of the Metropolitan Police for the first time with the creation of the MPA. Furthermore the capacity of the organisation to manage its finances in the changed circumstances still continues to develop.

Revenue Account

The budget for 2001-02 was set by the Mayor and London Assembly following the submission of draft proposals by the Metropolitan Police Authority. The approved budget provided for net expenditure of £2,040 million including substantial growth, in particular to increase the number of police officers by 1,050, to improve the prospects of recruitment and retention of civil staff and to support a continuing programme of investment in information systems.

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

Additional funding of £22 million was made available by the Home Secretary part way through the year to meet exceptional costs arising in the wake of the 11 September terrorist attacks in the United States.

During the year the monitoring identified a potential overspending which would have had a very damaging impact on the Authority's financial reserves. Corrective action was set in train to bring total expenditure under control.

This action was successful and final net expenditure was £8.8 million, or 0.4%, below budget. This reported position was after making appropriate accounting provisions and establishing necessary earmarked reserves. The main areas of overspending, which had been identified during the year were: police pay (£12.6 million) partly due to the success of officer recruitment which meant that budgeted vacancies did not occur; police overtime (£20.7 million, partly met by additional funding); and forensic analysis (£13 million). The main underspending was on civil staff pay (£20.2 million) and income from partnership and other sources exceeded budget by £34 million partly offset by associated expenditure.

Reserves

The Authority's policy is to have a general reserve at a minimum of 1% of net budgeted expenditure, provided that there are appropriate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well-funded budget and effective budgetary control. The balance of the general reserve at 1 April 2001 was £13.5 million (0.7%). As a result of the final outturn for 2001/02 the general reserve has been restored to £22.3 million at 31 March 2002 which is just over 1% of net budgeted expenditure for 2002-03.

In the balance sheet at 31 March 2002 the Authority has substantially increased the provisions set aside to meet liabilities in relation to police pensions and insurable risks, the inadequacy of which prompted the external auditor's qualification of the accounts for 2000-01. The balance sheet also reflects an extended range of earmarked reserves.

Capital Finance

Capital expenditure for the period was £78.4 million, financed by specific grant, borrowing and capital receipts. This represented investment in land and buildings (£30.1 million), and vehicle plant and equipment, including information technology (£48.3 million). The unspent balance of the capital budget provision for the C3i command and control project has been utilised to establish an earmarked capital reserve which will ensure transparency of funding for C3i and the associated Airwave project both of which are being substantially supported by Home Office grant.

Conclusion

The Authority's balance sheet has developed substantially between 2001 and 2002 providing a robust basis for the future management of the Authority's finances.

Auditors' Report to the Metropolitan Police Authority

We have audited the statement of accounts on pages 6 to 23 which, except as detailed below, has been prepared in accordance with the accounting policies applicable to police authorities.

Respective responsibilities of Responsible Finance Officer and Auditors

As described on page 5, the Responsible Finance Officer is responsible for the preparation of the statement of accounts. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Authority.

Basis of Opinion

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

Our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the Authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error.

However, the evidence available to us was limited because the Authority has not maintained adequate records to support the attribution to land and to buildings of total asset values. There were no other satisfactory procedures which we could adopt to confirm that the values of land and buildings included within fixed assets in the Authority's balance sheet or that the depreciation in respect of buildings charged to the Authority's revenue account and credited to the asset management revenue account were fairly stated.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion on the Authority's accounts arising from disagreement about accounting treatment and limitation in audit scope

The Statement of Recommended Practice on Local Authority Accounting in the United Kingdom (the SORP) which is applicable to police authorities requires the Authority to recognise expenditure at the date at which a liability arises rather than at the date at which payment falls due. The Authority did not fully comply with this provision in that:

- it did not make full provision for liabilities in respect of third party claims for incidents which have occurred but where no settlement has been made. The Authority has estimated these liabilities to be some £45.0m at 31 March 2002 (not quantified as at 1 April 2001) but has included within its financial statements a provision to meet them of £13.3m as at 31 March 2002 (£0.0m as at 1 April 2001)
- it did not make full provision for liabilities for lump sums payable to police officers who have a right to retire at one month's notice having completed their pensionable service. The liabilities to pay such lump sums stood at £50.8m as at 31 March 2002 (£52.05m as at 1 April 2001) but the Authority's financial statements include a provision to meet them of £27.7m as at 31 March 2002 (£18.75m as at 1 April 2001).

In consequence:

- provisions included in the Authority's balance sheet on page 15 are under-stated by £54.8m
- general reserves included in the Authority's balance sheet on page 15 are over-stated by £54.8m
- expenditure included within the Authority's revenue account on page 10 is likely to be over-stated but on the evidence available to us we are unable to quantify the extent of the over-statement.

The SORP requires the Authority to revalue its fixed assets every five years.
The Authority has not done so.

In consequence:

- fixed assets included in the balance sheet on page 15 are likely to be mis-stated
- the fixed asset restatement reserve included in the balance sheet on page 15 is likely to be mis-stated
- depreciation in respect of buildings charged to the Authority's revenue account on page 10 and credited to the asset management revenue account are likely to be mis-stated.

On the basis of the evidence available to us we are not able to quantify the extent of the mis-statement.

Except for any adjustments that might have been found to have been necessary had we been able to obtain sufficient evidence concerning the attribution of total asset values to land and to buildings and except for the failure to provide fully for third party and pension liabilities and to revalue fixed assets appropriately, in our opinion the statement of accounts presents fairly the financial position of the Authority at 31 March 2002 and its income and expenditure for the period then ended.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Kash Pandya
District Auditor
10 December 2001

Statement of Responsibilities for the Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The Authority has determined the Treasurer as that officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure that the Statement of Accounts is prepared in accordance with the Accounts and Audit Regulations 1996 and to approve the accounts within six months of the end of the period to which they relate.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2000.

In preparing the accounts, the Treasurer has:

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- stated whether applicable accounting standards and the CIPFA/LASAAC Code have been followed, subject to any material departures disclosed and explained in the Statement of Accounts.

The Treasurer has also:

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

I certify that, with the exception of specific disclosures in the notes to the balance sheet in respect of third party liabilities (note 7), police officer pension liabilities (note 5) and valuations of land and buildings (note 1), the statement of accounts presents fairly the financial position of the Metropolitan Police Authority at 31st March 2002 and its income and expenditure for the period then ended.



Peter Martin
Treasurer
26 September 2002

Accounting Policies

General

The accounts of the Authority have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice.

Reserves

The SORP requires the maintenance of a fixed asset restatement reserve and a capital financing reserve within the balance sheet. These reserves do not form part of the resources available to the Authority.

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

Details of current earmarked reserves are set out on pages 19-21.

The Authority has commissioned an actuarial assessment to review the requirement for an earmarked reserve to meet future exceptional cost increases in relation to police pensions. No provision has been made for such a reserve in the accounts for 2001-02.

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

Debtors and Creditors

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

Provisions

The Authority sets aside provisions to meet existing liabilities where the cost and the timing cannot be determined precisely.

Details of current provisions are set out in the notes to the balance sheet on page 17.

Policy in relation to the principal provisions is as follows:

Pensions - to make adequate provision for lump sums payable on retirement to officers who at the end of the financial year have completed 30 years service or are aged 55 years or above.

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.

Bad Debts - to make provision for the write-off of 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.

Tax - to make provision for the reimbursement of tax deducted in respect of Compensatory Grant.

Contractor Liability - to make provision for the expected additional cost of payments made to a contractor in respect of property maintenance.

Short Term Investments

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

Work in Progress, Stocks and Shares

Work in progress is valued at cost. Where stocks are maintained and recorded they are shown in the balance sheet at the lower of cost or net realisable value.

Revenue Account

The Authority has produced a revenue out-turn analysis (reported on page 11) which allocates expenditure over a number of operational service headings in line with CIPFA's Best Value Accounting Code of Practice.

Government Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the revenue account, or in the case of capital grants, to a balance sheet grants account. Government grants applied in financing capital expenditure are transferred to a government grant deferred account. The grants are written off in total to the capital financing reserve in the year of application.

Interest

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

Pensions

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

Police Officers - The Police Pension Scheme (PPS) is a contributory occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. Officers make contributions of 11% of pensionable pay. It is a defined benefit scheme paid from revenue (without a managed pension fund).

Accordingly the statutory charge to the revenue account does not equate to the accrued cost of meeting future pension liabilities on a systematic basis over the period during which the Authority derives benefit from its employee's service. Liabilities included in the balance sheet are therefore understated in respect of uniformed officers' pension costs.

Accrued net pension liabilities have been assessed on an actuarial basis in accordance with FRS 17 and will be incorporated within the Statement of Accounts in accordance with the timetable set out in the SORP. For 2001-02 this requires information to be provided in a note to the balance sheet.

Other Staff - The Metropolitan Civil Staffs Superannuation Scheme (MCSSS) is an occupational pension scheme (contracted out from the State Earnings Related Pension Scheme), constituted by Section 15 of the Superannuation (Miscellaneous Provisions) Act 1967. The Scheme is a defined benefit scheme, which is by analogy with the main civil service scheme, paid from revenue (without a managed pension fund). Employees pay contributions of 1.5% of pensionable pay towards the funding of widow(er)s' benefits.

The Authority has determined that civil pensions will transfer to the Principal Civil Service Pension Scheme in the year to 31 March 2003. This will change the basis for the administration and funding of civil pensions from the date of transfer. Therefore, CIPFA has given the Authority a dispensation from providing information in the notes to the accounts in accordance with FRS 17 in respect of the MCSSS.

VAT

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

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

Land and buildings are included on the balance sheet at their latest valuation amount. The valuations do not conform with the requirements of FRS15 and the Royal Institute of Chartered Surveyors (R.I.C.S.) and have not been certified in accordance with regulatory requirements. Further work is being undertaken in 2002-03 to ensure that the property portfolio is valued on the basis specified by R.I.C.S. Work in Progress on buildings represents the value of work performed to date on capital alterations; it is recorded separately under Non-Operational Assets as any benefit attributable to the alterations has not yet accrued to the Authority.

Vehicles, plant, furniture and equipment are held at depreciated historic cost. Work in Progress represents expenditure on assets yet to be completed.

An exercise has been carried out to identify community assets. These have been included in the balance sheet at their estimated value.

Depreciation

All fixed assets, with the exception of land, are depreciated on a straight-line basis, over their useful life in accordance with FRS 15 and the latest SORP. Freehold land is not depreciated as it has an infinite life. The depreciation policy for 2001-02 represents a change of policy in respect of buildings, which were not previously depreciated.

Normally the useful life of a building is determined at the time of acquisition or revaluation. Because, however, no depreciation charge was made prior to 2001-02 the actual depreciation charge on buildings for the year is based on the remaining life of each structure as at 1 April 2001. This is in accordance with the transitional arrangements for FRS 15 as described in UITF Abstract 23.

Where a building has been revalued upwards, the revalued amount has been depreciated separately over the remaining life of the asset. Where a disposal has occurred, depreciation has only been charged for the part of the year when the asset was held. Because of the difficulty of making an accurate assessment of the consumption of economic benefits derived from each building in any given year, it has been assumed that these benefits are derived evenly over the life of the asset. This is reflected in the use of the straight-line method for the calculation of depreciation.

Capital Charges

The capital charges made to revenue equate to the sum of depreciation plus a notional interest charge. This interest charge is applied to all operational assets employed by the Authority. The interest rate used is prescribed by CIPFA each year and is currently 6% for all fixed assets.

Leases

The Authority has a number of operating leases in respect of short-term property leases and of vehicles. These lease costs are charged directly to the revenue account.

Finance leases currently taken out by the Authority are long-term property leases, which have been included in Fixed Assets under Land and Buildings.

De Minimis Level

The de minimis level policy is to capitalise all capital expenditure over £5,000 (£1,000 in 2000-01) on an individual asset basis, with the exception of projects with a total value in excess of £5,000. This represents a change in policy to reflect a realistic minimum level.

Disposals

Income from the sale of fixed assets is taken to the usable capital receipts reserve and is available to support the capital programme. The net book value of assets disposed of is written off against the Fixed Asset Restatement reserve.

PFI Contracts

The Authority has entered into two long-term contractual agreements under the Private Finance Initiative whereby the Contractor is responsible for design, construction, finance and maintenance of 4 new police stations in Southeast London and a new Metropolitan Police Specialist Training Centre (MPSTC). Such PFI schemes are required to meet the conditions set out in FRS 5; professional advice has been provided which indicates there is no impact on the balance sheet of the Authority. Details of the ongoing revenue commitments are described on page 14.

Redemption of Debt

The Authority is able to finance a proportion of its capital investment projects, covered by credit approvals, by raising loans. The revenue account is charged with an amount sufficient to redeem the statutory 4% of outstanding debt and to meet accrued interest costs.

Revenue Account

This summary shows the total revenue expenditure and income for the year ending 31 March 2002.

9 months to 31 March 2001		Notes	Year ending 31 March 2002
£'000			£'000
	Expenditure		
	Employee Costs		
711,997	Police Salaries	1	986,312
166,851	Civil Staff Wages and Salaries	1	237,166
117,927	Police and Civil Staff Allowances and Training Expenditure		172,594
164,659	Net Police Pensions Expenditure	2	262,701
37,378	Net Civil Staff Pensions Expenditure	2	40,940
1,198,812			1,699,713
	Other Running Costs		
93,227	Premises	3	130,134
34,827	Transport	3	50,757
67,104	Supplies and Other	4 & 5	111,770
67,770	Communications		101,287
70,449	Services		106,952
61,212	Capital Charges		103,952
394,589			604,852
1,593,401	Total Gross Expenditure		2,304,565
	Income		
(1,393)	Sales		(1,075)
(67,927)	Fees and Charges	6	(81,099)
(37,741)	Other Income	7	(57,054)
(107,061)	Total Income		(139,228)
1,486,340	Net Expenditure		2,165,337
(18,118)	Transfer from Asset Management Revenue Account	8	(27,488)
(10,827)	Interest and Investment Income		(9,463)
(28,945)			(36,951)
1,457,395	Net Operating Expenditure		2,128,386
	Appropriations		
(10,879)	Contributions from Earmarked Reserves		(3,830)
(31,208)	Minimum Revenue Provision Adjustment	9	(62,511)
0	Revenue Contributions to Capital		10,257
(42,087)			(56,084)
1,415,308	Amounts to be met from Government Grants and Local Taxation		2,072,302
	This was financed by:		
(629,572)	S102 Greater London Authority Act 1999 Grant	10	(972,551)
(777,827)	Other Government Grants	11	(1,108,561)
(1,407,399)			(2,081,112)
7,909	(Surplus)/Deficit for the period transferred (to)/from General Reserve		(8,810)
(21,368)	Balance on General Reserve at beginning of period		(13,459)
(13,459)	Balance on General Reserve at end of period		(22,269)

Revenue Account

Under the Best Value Accounting Code of Practice (BVACOP) the accounts are presented in a format which allocates and apports expenditure over a number of operational service headings. These costs not only include direct cost but also costs such as capital charges, centrally held expenditure and costs of administrative and support departments.

	2001-02 Out-turn		2001-02 Out-turn	
	£'000	£'000	£'000	£'000
	Expenditure	Income	Net	
Service Divisions				
Call handling	36,425	13,909	22,516	
Crime Investigation and Reduction	365,145	24,778	340,367	
Traffic and Road Safety	46,970	8,502	38,468	
Public Order and Reassurance (excluding National Police costs for London see note 12 on page 14)	979	800	179	
Community Involvement	150,636	1,428	149,208	
Patrol	873,333	19,548	853,785	
Custody and Court Preparation	103,542	16,371	87,171	
Sub Total	1,577,030	85,336		1,491,694
Pension Cost - Police			262,701	
Pension Cost - Civil			40,940	
National Police Services (see note 12 on page 14)			324,683	
				628,324
Total Cost of Service				2,120,018
Corporate and Democratic Core				10,192
Net Cost of Service				2,130,210
Levies to National Police Services:				
NCS			24,495	
NCIS			10,632	
				35,127
Net Expenditure				2,165,337
Transfer from Asset Management Revenue Account				(27,488)
Interest and Investment Income				(9,463)
				(36,951)
Net Operating Expenditure				2,128,386
Appropriations				
Contributions from Earmarked Reserves				(3,830)
Minimum Revenue Provision Adjustment				(62,511)
Revenue Contributions to Capital				10,257
				(56,084)
Amounts to be met from Government Grants and Local Taxation				2,072,302
This was financed by:				
S102 Greater London Authority Act 1999 Grant				(972,551)
Other Government Grants				(1,108,561)
				(2,081,112)
Surplus for the period transferred to General Reserve				(8,810)
Balance on General Reserve at beginning of period				(13,459)
Balance on General Reserve at end of period				(22,269)

Notes to the Revenue Account

1. Employment Costs

In accordance with the CIPFA SORP, the Authority has disclosed below the number of employees whose taxable remuneration, excluding pension contributions, was £40,000 or more, in bands of £10,000:

Remuneration band £	Number of Police Employees	
	2001-02	2000-01
40,000-49,999	5,178	4,193
50,000-59,999	607	520
60,000-69,999	140	77
70,000-79,999	19	21
80,000-89,999	11	9
90,000-99,999	10	6
100,000-109,999	2	2
110,000-119,999	1	1
120,000-129,999	1	1
130,000-139,999	1	0
140,000-149,999	0	1
150,000-159,999	0	0
160,000-169,999	0	0
170,000-179,999	1	0

Remuneration band £	Number of Civil Staff Employees	
	2001-02	2000-01
40,000-49,999	273	173
50,000-59,999	48	36
60,000-69,999	14	14
70,000-79,999	6	2
80,000-89,999	3	0
90,000-99,999	2	0
100,000-109,999	1	3
110,000-119,999	1	0
120,000-129,999	0	0
130,000-139,999	1	0

Note: banding is based on all taxable remuneration, excluding pension costs, paid in the year rather than the annual salary. Taxable remuneration may include elements, such as back dated pay awards, which relate to previous years but were actually paid in the years in question.

2. Pension Costs

Police Officers

In the 12-month period to 31 March 2002, the net costs of pensions and other benefits amounted to £262.701 million, representing 32.77% of pensionable pay.

Using information provided by external actuaries and adhering to the requirements of FRS 17 (Accounting for Retirement Benefits), the pension liabilities of the Scheme are described in detail in note 13 of the balance sheet.

Civil Staff

The MPA is the only police authority with an unfunded civil staff pension scheme. In the 12-month period to 31 March 2002, the net costs of pensions and other benefits amounted to £40.940 million, representing 17.10% of pensionable pay.

The civil staff pension scheme was transferred to the Principal Civil Service Pension Scheme (PCSPS) on 1 September 2002. Accordingly, CIPFA has given the MPA a dispensation from producing an assessment of the implications of FRS 17 for this group, in the latest update to the SORP.

3. Leases

In the period 1 April 2001 to 31 March 2002, the Authority spent £1.7 million on operating leases for vehicles and £18.6 million for property.

Outstanding commitments in respect of operating leases at 31 March 2002 are as follows:

Period	2001-02		Nine months to 31 March 2001	
	Property £'000	Vehicles £'000	Property £'000	Vehicles £'000
In year 1	18,647	396	19,134	1,422
Between 2 and 5 years	61,641	Nil	76,535	Nil
More than 5 years	283,657	Nil	Nil	Nil

4. Members' Allowances and Expenses

A total of £137,608 was paid in 2001-02 (£102,213 in the period 3 July 2000 to 31 March 2001) in respect of Members' allowances and expenses.

5. Publicity

Under the requirements of Section 45(1) of the Local Government Act 1986, the Authority is required to identify expenditure on publicity.

This amounted to £6.990 million in the period and is analysed over:

Item	2001-02	2000-01
	£'000	(9 months) £'000
Staff recruitment	4,662	4,081
advertising		
Other publicity	2,328	768
Total	6,990	4,849

6. Income from Fees and Charges

In the 12-month period to 31 March 2002, income received from Fees and Charges is analysed in the following table:

Item	2001-02	2000-01
	£'000	(9 months) £'000
NCS & NCIS	20,515	17,229
Charges on other	11,998	17,552
Police Forces		
British Airports	23,101	15,918
Authority		
Palace of	18,622	11,735
Westminster		
Other	6,863	5,493
Total	81,099	67,927

7. Other Income

In the 12-month period to 31 March 2002, other income received by the MPS was as follows:

Item	2001-02	2000-01
	£'000	(9 months) £'000
National Services	16,001	9,916
Catering Services	8,681	5,719
Premises related	15,385	6,418
DSS Benefits	1,443	1,274
Operational Receipts	2,530	2,421
Sponsorship	505	142
Other	12,509	11,851
Total	57,054	37,741

8. Asset Management Revenue Account

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

Item	2001-02	2000-01
	£'000	(9 months) £'000
Income		
Capital Charges	(103,952)	(61,212)
Expenditure		
External Interest	7,908	6,080
Provision for	68,556	37,014
Depreciation		
Total	(27,488)	(18,118)

9. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of debt. This amount is calculated as a percentage (currently 4%) of the Authority's adjusted credit ceiling.

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

The amount required for 2001-02 was £6.045 million and the amount of depreciation charged was £68.556 million, requiring a credit to the revenue account of £62.511 million, with a corresponding charge to the Capital Financing Reserve.

10. S102 Greater London Authority Act 1999 Grant

The Greater London Authority precepts London Boroughs for Council Tax and receives RSG and NNDR directly from central government. The GLA provides funding to the MPA in the form of instalments through a Section 102 Grant.

11. Other Government Grants

Other revenue grants received during 2001-02 were:

Item	2001-02	2000-01
	£'000	(9 months) £'000
Police Revenue Grant	1,011,936	741,794
London Allowance	15,635	11,321
Crime Fighting Fund	43,780	8,806
Action for Drugs	1,578	1,329
Counter-terrorism	19,173	0
Street Crime	1,676	6,213
Initiative Fund		
DNA Database	5,902	3,512
Expansion Programme		
Other	8,881	4,852
Total	1,108,561	777,827

The grant income of £19.173 million for counter-terrorism has been brought into the accounts to cover expenditure incurred in the 2001-02 financial year. The application of the full £22 million grant available has been discussed with the Home Office and the funds are fully committed. The balance of grant will be brought into the accounts for 2002-03 to match expenditure in the year.

12. Definition of National Police Services

The revenue account entry for "National Police Services" incorporates the costs associated with the following functions, inclusive of an overhead allocation on a consistent basis with other headings in the statement.

The functions included are:

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

A broad estimate of the cost of national and international functions, in accordance with the definition in the GLA Act 1999, is £155.6 million. The balance of the figure contained in the accounts (£169 million) is included as capital city functions.

A large proportion of the National Police Services figure represents expenditure on the policing of public order events within the capital.

13. Related Party Transactions

FRS8 requires the Authority to disclose all material related party transactions. During the accounting period, transactions with related parties not disclosed elsewhere in these accounts amount to:

Item	Expenditure	
	2001-02 £'000	2000-01 (9 months) £'000
Partnership Activity	942	99
Total	942	99

Item	Income	
	2001-02 £'000	2000-01 (9 months) £'000
City of London Police	317	162
Transport for London	28	208
Greater London Magistrates' Courts Authority	0	65
National Probation Service	0	40
National Crime Squad	16,660	13,484
National Criminal Intelligence Service	3,856	2,745
Seconded Officers	11,681	17,406
Partnership Activity	8,901	2,030
Total	41,443	36,140

Toby Harris, Chair MPA has been employed as a consultant by KPMG. The Authority paid £86,095 directly to ATOS KPMG consulting (AKC) for consultancy services. Further to an agreement made under Section 3 of the Audit Commission Act 1998, KPMG supports District Audit with its audit of the Authority. This arrangement is solely between KPMG, District Audit and the Audit Commission and the MPA is not party to it. District Audit reimburses KPMG, on a basis agreed between them, for the work undertaken by KPMG. The Authority reserved £520,000 in 2001-02 for payments to District Audit; part of this sum will be attributed to work undertaken by KPMG.

The wife of the Director of Resources is Vice President of e-peopleserve Ltd, a wholly owned subsidiary of Accenture. The Authority paid £914,839 to Accenture for consultancy services, but nothing directly to e-peopleserve.

14. Private Finance Initiative (PFI)

The Authority has entered into two long-term contractual agreements under PFI whereby the contractor is responsible for design, construction, finance and maintenance of four new police stations in Southeast London and a new Metropolitan Police Specialist Training Centre (MPSTC). The agreements impose 25-year commitments on the Authority on occupation of the new facilities. Occupation of the police stations will be phased starting in November 2002 and ending in January 2004. The MPSTC is to be completed in January 2003. The estimated capital cost of construction of both projects is £121 million with a first complete year annual payment or unitary charge amounting to approximately £13.2 million for the police stations and £6.6 million for MPSTC. Half of the unitary charge will be subject to annual adjustments in respect of inflation (RPI) and the remainder adjusted by a fixed percentage.

Balance Sheet

The Balance Sheet shows the financial position of the Metropolitan Police Authority as at 31 March 2002.

31 March 2001		Notes	31 March 2002
£'000			£'000
	Fixed Assets	1	
568,565	Land and Buildings		568,958
86,103	Vehicles, Plant and Equipment (VPE)		74,520
16,012	Non-Operational Assets		33,025
16,247	VPE - Work in Progress		39,121
0	Community Assets		1,067
686,927			716,691
14,839	Long-term Debtors	2	14,221
701,766	Total Long-Term Assets		730,912
	Current Assets		
3,914	Stock		3,591
54,273	Debtors	2	68,834
155,400	Short-term investments	3	190,600
213,587			263,025
	Less: Current Liabilities		
(6,080)	Cash and Bank balances		(12,423)
(135,572)	Creditors	4	(152,458)
(10,000)	Loans repayable in 12 months		(11,500)
(151,652)			(176,381)
763,701	Total Assets less Current Liabilities		817,556
(10,700)	Police Pensions Provision	5	(27,699)
(1,403)	Other Provisions	6&7	(21,829)
	Less: Long-Term Liabilities		
(125,966)	Long term borrowing	8	(114,466)
625,632	Total Assets less Liabilities		653,562
	Accounting Reserves	9	
513,161	Fixed Asset Re-statement Account		533,083
30,384	Capital Financing Reserve		31,678
543,545			564,761
	Usable Reserves		
38,171	Usable Capital Receipts Reserve		40,741
0	C3i Capital Reserve		9,847
12,934	Capital Grant Reserve		3,933
4,251	Earmarked Capital Reserve		2,569
13,272	Earmarked Revenue Reserves		9,442
13,459	General Revenue Reserve		22,269
82,087			88,801
625,632	Total Equity		653,562

Notes to the Balance Sheet

1. Fixed Assets

	Land and Buildings £'000	Vehicles, Plant & Equipment £'000	VPE - Work in Progress £'000	Non Operational Assets £'000	Community Assets £'000	Total £'000
Gross book value at 01.04.01	648,206	183,010	16,247	16,012	0	863,475
Additions	15,390	22,203	22,874	17,013		77,480
Disposals	(16,838)	(9,732)				(26,570)
Revaluations	36,802				1,067	37,869
Gross book value at 31.03.02	683,560	195,481	39,121	33,025	1,067	952,254
Accumulated depreciation	(79,641)	(96,907)			0	(176,548)
Depreciation for period	(35,987)	(32,567)				(68,554)
Depreciation on assets sold	1,026	8,513				9,539
Net book value at 31.03.02	568,958	74,520	39,121	33,025	1,067	716,691

Basis of valuation

The valuation of land and buildings is performed by qualified surveyors on a rolling basis. This has not been performed in compliance with regulatory requirements. A programme to implement valuations to comply with the Statement of Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors, is underway.

Buildings under construction are included at cost as at 31 March 2002 other than those amounts for alterations that are not deemed to increase their capital value.

Short life assets such as vehicles, plant, furniture and equipment are included at depreciated historic cost as a proxy for current value.

Community assets have been included in the balance sheet following valuations placed on them by internal and external valuers. These consist of pictures and museum contents which have been gifted to the Police over many years.

The opening gross book value and accumulated depreciation figures for Vehicles Plant & Equipment have been increased by £10.113 million in respect of a technical adjustment arising in 2000-01. This has no effect on the Net Book Value.

Capital Expenditure 2001-02

Items of capital expenditure during the period were:

	2001-2002 £'000
Vehicles, Equipment and IT	43,818
Land and Buildings	30,149
Communications	1,987
Plant and Equipment	2,437
Total	78,391

Sources of Capital Finance

	2001-2002 £'000
Total capital expenditure	78,391
Less:	
Accruals and final adjustments	210
VPE assets funded in previous yr	1,457
Capital payments to be financed	76,724
Financing:	
Credit approvals	12,920
Capital grants	33,256
Capital receipts	20,291
Revenue contribution	10,257
Total financing	76,724

Future Capital Expenditure Commitments

Capital expenditure to be incurred in 2002-03 and later years includes the following:

	£'000
IT various projects	18,665
Building works	19,925

2. Amounts owed to the Authority

	At 31 March 2002 £'000	At 31 March 2001 £'000
Long Term Debtors: GLMCA/NPS repayment of MPS debt	14,221	14,839
Other Debtors:		
Staff Advances	1,355	1,593
Government		
Departments	18,214	5,087
General Debtors	18,469	16,433
Other Local Authorities	8,356	5,846
GLMCA/MPS	9,818	6,564
Payments in Advance	14,285	14,728
Customs and Excise	4,703	6,715
	75,200	56,966
Less Bad Debt Provision	6,366	2,693
Balance	68,834	54,273

3. Short Term Investments

This amount represents short term and overnight deposits with banks and building societies.

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

	At 31 March 2002 £'000	At 31 March 2001 £'000
Receipts in advance	(7,334)	(4,434)
Government	(33,592)	(32,099)
Departments		
General Creditors	(101,287)	(85,133)
GLMCA/NPS	(10,245)	(13,906)
Balance	(152,458)	(135,572)

5. Pensions Provision

The Authority seeks to make provision for lump sums payable on retirement to officers who at the end of the financial year have completed 30 years service or are aged 55 years or above. These officers are able to retire at one month's notice. The full provision that would be required for this purpose at 31 March 2002 was £50 million.

The opening provision at 1 April 2001 was £10.7 million £8.95 million has been charged to the revenue account and added to the provision in 2001-02.

A further £8.05 million has been transferred from a general reserve for future pension liabilities. The balance carried forward is therefore £27.7 million and this represents 55% of the total potential liability.

6. Other Provisions

Other provisions are as follows:

	At 31 March 2002 £'000	At 31 March 2001 £'000
Obsolescent Stock	0	203
Third party liabilities	13,288	0
Pay Anomalies	0	1,200
Pay review	2,800	0
Tax liability	4,000	0
Contractor liability	1,741	0
Balance	21,829	1,403

7. Provision for Third Party Liabilities

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. The full provision that would be required for this purpose at 31 March 2002 was £45 million, based on estimates regularly updated and provided by our lawyers. No provision has been made in previous financial years. In the year 2001-02, it has been possible to make a provision of £13,288 million, which represents 30% of the total provision required. It is the intention to add to this provision in subsequent years as funds allow in order to reach a full provision at the earliest opportunity.

8. Long Term Borrowing

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

	At 31 March 2002 £'000	At 31 March 2001 £'000
PWLb loans	114,466	125,966
Analysis of loans by maturity:		
Between 1 and 2 years	10,000	11,500
Between 2 and 5 years	47,128	47,966
Between 5 and 10 years	24,338	33,500
Over 10 years	33,000	33,000

9. Reserves

The reserves of the Authority have been presented to show a clear distinction between Accounting Reserves that cannot be used to support spend and Usable Reserves.

Details of movements on these reserves are shown in the Statement of Total Movement in Reserves and Notes on pages 19-21.

10. Provision for Credit Liabilities (memorandum account only)

The Provision for Credit Liabilities which was established under the Local Government Act 1989 is a memorandum account which includes the amounts set aside from revenue for the repayment of external debt. The balance on this account is made up as follows:

	2001-02 £'000	2000-01 £'000
Balance at 1 April	0	0
Provision for debt repayment made in year	(6,045)	(5,806)
Provision used in year for repayment of debt	6,045	5,806
Balance at 31 March	0	0

11. Contingent Liabilities

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

12. Third Parties' Monies

The Authority holds monies on behalf of third parties, for example unbanked prisoners' property and lost cash, which are not included in the balance sheet. Further work is underway to present more detailed information in future years.

13. Police Pensions Liabilities.

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

The Police Pension Scheme for police officers (the Scheme) is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated from revenue to meet the actual pensions payments as they fall due. Police officers can make contributions to the scheme, in 2001-02 this amounted to £81.8m.

In 2001-02, pensions costs have been charged to the revenue account on the basis of pensions payable in the year to retired officers. At 31 March 2002, the Authority had the following overall liabilities for pensions that have not been included in the balance sheet:

	£million
Estimated Liabilities in the Scheme:	
Officer members	3,800
Deferred Pensioners	350
Pensioners	4,600
Total Value of Scheme Liabilities	<u>£8,750</u>

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, have assessed the Scheme liabilities as at 31 March 2002. The main assumptions used in their calculations are:

Rate of price inflation	2.8%
Rate of increase in salary	4.3% (Note a)
Rate of increase in pensions	2.8%
Rate for discounting Scheme Liabilities	6.4% (Note b)

Note a. Salary increases are assumed to be 1.5% more than price increases.

Note b. The current real discount rate is determined by the Government Actuary's Department and the real rate is 3.5%.

Statement of Total Movement in Reserves

	Accounting Reserves				
	Notes	Government Grant Deferred Account £'000 1	Fixed Asset Restatement Account £'000 2	Capital Financing Reserve £'000 3	Total £'000
Balance as at 1.4.2001		0	(513,161)	(30,384)	(543,545)
Minimum Revenue Provision Adjustment				62,511	62,511
Transfers during year		33,256		(33,256)	0
Revaluation of fixed assets			(37,869)		(37,869)
Cost of value of assets disposed			17,091		17,091
Capital expenditure adjustment			856	(10,258)	(9,402)
Financing of Fixed Assets		(33,256)		(20,291)	(53,547)
Balance as at 31.03.02		0	(533,083)	(31,678)	(564,761)

	Usable Capital Reserves					
	Notes	Usable Capital Receipts £'000 1	C3i Capital Reserve £'000 2	Capital Grant Reserve £'000 3	Ear marked Capital £'000 4	Total Receipts £'000
Balance as at 1.4.2001		(38,171)	0	(12,934)	(4,251)	(55,356)
Transfers during year		9,847	(9,847)	(24,255)		(24,255)
Proceeds of disposals		(31,026)				(31,026)
Financing of Fixed Assets		18,609		33,256	1,682	53,547
Balance as at 31.03.02		(40,741)	(9,847)	(3,933)	(2,569)	(57,090)

	Usable Revenue Reserves			
	Notes	Ear marked Revenue Reserves £'000 1	General Revenue Reserve £'000 2	Total £'000
Balance as at 1.4.2001		(13,272)	(13,459)	(26,731)
Transfers during year		3,830	(8,810)	(4,980)
Balance as at 31.03.02		(9,442)	(22,269)	(31,711)

Notes to the Statement of Total Movements in Reserves

Accounting Reserves

1. Government Grant Deferred Account

Government grants have been applied to finance capital expenditure on fixed assets. Such grants are not specific to particular capital schemes and therefore cannot be written off through the Asset Management Revenue Account to match depreciation. Instead, they are written off to the Capital Financing Reserve in the year of application.

2. Fixed Asset Restatement Reserve

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

3. Capital Financing Reserve

The Capital Financing Reserve contains the amount of capital expenditure that has been financed from revenue and capital receipts. It also contains the difference between the Minimum Revenue Provision and depreciation and also the release of government grant from the Government Grant Deferred Account. The account cannot be used to support spending.

Usable Capital Reserves

1. Usable Capital Receipts

The use of capital receipts is regulated by the Local Government and Housing Act 1989, and they can only be used to finance capital expenditure.

2. C3i Capital Reserve

This reserve comprises monies assigned to the replacement of the Authority's command and control system (C3i Project) that remain unspent and are required to be carried forward to support future capital expenditure.

3. Capital Grant Reserve

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

4. Earmarked Capital Reserve

This reserve deals with receipts taken in prior to abolition of the set-aside rules for non-housing capital receipts (SI 1998/1937). By use of powers under Section 59 of Part IV of the 1989 Act it is possible for capital receipts to be fully utilised to meet certain specified expenditure. Such receipts are commonly known as "in and out" receipts. (The 1989 Act refers to the Local Government and Housing Act 1989.)

Usable Revenue Reserves

1. Earmarked Revenue Reserves

	Balance at 1 April 2001 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2002 £'000
PFI contracts	0	(1,600)	0	(1,600)
Affordable Housing	0	(800)	0	(800)
Overt Covers	0	(750)	0	(750)
Contract Review	0	(2,000)	0	(2,000)
Laming Enquiry	0	(500)	0	(500)
Territorial Policing	0	(320)	0	(320)
Office move	0	(250)	0	(250)
Legal Costs	0	(2,600)	0	(2,600)
Consultancy costs	0	(33)	0	(33)
MPA	(433)	(435)	279	(589)
Lump Sum Transfers	(4,787)	0	4,787	0
Commuted Pensions	(8,052)	0	8,052	0
Total as per balance sheet	(13,272)	(9,288)	13,118	(9,442)

PFI Contracts

To reserve part of the costs of three PFI property developments, two of which have been contracted for in 2001-02.

Affordable Housing

To reserve for the administrative costs of the scheme to provide key workers with affordable housing.

Overt Covers

To provide for the cost of 'metvests' for officers the contract for which commenced in 2001-02.

Contract Review

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

Laming Enquiry

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

Territorial Policing

The reserve is set up to support the move towards budget devolution and rewards improving financial management at local level.

Office Moves

The reserve is set up to cover the cost of office moves in 2002-03 for the Finance Directorate.

Legal Costs

To provide for the potential cost of two cases one of which includes trace fees.

Consultancy Costs

The reserve is in respect of consultancy costs to fund the continuing efficiency and effectiveness review programme.

MPA

The reserve will be used to support the costs of the Metropolitan Police Authority move to its new premises.

Lump Sum Transfers

This account reflects payments to outsourced companies in respect of the pension entitlement of transferring staff.

Commuted Pensions

This reserve has been consolidated into the pension provision which meets the cost of commuted lump sums for officers.

2. General Revenue Reserve

This reserve was established to provide cover for emergencies. The 2001-02 underspend of £8.8m has increased this to £22.2m.

Cash Flow Statement

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

9 months to 31 March 2001 £'000		Notes	2001-2002	
			£'000	£'000
	Revenue Activities			
	Cash Outflows			
1,199,078	Employee Costs		1,695,042	
332,705	Other operating costs		452,778	
	Cash Inflows			
(629,572)	S102 Greater London Authority Act 1999 Grant		(972,551)	
(741,794)	Police Act 1996 Grant		(1,011,936)	
(36,033)	Other government grants		(86,963)	
(52,965)	Cash received for goods and services		(98,267)	
(38,595)	Other revenue income		(39,042)	
32,824	Net Cash (inflow)/outflow from revenue activities	1		(60,939)
	Servicing of Finance			
	Cash Outflow			
6,080	Interest paid		7,906	
	Cash Inflow			
(10,827)	Interest received		(8,934)	
(4,747)	Net cash inflow from servicing of finance			(1,028)
	Capital Activities			
	Cash Outflows			
59,694	Purchase of fixed assets		78,391	
	Cash Inflows			
(32,063)	Sale of fixed assets		(31,026)	
(18,466)	Capital grants received		(24,255)	
9,165	Net Cash outflow from capital activities			23,110
	Management of Liquid Resources			
(58,253)	Net increase/(decrease) in short-term investment			35,200
	Financing Activities			
	Cash Outflow			
11,000	Repayment of loans		10,000	
11,696	Funding of NPS and GLMCA		0	
	Cash Inflow			
0	New loans		0	
22,696	Net cash outflow from financing activities			10,000
1,685	Decrease in cash	2		6,343

Notes to the Cash Flow Statement

1. Reconciliation of deficit to revenue cashflow

9 months to 31 March 2001		2001-2002
£'000		£'000
7,909	(Surplus)/Deficit	(8,810)
	Non-cash Transactions	
(1,426)	Net transfer from reserves	(19,924)
4,474	Net transfer (to)/from provisions	(33,590)
	Items on an accruals basis	
7,014	(Increase)/decrease in revenue creditors	(41,542)
(9)	(Decrease) in stocks	(324)
10,115	Increase in debtors	42,223
	Items shown later in the cashflow statement	
10,827	Investment income	8,934
(6,080)	Interest paid	(7,906)
32,824	Net Cash (inflow)/outflow from revenue activities	(60,939)

2. Analysis of cash balances

Movement in the year		Balance 31 March 2001	Balance 31 March 2002	Movement in the year
		£'000	£'000	£'000
1,685	Cash and bank	(6,080)	(12,423)	6,343

Glossary of Terms

Budget

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

Debtors

Individuals or organisations who owe the Authority money at the end of the financial period.

Capital Charges

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

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.

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 whom the Authority owes money at the end of the financial period.

Employee Costs

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

Finance Lease

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

Government grants

Part of the cost of the service is paid for by central government from its own tax income. Grant income is partly received through the s.102 payments made by the GLA. In addition, the Home Office pays specific grants direct to the Authority towards both revenue and capital expenditure.

Long-term debtors

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

Minimum Revenue Provision

The amount that the Authority is required to charge to the revenue account each year for the repayment of debt.

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.

Provision

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

Revenue expenditure

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 to be earmarked for specific liabilities (e.g. pensions, set up costs for the Metropolitan Police Authority) or generally held to meet unforeseen or emergency expenditure (e.g. General Reserve).