



Metropolitan Police Authority Statement of Accounts 2006 – 07



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Metropolitan Police Authority Statement of Accounts 2006-07

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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 oversee the provision of an efficient and effective police service. 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 2007. The MPA is responsible for the finances of the Metropolitan Police Service (MPS) and the accounts therefore record all the income and expenditure of the MPS as well as the MPA.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting. To assist the reader notes to the accounts are provided.

The Statement consists of:

- The appointed auditor's opinion;
- The Statement of Responsibilities for the accounts;
- The Statement on the System of Internal Control;
- The accounting policies on which the accounts are based;
- The Income and Expenditure Account - summarising the resources generated and consumed in the year;
- Statement of the Movement on the General Fund Balance - showing how the balance of resources generated/consumed in the year links with the statutory requirements for raising precept;
- Statement of Total Recognised Gains and Losses - bringing together the gains and losses in the balance sheet with the outturn on the income and expenditure account to show the total movement in the Authority's net worth for the year;
- The Balance Sheet, setting out the financial position of the Authority at 31 March 2007;
- The Cash Flow Statement, summarising the inflows and outflows of cash; and
- The Police Officer Pension Fund Revenue Account and Asset Statement.

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

Changes for 2006-07

The main changes in the presentation of the accounts relate to those arising from the 2006 CIPFA Statement of Recommended Practice.

The key impacts are:

- The disaggregation of the Consolidated Revenue Account, presented in previous years, to produce a set of statements - the Income and Expenditure account, the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses. The effect of this change is to separate the actual resources generated and consumed from the accounting adjustments. The Income and Expenditure account as shown at page 21 shows a deficit of £991 million, however, this account 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 both the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses. Following accounting adjustments and transfers to reserves, the deficit translates to a surplus of £10.1 million transferred to the general reserve;
- A new disclosure on gains and losses on disposal of fixed assets within the notes to the accounts;
- Capital financing charges for the use of fixed assets are no longer made to service Income and Expenditure accounts; and
- The inclusion of a new Police Officer Pension Fund Revenue Account and Asset Statement.

Financial Performance for the year

Setting the budget

The Mayor and London Assembly set the budget for 2006-07 following the submission of draft proposals by the MPA. The approved budget provided for net expenditure of £2,882 million, funding the roll out of Safer Neighbourhood teams across the whole of London, existing expenditure commitments and a limited list of high priority developments. Savings of over £68 million were also incorporated into the final budget.

Final Accounts

The provisional outturn presented to the Authority represented an underspend against budget of £5.1 million, after taking into account various contributions to reserves such as property dilapidations, MetTime project, IT costs around Safer Neighbourhoods, Heathrow Terminal 5 and rent smoothing. It was agreed that the residual underspend should be transferred to general reserve.

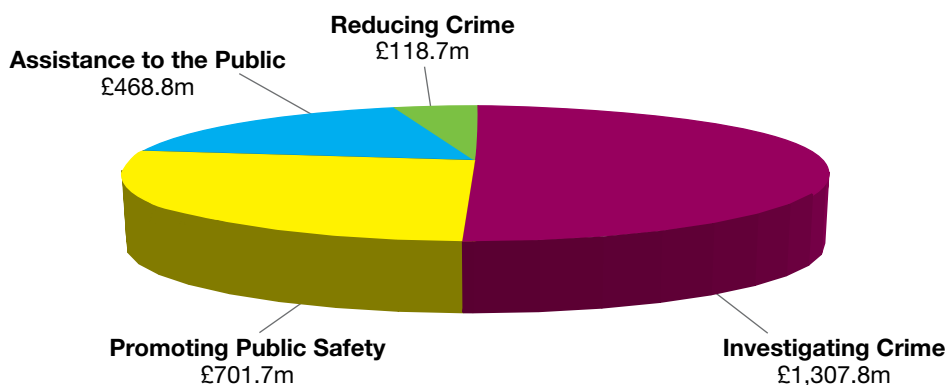
The table below provides a summary of the final outturn position for 2006-07, following transfers to reserves, compared to the approved budget:

	Budget £m	Actual £m	Variation £m
Net Revenue Expenditure	2,882.0	2,924.4	42.4
Specific and Amending Grants	(432.4)	(498.5)	(66.1)
Application of Reserves	(23.9)	(0.2)	23.7
Amount to be met by Local Taxation and Government Grants	2,425.7	2,425.7	0.0
Financed by:			
Council Tax	(607.4)	(607.4)	0.0
Revenue Support Grant/Non-Domestic Rates (RSG/NDR)	(817.0)	(817.0)	0.0
Police Revenue Grant	(1,001.3)	(1,001.3)	0.0

The main variations against budget were underspending against Police Officer, Police Staff, PCSO and Traffic Warden pay (£42.6 million), due to the under-strength position in most business groups, whilst income budgets were exceeded by £13.9 million, primarily relating to additional investment income, income received for police officers on secondment and other miscellaneous income. The main areas of overspending were Police Officer overtime (£9.9 million), due to under-strength in Specialist Operations, transport costs (£8.6 million), due in the main to increased fuel costs, overseas travel and vehicle maintenance, supplies and services (£17.6 million), primarily relating to forensics and interpreters, and employee related expenditure (£9.4 million), relating to cost of officers seconded to the MPS and the cost of premature retirements of police staff.

The financial year 2006-07 presented a number of challenges, particularly around the prevention of terrorism and associated operations necessary to help keep London a safer city. Operation Overt (relating to the arrests and on-going investigations into the plot to manufacture and smuggle explosive devices onto aircraft) and Operation Overamp (relating to the anti-terror raids at an Islamic School in Sussex and a Chinese Restaurant in South London) had a significant impact on the financial position and required strong management in order for the MPS to deliver a balanced outturn to budget.

The Authority's income and expenditure account is presented, at page 21, in accordance with the Best Value Accounting Code of Practice using Activity Based Costing (ABC) methodology. The ABC analysis was produced based on sample evidence of actual operational staff activity. The chart below shows service expenditure analysed by type of service:



Capital Finance

Capital expenditure for the period was £154.5 million financed by specific grant, borrowing, capital receipts and revenue contributions. The 2006-07 capital expenditure against budget is set out below:

	Budget £m	Actual £m	Variation £m
Property Based Programme	67.1	36.4	(30.7)
Information Based Programme	55.3	43.1	(12.2)
C3i Programme - Command, Control, Communications & Information	48.9	31.0	(17.9)
Transport Based Expenditure	18.3	16.8	(1.5)
Other Plant and Equipment	7.2	5.7	(1.5)
Safer Neighbourhood	39.3	21.5	(17.8)
Total	236.1	154.5	(81.6)

From 2004-05 onwards, decisions about capital finance affecting the capital programme have been taken in the context of the prudential framework. The framework provides authorities with more borrowing flexibility if rigorous controls on affordability and prudence are met. In 2006-07 the Capital Programme was supported by £49.5 million of borrowing.

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, providing police officers and staff with excellent working conditions and the public with accessible buildings in the right locations. As part of the estate modernisation programme the MPA disposed of two buildings generating capital receipts of £10.5 million and acquired two buildings at a cost of £7.0 million. Additionally the MPA disposed of 104 residential properties totalling £26.1 million.

The Balance Sheet

The Authority's policy is to have a general reserve at a minimum of 1.5% to 2.0% of net budgeted expenditure, as and when conditions permit, 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 £38.9 million at 31 March 2007 representing 1.3% of net budgeted expenditure for 2006-07, the other uncommitted reserve is the emergencies contingency reserve (£20.1 million). Together these uncommitted reserves total £59.0 million, 2.0% of net budgeted expenditure.

The Police Officer Pension Liability and Police Officer Pension Reserve reflect the full implementation of Financial Reporting Standard (FRS) 17. 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. However statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. This is because annual finance needed is raised by the assessed employer's pension contribution of 24.6%, 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.

Outlook for 2007-08

The budget for 2007-08 was a significant challenge for the Authority. The expected increase in budget requirement of 4.4% was required to be balanced against the increase in grant of 3.6%. Through careful planning and identification of savings and efficiencies totalling £94.7 million, the MPA/MPS was able to maintain essential services and put additional resources into Safer Neighbourhoods.

The 2007-08 budget requirement was set at £2,532.7 million, funded by police grant of £1,026.7 million, RSG/NDR of £857 million and council tax income of £649 million. The policing element of the Band D precept for 2007-08 is £223.60.

Corporate Governance

A statement on the system of internal control is included in the accounts. The statement highlights the Authority's internal control environment, comments on its effectiveness and identifies issues for future work. A similar report, signed by the Commissioner, on the MPS' system of internal control supports the Statement. The Authority continues its efforts to strengthen its risk management arrangements.

Independent Auditor's Report to the Members of the Metropolitan Police Authority

Opinion on the financial statements

I have audited the financial statements and the police pension fund accounting statements of the Metropolitan Police Authority for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes. The Police Pension Fund accounting statements comprise the Fund Revenue Account, the Net Assets Statement and the related notes. The financial statements and Police Pension Fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the Metropolitan Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the police pension fund accounting statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and
- The police pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the police pension fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Michael Haworth-Maden
District Auditor

Audit Commission
1st Floor, Millbank Tower
Millbank
London SW1P 4HQ
28 September 2007

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan ('Policing London Plan') and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and

- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Qualified conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the Metropolitan Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007, except for putting in place adequate arrangements to maintain a sound system of internal control.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan (Policing London Plan) for the financial year 2006/07 in November 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I 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.

Michael Haworth-Maden District Auditor

Audit Commission
1st Floor, Millbank Tower
Millbank
London SW1P 4HQ

28 September 2007

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; and
- approve the Statement of Accounts.

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



Len Duvall

Chair of the Metropolitan Police Authority

The Treasurer's Responsibilities

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

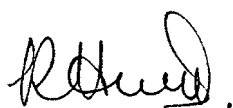
In preparing the accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Statement of Accounts presents fairly the financial position of the Metropolitan Police Authority at 31 March 2007 and its income and expenditure for the period then ended.



Ken Hunt

Treasurer

28th September 2007

Statement on System of Internal Control

Position as at 31 March 2007 including plans for the financial year 2007-08

1 Scope of Responsibility

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

A more detailed Statement of Internal Control for the MPS signed by the Commissioner supports this overarching Statement.

2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable and foreseeable level rather than trying to eliminate all risk of non-achievement of policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The system of internal control in place for the year ended 31 March 2007 and up to the date of approval of the annual accounts has been the subject of quarterly review.

3 The Internal Control Environment

The key elements of the internal control environment include:

Facilitating effective strategy policy and decision making

The Full Authority and Co-ordination and Policing Committee meet regularly to consider the strategic direction, plans and progress of the Authority. A range of member committees regularly reviews specific policy areas. The MPA Senior Management Team is responsible for advising members with regard the internal vision, strategic direction and priorities for the MPA, and for advising and supporting members in influencing and shaping the strategic direction and priorities for the policing of London.

Within the MPS, Management Board is the strategic co-ordinating and tasking group for the organisation with responsibility for developing and delivering the corporate strategy. The corporate values are reviewed as part of a three year strategy. In addition the continuing implementation of the National Intelligence Model (Met Intelligence Bureau) provides strategic direction for senior managers and the corporate strategic assessment identifies future strategic issues. The integrated planning process continues to be enhanced, with a single integrated planning document incorporating strategy and the annual plan. Other boards such as Investment Board and Contracts Board support strategy, policy and decision making.

Establishing and monitoring the achievement of objectives to ensure that high quality services are delivered efficiently and effectively

An extensive planning and consultation process identifies policing priorities for the coming year each of which has a clear objective. The Authority approves key performance indicators and targets to support the objectives. All the key targets are subject to close scrutiny by the full Authority and the Planning, Performance and Review Committee. The process assists management in highlighting performance problems at an early stage, facilitating appropriate interventions.

Within the MPS there is a performance management framework in place supporting the Performance Board. This focuses on delivery of the eight strategic priorities and delivery of the Met Modernisation Programme. There is also an inspection and review programme with monthly publication of progress and activity. This is currently being enhanced to include tracking, implementation and progress of Internal Audit high risk recommendations.

Ensuring compliance with statutory obligations, laws, regulations, guidance and established policies and procedures

The Authority has a duty to ensure that it acts in accordance with the Law and various regulations. A number of policies and procedures have been produced to ensure officers, within the MPA and MPS, understand their responsibilities. These, and compliance with them, are reviewed regularly both internally and by the appropriate committees. In addition professionally qualified staff occupy key roles throughout both the MPS and MPA. Regular reports are made to the Authority on compliance with current initiatives and external requirements, with internal audit reporting on the effectiveness of the organisation's systems of internal controls and making recommendations for improvement. The Authority has delegated Monitoring Officer responsibilities to the Deputy Chief Executive and Solicitor to the Authority.

Within the MPS the Policy Co-ordination Unit is responsible for overseeing all key aspects of policies and standard operating procedures, with a process in place to ensure that each national policy is assessed against a National Centre of Policing Excellence capability assessment. An overarching corporate governance framework is to be developed in line with the CIPFA/SOLACE framework which is due to be published shortly.

Management of change processes

The Met Modernisation Programme (MMP) is an MPS organisational change programme. The MPA is responsible for scrutinising the programme, monitoring progress, agreeing the direction of travel and approving recommendations made by the Management Board.

Within the MPS a programme delivery board manages the MMP with corporate oversight provided by Management Board. Co-ordination of MPS change via the MMP will ensure that strategic change decisions are effective, co-ordinated and focused on delivering service improvement in line with strategic outcomes.





Identifying, assessing and managing the key risks to the Authority's services

The Corporate Governance Committee is responsible for ensuring that risk management processes and programmes operate effectively in accordance with the risk management strategy, endorsed by the Authority in July 2004 revisions to which were approved by Corporate Governance Committee in December 2005. The strategy sets out the objectives, responsibilities, processes and support mechanisms for risk management. Risk registers are being embedded throughout the MPS, with key risks incorporated in the corporate risk register. A programme of training is underway and an engagement programme is targeting all areas of the MPS to further embed risk management. A corporate risk review group has been established within the MPS to act as a conduit between business groups and Management Board in relation to the identification and management of corporate risks.

The MPA has developed a risk profile, reviewed regularly by the Senior Management Team, actions from which are embedded in corporate and team work plans.

Minimising disruption to the Authority's business as usual

Business continuity boards are in place within the MPA and MPS, with continuity plans compiled for all areas of the MPA and MPS. These are reviewed on an annual basis.

Ensuring effective corporate financial management and reporting thereof

In accordance with S127 of the Greater London Act 1999, the MPA Treasurer is the financial adviser to the MPA and is responsible for ensuring the financial affairs of the Authority and MPS are properly administered, having regard to probity, legality and appropriate standards.

The Commissioner has responsibility for the day-to-day financial management of the MPS in accordance with the approved scheme of delegation. The MPS operates within a devolved accounting framework that is supported by business accountants and regular financial awareness training.

Budget monitoring reports for both capital and revenue are presented to both MPS Investment Board and MPA Finance Committee on a regular basis. These compare actual and forecast expenditure against budget, providing explanations for major variances.

The financial planning framework has been revised to improve integration with strategic planning and ensuring improved financial planning and budgeting. A medium term financial strategy is now produced (incorporating the capital strategy). This three year corporate business plan is reviewed annually.

The statement of accounts is published annually. Scrutiny by Members and the Audit Commission annual letter are key controls in this area.

Ensuring economical, effective, efficient and safe use of resources

In accordance with the Local Government Act 1999 (and subsequent revised government guidance) the MPA is responsible for ensuring that arrangements are in place that ensure continuous improvement, and that economy, effectiveness and efficiency are secured both within the MPA and MPS. Service improvement reviews (SIRs, commonly known as best value reviews) are one of the methods used in achieving this. Based on advice from the MPS the Planning, Performance and Review Committee is responsible for selecting all SIRs. The Committee approve SIRs, their final reports and implementation plans and monitor implementation of the plans.

As part of their annual Policing Plan the MPS is required to demonstrate efficiency savings equivalent to 3% (of which 1.5% must be cashable) of their annual budget with performance also being maintained or improved. Her Majesty's Inspectorate of Constabulary (HMIC) monitor police authorities' achievement through inspections and quarterly reports on progress are also made to the Finance Committee.

An informal, member-led group oversees scrutiny of specific budget headings.

The MPA has an Anti-Fraud and Corruption Policy as part of its corporate governance arrangements to assist in safeguarding its resources. The MPS also has an Anti-Fraud and Corruption Strategy that is overseen by the Professional Standards Strategic Committee.

Ensuring the Authority's information is trusted, accessible and usable

The Authority has a member with specific responsibility for information systems and technology who, through regular scrutiny meetings, ensures that information is trusted and accessible.

Within the MPS this responsibility lies with the Directorate of Information, which, through the Information Management Strategic Group, is driving through the information management strategy.

The MPS Information Authority is responsible for the ratification of the information policy and provides governance for the information management business programme. There is also a number of other groups within the MPS which all contribute towards effective information management.

Working for and with the community to promote its well being, exercising leadership as necessary

The Co-ordination and Policing Committee is responsible for promoting and monitoring the development of effective arrangements within the MPA and MPS to engage with local communities in the delivery of local policing services and in building safer neighbourhoods. Community Police Consultative Groups and Crime and Disorder Reduction Partnerships (CDRPs) facilitate consultation with local communities, with CDRPs informing local priorities that are included in the annual Policing Performance Plan.

The accelerated roll-out of Safer Neighbourhood teams will help ensure that local policing is delivered to the community and that feedback from the community is built into future policing delivery.

Citizen Focus outlines expectations of contact with the MPS, interacting and responding to the community and dealing with victims of crime.

Defining, communicating and monitoring professional standards

The Professional Standards and Complaints (PSC) Committee is responsible for monitoring professional standards of ACPO rank police officers and the Standards Committee is responsible for promoting and maintaining high standards of conduct by members of the Authority.

Within the MPS this is the responsibility of the Directorate of Professional Standards. There is a Professional Standards Strategy in place that is driven by the MPS Professional Standards Strategic Committee. This reports quarterly to the PSC Committee.



Defining, communicating and monitoring standards of individual performance expected of all personnel

The Co-ordination and Policing Committee is responsible for all Human Resources issues with the Remuneration Sub-Committee and Human Resources Oversight group providing additional scrutiny.

Policies are in place to define standards of performance expected by all personnel. Performance development reviews are undertaken on an annual basis and there are procedures in place to manage unsatisfactory performance. Annual training programmes outline the training needs of individuals and the organisation as a whole, these are approved by the Authority on an annual basis.

4 Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. For those systems reviewed by Internal Audit in 2006-07, the average assurance score was 2.9 (2.9 in 2005-06) on a scale of 1 to 5 (where a score of 2 reflects a system with adequate controls and 3 to 4 reflects increasing degrees of the need to improve).

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

- Internal Audit: the responsibility for maintaining and reviewing the system of internal control rests with the Authority. In practice however the Authority takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit operates to CIPFA's Code of Internal Audit Practice 2003. The Code requires the Director of Internal Audit to include in the annual internal audit report an opinion on the internal control environment; providing any details of weaknesses that qualify this opinion and bringing to the attention of the Authority any issues particularly relevant to the preparation of this Statement of Internal Control. The Authority is satisfied that Internal Audit operates to the standards set out in the Code and can take assurance from their opinion;

- Internal Audit reports to the Chief Executive and the Corporate Governance Committee;
- the Director of Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control;
- external audit express an opinion on the adequacy of internal audit work;
- internal audit work is planned using a risk-based approach that aims to ensure that the Treasurer's responsibilities under S127 of the GLA Act 1999 are fulfilled and that an effective internal audit service is provided to the Authority as required under the Accounts and Audits Regulation 2003.
- External Audit: in their annual audit letter particularly comment on financial aspects of corporate governance and performance management and other reports.
- Other review/assurance mechanisms: for example HMIC, Health and Safety Inspectorate, Corporate Risk Management Group.

5 Significant internal control issues

2005-06

There were six areas where internal control issues were raised in last year's statement. Progress in addressing these is detailed below.

	Internal control issue	Progress to date
1	The MPS's system of Corporate Governance is new and not yet embedded throughout the organisation	The MPS key internal control framework, first introduced in Summer 2006, now forms the structure around which the Statement on Internal Control gathering, reporting and assurance process is based. Development of an overarching governance framework for the MPS awaits publication of the policing version of the new CIPFA/SOLACE governance framework which has been delayed. Work will commence on the development of the MPS governance framework as soon as the CIPFA/SOLACE framework is available, the next step being the preparation by the MPA of a policy framework.
2	All relevant contract regulations need to be followed at all times when letting contracts	The contract regulations have now been revised in line with CIPFA's best practice contract procedure rules and approved by Full Authority in June. Internal Audit's procurement seminar took place on 13 March 2007 at which senior officers within the MPS and MPA met to discuss current procurement issues and suggest proposals for the way forward.

3	The average assurance score on internal control is 2.9, significantly lower than the score of 2, needed to indicate that there are adequate systems of control in place	The current average assurance score of 2.9 is equivalent to that reported in 2005-06. Internal Audit continues to work with senior managers in the MPS to improve the level of internal control across business groups and have recently met with Business Group Managers and established a key point of contact to help facilitate the role of Internal Audit and increase awareness around internal control issues. Internal Audit is also working with representatives from Territorial Policing and MPS Finance Services to implement a strategy for strengthening controls at a local level.
4	Resource and financial planning needed to be more closely aligned	The process for 2008-09 has already begun and a key budget principle is the need to align resources to MPS Strategic Priorities. The outcome will be seen within the final business plan where strategic priorities will be costed. In order to ensure that the central and local planning processes are more closely aligned, it is necessary to provide business groups with a clear corporate direction, whilst allowing some flexibility for local decision making. The intention is to more tightly focus business group objectives to strategic objectives. These strategic objectives will be those identified for each of the strategic priorities and will assist delivery of the MPS/MPA's strategic outcomes.
5	There are weaknesses within the processes of accounting for fixed assets	The Fixed Asset Project Group continues to review and develop the Fixed Asset register. The intention is to hold a fundamental review of the fixed asset system on SAP in the first quarter of 2007-08 to identify ways of improving the operation of the system. Reconciliations are now undertaken on a monthly basis. A financial and capital accounting timetable is currently being developed for the Property Services Directorate, including timescales within which reports and reconciliations need to be produced. This approach will then be rolled out to the Directorate of Information.
6	Risk management is not yet fully embedded throughout the organisation	To reflect feedback on Phase 2 of the risk management engagement programme it has been agreed to refocus the Business Risk Management Team's primary support role on the Business Group headquarters with the HQs supporting their own OCUs/ departments. The risk management training programme continues to embed awareness and understanding of risk management across the Service. Deployment of bow-tie risk analysis has proved particularly successful. A "bow-tie" based approach to risk registers for Met wide adoption is now being developed. The Corporate Risk Review Group has met four times and is already adding value. A decision has been made to formalise it as a conduit for escalating corporate risks between the Business Groups and Management Board. Terms of reference for the group have now been approved. Business Group processes for identifying and managing corporate risks have recently been reviewed and approved.

2006-07

For 2006-07 the Authority identified three main internal control issues that required attention during 2007-08.

	Issue	Action
1	<p>The Audit Commission's interim audit has identified a number of weaknesses within the Authority's key material systems. The main weaknesses identified included:-</p> <ul style="list-style-type: none"> • Insufficient evidence of appropriate controls in respect of accounting for fixed assets • A lack of evidence in the operation of key controls in pensions and payroll monitoring • Weaknesses in the preparation, timeliness and evidencing of bank reconciliations performed • Control account reconciliations not being performed and reviewed on a timely basis 	<p>A number of issues raised in the interim report have now been addressed. However it is important that the MPS monitor the situation to ensure the necessary controls continue to be used in the future.</p> <p>With regard issues yet to be addressed the MPS have drawn up an action plan. Progress in implementing this will be closely monitored by the Corporate Governance Committee as part of the quarterly review of the Statement of Internal Control.</p>
2	<p>Contract regulations need to be followed at all times to ensure value for money is achieved when awarding contracts</p>	<p>Contract regulations have now been revised, the MPA/MPS need to put in measures to promote and communicate the new regulations and monitor compliance.</p> <p>Supporting guidance will need to be reviewed in light of the new regulations.</p>
3	<p>Whilst Internal Audit have generally found adequate and effective operating procedures within the MPS, key controls have either not been applied, applied inappropriately or not applied in time to provide an effective control environment. Therefore the average assurance score on internal control has not changed during 2006-07 and remains at 2.9. The main areas of concern are as follows:-</p> <ul style="list-style-type: none"> • Delegated authorities - The MPS have yet to put in proper arrangements • Procurement of services - there continues to be concerns around contracts being tendered in accordance with Public Contract regulations and MPA regulations • BOCU Financial Control framework - number of areas of weakness need to be addressed • Information and Data Quality - whilst there have been significant improvements reviews have identified major data quality shortcomings in some key MPS systems. 	<p>The MPS need to strengthen the current systems of internal control in place so that improvements in the assurance score can be achieved during 2007-08.</p> <p>Internal Audit will continue to monitor progress in improving the effectiveness and efficiency of internal control, reporting back to the Corporate Governance Committee on a quarterly basis.</p>



Len Duvall

Chair of the Metropolitan Police Authority



Catherine Crawford

Chief Executive and Clerk to the Metropolitan Police Authority

Accounting Policies

General

These accounts have been prepared in such a way as to present fairly the financial results of the Authority and have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (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. The revenue account has been replaced by an income and expenditure account and a fund account as required by the SORP for 2006.

Income and Expenditure Account

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

General Fund Account

The Authority has produced a general fund account, which shows the level of general fund balance at the end of the year.

Employees Costs

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

Government Grants

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

Interest

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

Supplies and Services

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

Pensions

The Authority operates two pension schemes for police officers and 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 new 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 2006). Officers make contributions of 11% of pensionable pay. 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 FRS 17, the net liability and a pensions reserve of both Pension Schemes have been recognised on the balance sheet as have entries in the income and expenditure account 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, as a result of the time taken to finalise the sums involved.

Following SORP requirements, FRS 17 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. SORP specifies the use of a discount rate equal to the yield on an index of long-dated AA-rated corporate bonds as at 31 March 2007. The pension liabilities in these accounts have been calculated accordingly at a discount rate of 5.4% (4.9% in 2005-06).

Police Staff - The Authority joined the Principal Civil Service Pension Scheme (PCSPS) on 1 September 2002. The PCSPS is an unfunded multi-employer defined benefit scheme but employees may opt for a defined contribution alternative. The Scheme trustees are unable to identify its share of the underlying assets and liabilities. In accordance with FRS 17 the PCSPS is deemed to be multi-employer scheme and the appropriate level of disclosure has been followed.

VAT

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

Fixed Assets

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

The useful economic lives of tangible fixed assets are reviewed annually and adjusted where necessary. The de minimis level policy is to capitalise all capital expenditure over £5,000 (2005-06: £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. The principal asset categories and their useful economic lives, depreciated on a straight-line basis in accordance with FRS 15, are:

	Category	Years
Land and Buildings	Land Buildings - Operational - Residential Leaseholds	Indefinite, not depreciated Useful economic life as assessed by valuers on an individual property basis (10 - 15 years). 40 years. Shorter of expected life and lease period.
Vehicle, Plant and Equipment	Plant, machinery, communications equipment and computers including: • Personal Computers • Photographic equipment Policing Support Vehicles including: • Patrol vehicles • Coaches	3 -15 3 10 3 - 10 3 10
Intangible Assets	Software licences	3
Community Assets	Pictures and museum contents, vintage vehicles.	Depreciation is not applicable as the assets are not in operational use.
Non Operational Assets	Vehicles, plant and equipment - Work In Progress Buildings - Work In Progress, Surplus assets awaiting disposal.	Depreciation is not applicable as the assets are not in operational use.

Revaluations

Land and Buildings have been revalued by external professional valuers. An annual revaluation is commissioned for all freehold and long leasehold property, all short leasehold interests are excluded. All valuations are in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards. Specialised operational properties such as police stations are valued at estimated market value by adopting depreciated replacement cost methodology. Non-specialised properties such as administrative officers are valued on the basis of existing use value and residential properties are valued on the basis of market value. Additional details can be found in Note A to the Balance Sheet (page 33).

Surpluses arising from the professional valuations of properties are taken directly to the Fixed Asset Restatement Account. Any deficits arising are off set against any prior revaluation to the extent that they do not exceed the original cost of the property, any excess being charged to the income and expenditure account.

Capital Charges

The SORP requires that revenue accounts should be charged with a capital charge for all fixed assets used in the provision of the service. The SORP removed the requirement to make a notional capital financing charge with effect from the 2006-07 statement of accounts.

Leases

The Authority has a number of operating leases in respect of property and vehicles. Expenditure under operating leases is charged to the income and expenditure account in the year in which it is incurred. Income received is charged to the income and expenditure account in the year it is incurred.

Disposals

With effect from 2006-07 the SORP requires that gains or losses on disposal of fixed assets are taken to the new income and expenditure account. The gain or loss is then transferred from the General Fund to Useable Capital Receipts Reserve in accordance with the statutory restriction on the use of capital receipts. The SORP now requires greater compliance with UKGAAP in that, in accordance with FRS 3 Reporting Financial Performance, the gain or loss is included in

a Statement of Total Recognised Gains and Losses. Income from the sale of fixed assets is available to support the capital programme.

Impairment Review

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

Other assets are reviewed for impairment by experienced in-house staff at the end of the year, where there is no depreciation charge made or the estimated remaining useful life of the fixed asset exceeds 50 years. Any impairments arising are taken directly to the income and expenditure account.

Deferred Charges

Deferred charges are written off to revenue in the year in which they occur.

Intangible Assets

Intangible assets consist of the purchase of software licences and agreements and are capitalised at cost. Intangible assets are amortised on a straight line basis over a period of three years and there is no residual value. The amortisation is charged to the income and expenditure account.

Short Term Investments

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

Stock

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

Debtors and Creditors

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

Provisions

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

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

Policy in relation to the principal provisions is as follows:

Third Party Liabilities - to make provision for realistic estimates of the future settlement of third party claims, the liability for which already exists at the date of the balance sheet, insofar as they will not be met by external insurance. The figure shown on the balance sheet does not include any adjustment to discount the total liability to present day terms in line with FRS 12 because the claims involved are deemed to be estimates based on present day values.

Tax Liability - to make provision for the reimbursement to officers of tax deducted in respect of Compensatory Grant. The grant to which this tax relates is paid to all officers who are in receipt of rent allowance and joined before 1994.

Bad Debts - to make provision for general and specific debts where there is significant doubt that payment will be received. The provision for bad debts is deducted from current debtors in the balance sheet.

Reserves

The SORP requires the maintenance of a Fixed Asset Restatement Account and a Capital Financing Account within the balance sheet. These accounts do not form part of the cash 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 41 to 43.

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 1.5% to 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.

Contingent Liabilities

The MPA recognises material contingent liabilities, which arise from past events whose existence can only be confirmed by the occurrence of one or more uncertain future events which are not wholly within the MPA's control in the notes to the balance sheet. Details of the extent of the potential liabilities are described in the note.

Private Finance Initiative Contracts (PFI)

The Authority has entered into two long term contractual agreements under PFI whereby the Contractor is responsible for design, construction, finance and maintenance of four new police stations in south-east London and a new public order and firearms training centre. Such PFI schemes meet the conditions set out in FRS 5 Substance of Transactions and professional advice has been provided which indicates there is no impact on the balance sheet of the Authority (other than mentioned above). Details of the ongoing revenue commitments are described on page 30.

Redemption of Debt

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

Income and Expenditure Account

This summary is presented in Best Value Accounting Code of Practice format as prescribed by CIPFA for the year ended 31 March 2007. For a subjective analysis see **note 1**.

Year ending 31 March 2006		Notes	Year ending 31 March 2007		
			£'000	£'000	£'000
			Expenditure	Income	
	Service Expenditure Analysis	2			
87,569	Reducing Crime		126,161	(7,478)	118,683
1,331,639	Investigating Crime		1,390,253	(82,404)	1,307,849
681,174	Promoting Public Safety		745,922	(44,213)	701,709
493,065	Assistance to the Public		498,294	(29,535)	468,759
2,593,447	Sub Total		2,760,630	(163,630)	2,597,000
443,698	National Police Services	3			588,053
14,132	Corporate and Democratic Core				14,884
4,840	Non-Distributed Cost - Pension	5			3,218
3,056,117	Net Expenditure	4, 5, 6 7 & 8			3,203,155
4,430	Interest Payable and Similar Charges	9			3,452
679,000	Police Pensions interest cost	5			727,200
(12,837)	Interest and Investment Income				(14,617)
(8,320)	Net Gains on Disposal of Fixed Assets	10			(3,536)
662,273					712,499
3,718,390	Net Operating Expenditure				3,915,654
	This was financed by:				
(1,305,829)	S102 Greater London Authority Act 1999 Grant	11			(1,424,427)
(1,483,215)	Other Grants	12			(1,499,820)
(2,789,044)					(2,924,247)
929,346	Deficit Transferred to General Fund				991,407
(see Statement of Movement on the General Fund Balance on page 22)					

Statement of Movement on the General Fund Balance for the year ended 31 March 2007

(see page 32 for explanation)

Year ending 31 March 2006			Year ending 31 March 2007
£'000		Notes	£'000
929,346	Deficit for the year on the Income and Expenditure Account		991,407
(920,770)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	17	(991,663)
8,576	Decrease/(increase) in movement to the General Fund		(256)
(9,008)	Net transfers to/(from) earmarked reserves	N	(9,804)
(28,408)	General Fund Balance brought forward		(28,840)
(28,840)	General Fund Balance carried forward		(38,900)

Statement of Total Recognised Gains and Losses.

Year ending 31 March 2006			Year ending 31 March 2007
£'000		Notes	£'000
929,346	Deficit/(Surplus) on the Income and Expenditure for the year		991,407
(83,005)	Surplus on revaluation of fixed assets	A	(23,853)
1,412,100	Actuarial gain on Police Officer Pension Scheme liabilities	Q	(1,095,714)
(24,196)	Other gains and losses		(28,014)
2,234,245	Total recognised gains and losses since last year		(156,174)

Balance Sheet

The balance sheet shows the financial position of the Metropolitan Police Authority as at 31 March 2007.

31 March 2006		Notes	31 March 2007	
£'000			£'000	£'000
	Tangible Fixed Assets	A		
1,528,600	Land and Buildings (L&B)		1,586,234	
164,805	Vehicles, Plant and Equipment (VPE)		192,512	
1,693,405				1,778,746
10,487	Intangible Fixed Assets	B		6,973
139,117	Non-Operational Assets	A	90,172	
1,063	Community Assets	A	1,121	
140,180				91,293
20,591	Long Term Debtors	D		17,949
1,864,663	Total Long Term Assets			1,894,961
	Current Assets			
0	Cash and Bank Balances		1,571	
6,351	Stock	C	6,605	
137,981	Debtors	D	153,980	
172,500	Short Term Investments	E	139,000	
316,832				301,156
	Less: Current Liabilities			
(804)	Cash and Bank Balances		0	
(331,094)	Creditors	F	(337,609)	
(13,500)	Loans Repayable in 12 months		(15,000)	
(345,398)				(352,609)
1,836,097	Total Assets less Current Liabilities			1,843,508
	Less: Long Term Liabilities			
(14,743,987)	Police Officer Pension Liability	L		(14,574,400)
(32,977)	Provisions	G		(36,431)
(57,337)	Long Term Borrowing	H		(42,337)
(60,089)	Government Grant Deferred	P		(92,459)
(13,058,293)	Total Assets less Liabilities			(12,902,119)
	Accounting Reserves			
1,405,491	Fixed Asset Restatement Account	P	1,380,797	
75,280	Capital Financing Account	P	62,870	
1,480,771				1,443,667
	Usable Reserves			
46,094	Usable Capital Receipts Reserve	O	71,256	
7,629	C3i/Airwave Capital Reserve	O	4,533	
1,031	Earmarked Capital Reserves	O	372	
16,228	Capital Grant Reserve	O	18,256	
105,101	Earmarked Revenue Reserves	N	95,297	
28,840	General Revenue Reserve	N	38,900	
204,923				228,614
	Pension Reserve			
(14,743,987)	Police Officer Pension Reserve	Q		(14,574,400)
(13,058,293)	Total Equity			(12,902,119)

Cash Flow Statement

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

Year ending 31 March 2006		Note	Year ending 31 March 2007
£'000			£'000
	Outflows		
2,036,869	Pay to Officers and Staff		2,100,088
1,007,355	Other Operating Expenditure		1,097,939
	Inflows		
(18,265)	Rent		(15,693)
(147,772)	Sale of Goods and Services		(153,879)
(2,800,244)	Revenue Grants (see note below)		(2,917,876)
(79,973)	Other Receipts		(127,804)
(2,030)	Cash Flow from Revenue Activities	R	(17,225)
	Returns on Investments and Servicing of Finance		
4,430	Interest Paid		3,452
(12,838)	Interest Received		(14,617)
(8,408)	Net Cash Inflow from Investment Activity		(11,165)
	Capital Activities		
213,314	Purchase of Fixed Assets		158,472
(47,619)	Sale of Fixed Assets		(37,994)
(78,969)	Capital Grants Received		(74,463)
86,726	Net Cash Outflow from Capital Activities		46,015
	Management of Liquid Resources		
(96,000)	Purchases/(sales) of Short Term Investments		(33,500)
	Financing Activities		
15,000	Repayment of Loans		13,500
(4,712)	(Increase)/Decrease in Cash	S	(2,375)

Note: An analysis of grants can be found in the notes to the revenue account.

Notes to the Financial Statements of the Metropolitan Police Authority

This set of notes represents the consolidated notes for the statement of accounts for 2006-07 as presented in the preceding pages 21 to 24.

SORP 2006 requires that the revenue account transactions be shown in two separate accounts in 2006-07, the income and expenditure account and the general fund account. The former is primarily used to record operating expenditure and funding and the latter shows accounting adjustments and reserve movements.

The income and expenditure account measures the Authority's financial performance for the year in terms of resources consumed and generated over the last twelve months. It shows the amount of funding provided to support this performance. The deficit carried forward in the Income and Expenditure account should be read in conjunction with the movements shown in the General Fund account in order to appreciate the financial standing of the MPA for 2006-07. The net surplus for the year can be seen in the General Fund account on page 22.

SORP 2006 requires that capital financing charges are no longer made to the income and expenditure account and gains and losses on disposal of fixed assets are recognised in that account. These changes have had the following effect on Net Operating Expenditure for 2005-06:

Restatement of Part of the Revenue Account 2005-06

Description	2005-06 Revenue Account £'000	Removal of capital financing charges £'000	Gains/losses on disposal of fixed assets £'000	Restated income and expenditure account £'000
Reducing Crime	89,218	(1,649)		87,569
Investigating Crime	1,356,715	(25,076)		1,331,639
Promoting Public Safety	694,001	(12,827)		681,174
Assistance to the Public	502,350	(9,285)		493,065
Sub Total	2,642,284	(48,837)		2,593,447
National Police Services	452,212	(8,514)		443,698
Corporate and Democratic Core	14,132			14,132
Non-Distributed Cost - Pension	4,840			4,840
Net Expenditure	3,113,468	(57,351)		3,056,117
Interest payable and similar charges	(52,921)	57,351		4,430
Police Pensions interest cost	679,000			679,000
Interest and Investment Income	(12,837)			(12,837)
Net gains on disposal of fixed assets	0		(8,320)	(8,320)
Net Operating Expenditure	3,726,710	0	(8,320)	3,718,390

Notes to the Income and Expenditure Account

1 Net Expenditure

Operating revenue income and expenditure for the year to 31 March 2007 is presented in subjective analysis format below:

	2006-07 £'000	2005-06 £'000
Expenditure		
Employee Costs		
<i>Police Officer Salaries</i>	1,412,453	1,377,196
<i>Police Staff Wages and Salaries</i>	469,674	436,169
<i>Police Officer & Police Staff Allowances and Training Expenses</i>	217,511	209,783
<i>Net Police Officer Pensions</i>	520,084	428,878
<i>Net Police Staff Pensions</i>	98,616	86,251
Premises-related	194,418	190,763
Transport-related	63,148	62,040
Supplies and Services	437,797	409,555
Capital Charges	96,846	173,544
Total Gross Expenditure	3,510,547	3,374,179
Income		
Fees and Charges	(150,511)	(158,941)
Other Income	(156,880)	(101,770)
Net Expenditure	3,203,155	3,113,468

The two presentations of the income and expenditure account (page 21 and above) do not directly compare due to differing treatments of income. In the income and expenditure account analysed according to service expenditure analysis (page 21) income of £163.6 million (2005-06 £168 million) excludes National Police Services income of £143.8 million (2005-06 £92 million). By taking these amounts into account it is possible to match total income on that statement to the sum of £307.4 million in note 1 above.

2 The Service Expenditure Analysis (SEA)

The categories of service expenditure have been produced on a basis consistent with Activity Based Costing methodology, which is used to produce a return to the Home Office.

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

3 National Police Services

The revenue account entry for National Police Services of £588.1 million incorporates the costs of national, international and capital city functions, inclusive of an overhead allocation on a consistent basis with other headings in the statement. The relevant grant received from central government for these activities amounted to £329.8 million.

The functions included are:

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

4 Employment Costs

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

Remuneration band £	Number of Employees	
	2006-07	2005-06
50,000-59,999	5,889	6,038
60,000-69,999	1,591	1,413
70,000-79,999	424	359
80,000-89,999	111	102
90,000-99,999	38	27
100,000-109,999	14	20
110,000-119,999	11	2
120,000-129,999	1	4
130,000-139,999	8	9
140,000-149,999	1	2
150,000-159,999	1	0
160,000-169,999	3	3
170,000-179,999	4	3
180,000-189,999	1	1
190,000-199,999	0	1
200,000-209,999	1	0
210,000-219,000	0	0
220,000-229,000	0	0
230,000-239,000	0	0
240,000-249,000	1	1

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

5 Pension Costs

As part of the terms and conditions of employment the Authority offers retirement benefits for Police Officers and Police Staff. A full description of both schemes is at notes L and M to the Balance Sheet.

Non-distributed costs represents the additional expenditure borne by the Authority in respect of police officers' past service costs (as required by FRS 17) and police staff early retirement cost.

Police Officers

In the year to 31 March 2007, the net costs of pensions and other benefits amounted to £520.1 million (£518.5 million notional pension costs and £1.6 million other ancillary costs), representing 49.4% of pensionable pay.

From 1 April 2006 a separate pension scheme the New Police Officer Pension Scheme (NPPS) has been created for police officers. This operates in parallel to the present Police Pensions Scheme (PPS). The accounts for both NPPS and PPS can be viewed on pages 46 to 47.

In accordance with FRS 17 requirements, a reserve showing the total liability of the Police Officer Pension Fund is included in the MPA Balance Sheet. The MPA pays employer contributions at a rate of 24.6% of pensionable salary into the Fund. The charge in the income and expenditure account that the Authority is required to make is based on the actuarially calculated cost, so the real cost of contributions made is reversed out of the income and expenditure account after Net Operating Expenditure. The following transactions have been made in the income and expenditure account during the year:

	2006-07 £'000
Current service cost	518,500
Past service costs	800
Interest cost	727,200
Movement in pensions reserve	(926,127)
Contributions to pension fund	321,173

- Current and past service costs have been produced by actuaries (see note L to the balance sheet).
- 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.
- Pension reserve movement represents a net increase in the pensions reserve as analysed in the Statement of Total Recognised Gains and Losses.
- Contributions to pension fund is the actual amount paid by the Authority on behalf of Officers during the year to the Pension Fund.

Note L to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note. The Notes to the Statement of Total Recognised Gains and Losses on page 22 shows the reasons for the increase in the pension reserve.

Police Staff

In the year to 31 March 2007, the net costs of pensions (£95.9 million) and other benefits (£2.7million) amounted to £98.6 million, representing 20.5% of pensionable pay.

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

6 Leases

In the year to 31 March 2007, the Authority spent £26.7 million on operating leases for property (£25.3 million in 2005-06) and £0.3 million on operating leases for vehicles (nil in 2005-06). In the same year the Authority received £12.4 million in respect of operating leases where it is the lessor (£12.2 million in 2005-06).

Outstanding commitments in respect of operating leases at 31 March 2007 are as follows:

	31 March 2007		31 March 2006	
Future Periods	Property £'000	Vehicles £'000	Property £'000	Vehicles £'000
In year 1	38,310	1,053	27,043	Nil
Between 2 and 5 years	147,351	1,702	141,137	Nil
More than 5 years	698,503	Nil	536,061	Nil

7 Members' Allowances and Expenses

A total of £265,122 was paid in 2006-07 (2005-06 £236,941) in respect of Members' allowances and expenses.

8 Publicity

Under the requirements of Section 5(1) of the Local Government Act 1986, the Authority is required to identify expenditure on publicity. This amounted to £8.6 million in the period and is analysed below:

	2006-07 £'000	2005-06 £'000
Staff recruitment advertising	5,583	2,810
Other publicity	3,051	3,258
Total	8,634	6,068

Other publicity costs relate to publications advertising the Metropolitan Police Authority (MPA) and the Metropolitan Police Service (MPS) in local press, attending community events and monitoring press reports of the MPA and MPS.

9 Interest payable

This represents the interest cost of loans taken out with the Public Works Loans Board. In 2006-07 this amounted to £3.5 million (2005-06 £4.4 million).

10 Gains and Losses on disposal

The following gains and losses were made on disposal of fixed assets during the year: -

	2006-07			2005-06		
	Property £'000	VPE £'000	Total £'000	Property £'000	VPE £'000	Total £'000
Gains	3,776	16	3,792	10,660	3	10,663
Losses	(251)	(5)	(256)	(2,343)	0	(2,343)
Net	3,525	11	3,536	8,317	3	8,320

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

11 S102 Greater London Authority Act 1999 Grant

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

The central funding allocated and the police precept for 2006-07 were as follows:

	2006-07 £'000	2005-06 £'000
Revenue Support Grant	684,827	625,429
Non-Domestic Rates	132,200	119,900
Police Precept	607,400	560,500
Total	1,424,427	1,305,829

12 Other Grants

Other revenue grants received during 2006-07 were:

	2006-07 £'000	2005-06 £'000
Police Revenue Grant (including amendment grants)	1,005,194	1,186,716
London Allowance (now included in Police Revenue Grant)	0	32,799
Crime Fighting Fund	72,981	72,981
Counter-terrorism/ Special Operations	328,000	92,663
Street Crime Initiative Fund	0	3,400
DNA Database Expansion Programme	0	6,601
Airwave Revenue	0	8,545
PCSO & Neighbourhood Policing Funding	54,117	21,022
Loan Charges	1,216	3,988
Local Authority Partnership Receipts	32,930	34,909
Special Priority Payments (now included in Police Revenue Grant)	0	15,106
London Safety Camera Partnership	4,989	4,264
Other	393	221
Total	1,499,820	1,483,215

13 Private Finance Initiative (PFI)

The Authority has entered into two long-term contractual agreements under the PFI whereby the contractor is responsible for design, construction, finance and maintenance of four new police stations in south-east London and a new public order and firearms training centre. The agreements impose twenty-five year commitments on the Authority from occupation/use of the new facilities. The unitary charge for 2006-07 is £15.3 million (£13.3 million in 2005-06) for the police stations and £8.2 million (£5.9 million 2005-06) for the training centre. Half of the unitary charge will be subject to annual adjustments in respect of inflation (RPI) and the remainder adjusted by a fixed percentage. The total unitary charge for the remainder of the lease agreements is £681.5 million. There are no assets included in the balance sheet related to these two agreements.

An amount of £0.32 million is included in revenue appropriations, which represents the funding of an additional charge to the unitary payment made to the contractor. In accordance with FRS 5 the charge represents a notional increase in the unitary charge, which would have arisen, had the Authority not made a lump sum payment to the contractor in advance of services provided (see note D to the Balance Sheet, for net written down value of payment).

14 Related Party Transactions

FRS 8 Related Party Disclosures requires the Authority to disclose all material related party transactions. During the year, transactions with related parties not disclosed elsewhere in these accounts amount to:

	2006-07 £'000	2005-06 £'000
Expenditure		
Forensic Science Services	40,584	42,152
Income (net)		
Immigration Services	2,908	3,428
Special Service Agreements	59,141	51,951
National Identification Service	6,106	5,877
Transport for London	66,031	63,045
City of London Police	213	238
National Crime Squad	1,362	11,048
National Criminal Intelligence Service	178	1,012
SOCA	980	0
ACPO TAM	16,148	0
Seconded Officers	11,821	7,053

Lord Toby Harris, MPA Member, has been employed as a consultant by KPMG. The Authority paid £398,418 directly to KPMG for services. In addition, Lord Harris has acted as a consultant to the Anite Group and Unisys, to which the Authority paid £4,734,524 and £14,271,110 respectively. Lord Harris also acts as a special adviser to Transport for London.

Lord Toby Harris and Paul Stephenson, the Deputy Commissioner are both trustees of the Safer London Foundation. The Authority donated £500,000 to the Foundation in 2006-07.

The wife of Keith Luck, the former Director of Resources until November 2006, is the Service Delivery Lead EALA of Accenture HR Services, a wholly owned subsidiary of Accenture. The Authority paid £1,565,393 to Accenture but nothing directly to Accenture HR Services.

15 Auditors Remuneration

The audit fee payable to the Audit Commission during the year totalled £537,800 (2005-06 £516,000).

16 Agency Activity

The Authority has an agreement with the Association of Chief Police Officers (ACPO) whereby the Metropolitan Police Service (MPS) is responsible for administering funds on behalf of ACPO Terrorism and Allied Matters (ACPO TAM) for 2006-07. This agreement arises as the Assistant Commissioner Specialist Operations is the Chair of ACPO TAM.

The MPS disburses monies to other police forces for work performed as directed by ACPO TAM.

A summary of expenditure incurred in respect of the activity, which is not included in the Authority's Income and Expenditure Account is as follows:

	2006-07 £'000
Income	(90,638)
Special grant paid	2,409
Expenditure - revenue	86,445
Expenditure - capital	251
Other expenditure	1,519

The balance of the ACPO TAM funding for 2006-07 has now been returned in full to the Home Office who provided the funding. From 2007-08 onwards the Home Office will provide ACPO TAM funding direct to individual forces.

Notes to the Statement of Movement on the General Fund Balance

17 General Fund Balance

The general fund shows the level of resources available to the Authority after setting aside earmarked reserves, which is available to fund future unknown costs. The statement includes all the items that are required by statute and non-statutory proper practices to be adjusted against the deficit brought forward from the income and expenditure account. After making these accounting adjustments the surplus for the year of £256,000 (2005-06 deficit of £8,576,000) was added to the general fund after allocating part to earmarked reserves. A schedule of these items is shown below:-

The accounting adjustments comprise amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year and amounts not included in the income and expenditure account but required to be included by statute when determining the movement on the general fund balance for the year.

	Notes	2006-07 £'000	2005-06 £'000
Amounts to be excluded from the General Fund			
Depreciation and Deferred Charge Adjustment	A	(96,846)	(116,102)
Gains on Disposals of Assets	10	3,536	8,320
Contributions to/(from) Pensions Reserve	5	(926,127)	(835,399)
Contribution to PFI Unitary Charge	13	(320)	(320)
Amounts previously not included in Income and Expenditure			
Minimum Revenue Provision Adjustment	18	12,129	8,500
Revenue Contribution to Capital	A	15,965	14,231
Total		(991,663)	(920,770)

18 Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the Authority to charge to the income and expenditure account a minimum revenue provision (MRP) for the redemption of debt. This amount is calculated as a percentage (presently 4.0%) of the Authority's capital financing requirement (CFR).

The MRP amount required for 2006-07 was £12.1 million (2005-06 £8.5 million), with a corresponding charge to the Capital Financing Reserve.

Notes to the Balance Sheet

A Fixed Assets

	Intangible Fixed Assets	Tangible Fixed Assets		Non Operational Assets	Community Assets	Total
		Land and Buildings	Vehicles, Plant & Equipment			
	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value at 01.04.06	31,650	1,585,362	316,576	139,117	1,063	2,073,768
Transfers - (Reclassification)	(16,366)	62,246	36,308	(82,188)	0	0
Surplus Assets	0	(12,263)	0	12,263	0	0
Additions	6,230	46,639	73,329	28,281	0	154,479
Expenditure not increasing value	0	(594)	(9,673)	0	0	(10,267)
Disposals	0	(27,304)	(12,269)	(7,301)	0	(46,874)
Impairment	0	(139)	(1,011)	0	0	(1,150)
Redundant Depreciations	0	(50,967)	0	0	0	(50,967)
Revaluations	0	23,795	0	0	58	23,853
Capital adjustment	0	(3,060)	12	0	0	(3,048)
Gross book value at 31.03.07	21,514	1,623,715	403,272	90,172	1,121	2,139,794
Accumulated depreciation at 01.04.06	(21,163)	(56,762)	(151,771)	0	0	(229,696)
Transfers - (Reclassifications)	11,010	0	(11,010)	0	0	0
Depreciation for the year	(4,388)	(33,485)	(58,973)	0	0	(96,846)
Depreciation on assets sold	0	173	10,691	0	0	10,864
Depreciation on impaired assets	0	16	303	0	0	319
Redundant depreciations	0	50,967	0	0	0	50,967
Capital adjustment	0	1,610	0	0	0	1,610
Total Depreciation	(14,541)	(37,481)	(210,760)	0	0	(262,782)
Net book value at 31.03.07	6,973	1,586,234	192,512	90,172	1,121	1,877,012
Net book value at 31.03.06	10,487	1,528,600	164,805	139,117	1,063	1,844,072

The Authority's property portfolio which is located throughout London's 32 boroughs includes 140 police stations, 931 residential properties and 935 operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices.

The Authority also operates 4,909 patrol and other vehicles, 28 boats including inflatables and dinghies, a radio network with 30,352 radios, 41,000 Airwave radios and 3 helicopters.

Basis of valuation

A revaluation has been performed of the entire operational property portfolio as at 1 April 2006, with 20% being physically inspected and 80% being reviewed on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by G. L. Hearn Ltd and Drivers Jonas (both members 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 portfolio has been subject to a revaluation exercise and a value shown in the accounts as at 31 March 2007 in line with accounting policies. In addition the asset lives of residential properties have been extended to 40 years (from 20 years). This has had the effect of reducing the depreciation charge by £2.5 million for 2006-07.

Buildings under construction are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2007.

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

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

During the year, transfers of £82.2 million were made for those assets under construction, which were completed and became operating assets.

The capital adjustment figure of £1.6 million refers mainly to the removal of a duplicate entry for a residential property.

Redundant Depreciation

The two redundant depreciation figures of £51.0 million in the above analysis of movements are equal and opposite 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 become redundant and should not be carried forward in the Balance Sheet, but are written out.

Impairment Review

Impairment reviews were performed at the year end on Land and Buildings as part of the revaluation process and on Vehicles, Plant and Equipment. No impairment of capital expenditure has been identified.

Capital Expenditure

Items of capital expenditure for the year were:

	2006-07 £'000	2005-06 £'000
Land and Buildings	59,825	138,019
Plant and Equipment	27,015	16,760
Information Technology	48,073	48,635
Transport	19,566	26,366
Sub total	154,479	229,780
Deferred Charge	0	2,000
Total	154,479	231,780

Sources of Capital Finance

		2006-07 £'000	2005-06 £'000
Capital payments to be financed		154,479	231,780
Supported Borrowing		19,635	19,635
Unsupported Borrowing		29,858	77,109
Other contributions		9,953	2,164
Capital grants		66,236	84,914
Capital receipts	6,780		9,000
Transfers from useable Capital Receipts Reserve	6,052	12,832	24,727
Revenue contribution		15,965	14,231
Total financing		154,479	231,780

The financing of capital expenditure for 2006-07 has been completed on an accruals basis as required by the Prudential Code.

Future Capital Expenditure Commitments

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

	2007-08 and later years £'000	2006-07 and later years £'000
IT various projects	8,345	100,355
Building works	22,149	141,967
Vehicles, Plant & Equipment	8,000	5,244

Application of the Prudential Code

In carrying out its duties under Part 1 of the Local Government Act 2003 the Authority is required to have regard to the Prudential Code. The Code was developed by CIPFA as a professional code of practice to support local authorities in taking decisions for capital investment in fixed assets. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

B Intangible Fixed Assets

Intangible Assets consist of software licences and agreements, which have, on average, a useful economic life of three years. Expenditure of £16.0 million for software had been accounted for as intangible assets in the 2005-06 Statement of Accounts: this has now been reclassified as tangible fixed assets in this year's accounts. Purchased software licences and agreements totalling £21.0 million continue to be accounted for as intangible fixed assets in accordance with FRS 10.

C Stocks

	At 31 March 2007 £'000	At 31 March 2006 £'000
Uniforms	3,899	3,758
Transport & Air Support Unit	1,151	1,057
Heating Oil	1,222	1,222
Catering goods	333	314
Balance	6,605	6,351

D Amounts owed to the Authority

	At 31 March 2007 £'000	At 31 March 2006 £'000
Long Term Debtors:		
GLMCA / NPS repayment of MPS debt	11,129	11,748
PFI Contribution	6,720	7,040
Trade Debtor	100	1,803
Balance	17,949	20,591
Other Debtors:		
Staff Advances	2,273	1,695
Government Departments	36,694	63,478
General Debtors	6,482	6,066
Other Local Authorities	17,381	14,368
GLMCA/NPS	6,127	4,938
Payments in Advance and Accrued income	70,400	37,184
Customs and Excise	15,629	13,010
	154,986	140,739
Less Bad Debt provision	1,006	2,758
Balance	153,980	137,981

E Short Term Investments

This amount represents short term and overnight deposits with banks and building societies. It includes £21 million of 'cash on call', which is not defined as an investment for FRS 1 purposes.

F Amounts owed by the Authority falling due within one year

	At 31 March 2007 £'000	At 31 March 2006 £'000
Receipts in Advance	(31,234)	(30,668)
Government Departments	(63,085)	(59,488)
General Creditors	(234,253)	(231,902)
GLMCA/NPS	(9,037)	(9,036)
Balance	(337,609)	(331,094)

G Provisions

	At 31 March 2007 £'000	At 31 March 2006 £'000
Third Party Liabilities	33,606	29,702
Tax Liability	2,550	3,000
Building Dilapidations	275	275
Balance	36,431	32,977

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 2007 for £33.6 million (2005-06 £29.7 million).

Over the course of the year agreed claims have been paid from this account amounting to £14.8 million.

A provision of £2.55 million liability has been created to provide for tax refunds due to Police Officers arising from the payment of a compensatory grant allowance in 2006-07.

The provision for dilapidation costs for property remains unchanged.

H 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 2007 £'000	At 31 March 2006 £'000
PWLB Loans	42,337	57,337
Analysis of Loans by Maturity:		
Between 1 & 2 years	5,000	15,000
Between 2 & 5 years	4,337	9,337
Between 5 & 10 years	2,000	0
Over 10 years	31,000	33,000

I Reserves

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

Details of movements on these reserves are shown in the notes on pages 41-44.

J Contingent Liabilities

The MPA had a contract with Bells of Richmond Ltd for vehicle removal from 1999. In 2001 the company was put into liquidation by its parent company, Vinci France. There is a contingent liability in respect of a claim by the liquidator of Whitrad Ltd (trading as Bells of Richmond Ltd) for £2.9 million in respect of invoices that remain unpaid by the Authority. 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 as neither party agrees the amount involved and the liquidator has yet to issue formal proceedings.

K Third Parties' Monies

The Authority administers funds on behalf of third parties. Money held by the funds is not owned by the Authority and is not included on the balance sheet. Authority staff administer the Metropolitan Police Authority Police Property Act Fund and the Metropolitan Police Detained Monies Account on behalf of the Authority and the remaining funds on behalf of their respective governing bodies. Details of the principal funds, together with their income and expenditure for their respective financial years, which ended during the twelve months to 31 March 2007, and values at their financial year end dates are given below. Not all of the figures have been audited:

Fund Name	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
M.P.A.P.P.A.F.	1,624	313	1,595	0
M.P.A.D.M.A.	1,218	1,472	6,151	0
M.P.C.B.F.	1,562	1,363	874	0
M.C.P.R.F.	288	198	1,154	0
M.P.W.W.F.	72	329	1,245	0
M.P.C.H.F.	1,012	1,174	512	0
M.P.C.F.	25	53	507	0
M.P.S.F.	947	936	579	51
M.P.A.A.	607	614	2,652	105
M.P.S.C	4,770	4,686	4,476	764
M.P.C.S.W.F	21	19	196	1
COMETS	45	45	84	3
Other Funds	3,987	3,936	1,124	571
TOTAL	16,178	15,138	21,149	1,495

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 come 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. Staff in Finance Services are currently undertaking an exercise to identify how much money paid into the MPAPPAF over the years represents MPAPPAF money and how much is detained money. Until that exercise is complete and a transfer has been made from one account to the other a substantial proportion of the money in the MPADMA will represent MPAPPAF money.

M.P.C.B.F. - Metropolitan Police Combined Benevolent Fund

- This registered charity receives monthly contributions from police officers and donations and bequests from members of the public. This income is distributed on a proportionate basis (decided annually by the fund's Board of Management) between the following four registered charities: -

- Metropolitan and City Police Relief Fund
- Metropolitan Police Widows' and Widowers' Fund
- Metropolitan Police Convalescent Home Fund
- Metropolitan and City Police Orphans Fund

The first three mentioned charities are administered by Authority staff and are described below. The Orphans Fund is a joint charity with the City of London Police and is not administered by Authority staff.

M.C.P.R.F. - Metropolitan and City Police Relief Fund

- This registered charity may give financial assistance by way of 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). (Despite the implication in the title, City of London Police officers do not contribute to the fund and do not benefit from it.)

M.P.W.W.F. - Metropolitan Police Widows' and Widowers' Fund

- This registered charity gives financial assistance by way of grants to deserving cases among widows and widowers of former police officers. Grant towards the cost of a widows' or widower's funeral may also be made if the deceased's relatives are unable to afford it. The fund may also make grants and loans to serving officers and grants to former officers.

M.P.C.H.F. - Metropolitan Police Convalescent Home Fund

- This registered charity channels police officers' contributions 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 or loan to members of the Metropolitan Police or to Metropolitan Police organisations.

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

- The fund is the umbrella organisation for 47 sporting sections of the Metropolitan Police Service. Each section is individually run but can receive assistance from the Association for its activities.

M.P.S.C. - Metropolitan Police Sports Clubs

- There are four principal Metropolitan Police sports clubs located at Bushey, Chigwell, Hayes and Imber Court.

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 above). Financial assistance is also given to five area sports and social clubs.

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

COMETS - The aim of the COMETS is the promotion of sports, social and recreational activities for MPA staff, serving or retired. Whilst the MPAA is primarily for police officers, the COMETS is mainly for the benefit of police staff.

Other Funds - A further 91 other funds administered by Authority staff have submitted returns containing financial details relating to their activities. These funds are mainly local sports and social clubs or savings clubs and service-wide organisations or associations. The figures are only in respect of 52 of these clubs etc., whose income or expenditure in their last financial year exceeded £10,000 or whose funds at their respective year end dates exceeded £10,000.

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

	£'000
Drug Trafficking Offences Act monies	19,207
Prisoners property and lost cash	1,500
Other	3,033
Total	23,740

The prisoners' property and lost cash relates to the total amount held in property stores at 31 March 2007 and has therefore been stated separately from the Police Property Act Fund value.

L Police Pensions Liabilities

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

There are two pension schemes, the Police Pension Scheme and the New Police Pension Scheme for police officers. These are both unfunded defined benefit schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated from revenue to meet the actual pensions payments as they fall due. Police officers make contributions to both schemes; in 2006-07 this amounted to £113.9 million. In 2006-07, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled to £255 million. Both schemes are accounted for in the statement of accounts of the Police Pensions Fund on pages 46 to 47.

The Authority had the following overall liabilities for pensions at 31 March 2007 that have been included in the balance sheet:

	31 March 2007	31 March 2006
Estimated liabilities in the scheme	£ million	£ million
Officer members	8,235	8,083
Deferred Pensioners	339	345
Pensioners	6,000	6,316
Total value of scheme liabilities	14,574	14,744

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 2007.

The main assumptions used in their calculations are:

	2006-07	2005-06
Rate of inflation	3.2%	3.1%
Rate of increase of salary (note a)	4.7%	4.6%
Rate of increase in pensions	3.2%	3.1%
Rate for discounting scheme liabilities (note b)	5.4%	4.9%

- a Future salary increases are assumed to be 1.5% more than price increases.
- b The current discount rate is determined by reference to the market yield on high quality corporate bonds.

The movement in the scheme liabilities for the year to 31 March 2007 can be analysed as follows:

	2006-07 £ million	2005-06 £ million
Deficit in scheme at beginning of the year	(14,744)	(12,496)
<i>Movement in year:</i>		
Current service cost including Home Office contribution	(518)	(428)
Employer contributions	321	283
Transfers from/to other authorities	(1)	(10)
Past service cost (injury benefits)	(1)	(2)
Interest cost on pension liabilities	(727)	(679)
Actuarial gain/(loss)	1,096	(1,412)
Scheme liabilities at 31 March	(14,574)	(14,744)

The actuarial gain can be further analysed as follows:

	2006-07 £ million	2005-06 £ million
Other experience gains/(losses) on liabilities	106	108
Actuarial gain / (loss)	1,096	(1,412)
Present value of liabilities	14,574	14,744
Percentage of the present value of liabilities	0.7%	0.7%

M Police Staff Pensions Liabilities

The PCSPS is an unfunded multi-employer defined benefit scheme but the Metropolitan Police Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office.

For 2006-07, employers' contributions of £95.9 million were payable to the PCSPS at one of four rates in the range 17.1% to 26.5% of pensionable pay, based on salary bands. This represented an increase over the previous year's rates of 16.2% to 25.6%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme.

N Usable Revenue Reserves

	Balance at 1 April 2006	Transfer to Reserve	Transfer from Reserve	Balance at 31 March 2007
	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves				
Airwave	0	(1,100)	0	(1,100)
Budget Pressures	(2,352)	(1,519)	1,638	(2,233)
Budget Smoothing	(24,000)	0	24,000	0
Communications Project	(20,027)	0	0	(20,027)
Cost Recovery Fund	(100)	0	90	(10)
Dilapidations	(3,000)	(3,000)	0	(6,000)
Emergencies Contingency Fund	(20,134)	0	0	(20,134)
Insurance Indemnity Fund	(170)	(170)	0	(340)
Kickz	0	(1,500)	0	(1,500)
Laming Enquiry	(101)	0	52	(49)
Legal Costs	(1,538)	0	47	(1,491)
Motor Insurance	0	(365)	0	(365)
MPA	(326)	(60)	0	(386)
Operational Costs	(9,206)	(3,182)	1,463	(10,925)
Pandemic Response	(456)	0	456	0
PFI Contract	(511)	0	25	(486)
POCA	0	(8,877)	0	(8,877)
Police Pensions	(5,000)	0	5,000	0
Property Related Costs	(7,734)	(2,501)	507	(9,728)
Protective Clothing	(354)	0	0	(354)
Publicity	0	(200)	0	(200)
Pump Priming Fund	(2,000)	0	0	(2,000)
Rent Smoothing	(4,500)	(1,000)	0	(5,500)
Systems	(392)	0	0	(392)
Vehicle Recovery Services	(3,200)	0	0	(3,200)
Total Earmarked Revenue Reserves	(105,101)	(23,474)	33,278	(95,297)
Net Movement in Revenue Reserves			9,804	
General Revenue Reserve	(28,840)	(10,060)	0	(38,900)

Airwave

Reserve for connection fee for the provision of Airwave at Heathrow Terminal 5.

Budget Smoothing Reserve

This reserve was created to provide the £24 million required to balance the budget in 2006-07. Now deleted.

Budget Pressures

This reserve was to meet specific unbudgeted pressures in 2007-08.

Communications Project

Monies set aside to provide for the development of an integrated communications system for the MPS, expected to be completed in 2007-08.

Cost Recovery Fund

This is a reserve to provide for external assistance to support cost recovery.

Dilapidations

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

Emergencies Contingency Fund

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

Insurance Indemnity Reserve

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

Kickz

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

Laming Enquiry

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

Legal Costs

To provide for the cost of potential law suits.

Motor Insurance

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

MPA

The reserve will be used to support projects that the Metropolitan Police Authority expects to undertake in 2007-08.

Operational Costs

The reserve provides for a number of operational activities that have been planned in 2006-07. The expectation is that the majority of the reserve will be used in 2007-08.

Pandemic Response

The reserve is to be used to provide for the cost of anti viral drugs in order to maintain essential services. Now closed as bill paid.

PFI Contracts

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

POCA

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

Police Pensions

Now closed.

Property Related Costs

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

Protective Clothing

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

Publicity

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

Pump Priming Fund

This reserve has been set up to encouraging new, more efficient and/or effective ways of doing business where there is a need for 'priming' monies. Any proposals would need a clear business case and member approval for any allocations from the reserve.

Rent Smoothing

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

Vehicle Recovery Services

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

Systems

The reserve contributes to the cost of developing financial systems.

General Revenue Reserve

This reserve was established to provide cover for emergencies and contingencies. The reserve has been increased to maintain its balance at 1.0% of the net revenue budget for the following year.

O Usable Capital Reserves

	Usable Capital Reserves				
	Usable Capital Receipts £'000	C3i/Airwave Capital Reserve £'000	Earmarked Capital Reserve £'000	Capital Grant Reserve £'000	Total £'000
Balance as at 01.04.2006	(46,094)	(7,629)	(1,031)	(16,228)	(70,982)
Grants applied in year	0	(20,000)	(9,294)	(45,168)	(74,462)
Proceeds of disposals	(37,994)	0	0	0	(37,994)
Financing of Fixed Assets	12,832	23,096	9,953	43,140	89,021
Balance as at 31.03.2007	(71,256)	(4,533)	(372)	(18,256)	(94,417)
Net movement for year					(23,435)

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.

C3i/Airwave Capital Reserve

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

Earmarked Capital Reserve

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

Capital Grant Reserve

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

P Accounting Reserves and Long Term Liability

	Accounting Reserves		Long Term Liability	Total
	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Government Grant Deferred Account £'000	£'000
Balance as at 01.04.2006	(1,405,491)	(75,280)	(60,089)	(1,540,860)
Minimum Revenue Provision Adjustment	0	(12,129)	0	(12,129)
Transfers during year	0	(43,820)	43,820	0
Revaluation of Fixed Assets	(23,853)	0	0	(23,853)
Financing of Fixed Assets	0	(12,831)	(76,190)	(89,021)
Depreciation	0	96,846	0	96,846
RCCO	0	(15,965)	0	(15,965)
Capital expenditure adjustment	11,954	309	0	12,263
Cost of assets disposed	36,593	0	0	36,593
Balance as at 31.03.2007	(1,380,797)	(62,870)	(92,459)	(1,536,126)

Accounting Reserves

Fixed Asset Restatement Account

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

Capital Financing Account

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

Long Term Liability

Government Grant Deferred Account

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

SORP 2006 requires the Government Grant Deferred Account to be shown as a Long Term Liability.

Q Police Officer Pension Reserve

	Police Officer Pension Reserve			
	2006-07 £'000	2005-06 £'000	2004-05 £'000	2003-04 £'000
Balance as at 1 April <i>percentage change over previous year</i>	14,743,987 17.98%	12,496,488 33.28%	9,375,973 6.37%	8,814,650
Actuarial gain <i>percentage change over previous year</i>	(1,095,714) (177.59)%	1,412,100 (43)%	2,461,502 18588.80%	13,171
Revenue Reserve movement <i>percentage change over previous year</i>	926,127 10.86%	835,399 26.77%	659,013 20.22%	548,152
Balance as at 31 March <i>percentage change over previous year</i>	14,574,400 (1.15)%	14,743,987 17.99%	12,496,488 33.28%	9,375,973

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 FRS 17.

Notes to the Cash Flow Statement

R Reconciliation of Surplus to revenue cash flow

2005-06 £'000		2006-07 £'000
(432)	(Surplus)	(10,060)
	Non-cash Transactions	
(10,813)	Net Transfer from Reserves	(18,290)
(1,288)	Net Transfer from Provisions	(1,701)
	Items on an Accruals Basis	
(4,704)	(Increase)/decrease in Revenue Creditors	(11,717)
(441)	Increase/(decrease) in Stocks	252
7,240	Increase/(decrease) in Debtors	13,126
	Items Shown Later in the Cashflow Statement	
12,838	Investment Income	14,617
(4,430)	Interest Paid	(3,452)
(2,030)	Net Cashflow from Revenue Activities	(17,225)

S Analysis of cash balances

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

	Balance 31.03.2006 £'000	Balance 31.03.2007 £'000	Movement in the year £'000
Cash and bank	(804)	1,571	2,375

T Analysis of Net Debt (liquid resources)

	Balance 31.03.2006 £'000	Cash Flow £'000	Balance 31.03.2007 £'000
Cash at bank and in hand	(804)	2,375	1,571
Debt due within 1 year	(13,500)	(1,500)	(15,000)
Debt due after 1 year	(57,337)	15,000	(42,337)
Short Term Investments	172,500	(33,500)	139,000
Total	100,859	(17,625)	83,234

Police Officer Pension Fund Revenue Account

(for the year to 31 March 2007)

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.

	Note	31 March 2007 £'000
Contributions receivable		
Employer contributions	1	(254,974)
Officer contributions	2	(113,892)
Additional income	3	(4,922)
Employer additional funding	4	(38,410)
Net Income		(412,198)
Transfers	5	
Transfers in from other schemes		(6,031)
Transfers out to other schemes		1,790
Net movement		(416,439)
Benefits payable		
Pensions paid		322,755
Lump sum payments		93,493
Other payments	6	191
Net Expenditure		416,439
Surplus on Fund		0

Police Officer Pension Fund Asset Statement

(for the year to 31 March 2007)

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.

		31 March 2007
	Notes	£'000
Net Current Assets	a	0
Net Current Liabilities	a	0
Total		0

Notes to the Police Officer Pension Fund Account

The Police Officer Pension Fund combines the accounting transactions of two pensions 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 2006.

The Police Officer Pension Fund which is managed by the Metropolitan Police Service 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 2007-08 to cover the deficit in year.

These accounts have been prepared using CIPFA's Pension SORP and the SORP 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 draft 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 17 to 20. The MPA administers the Fund through its accounting and banking systems. Details of the two Schemes' actuarial report can be seen on page 39 in the notes to the balance sheet. The cost of pensions can be seen on page 27 in note 5 to the income and expenditure account.

These accounts are audited by the Audit Commission and their opinion is included in that of the MPA on page 5.

Revenue Account Notes

1 Employer contributions

Employer contributions are calculated at 24.6% of police officer pensionable pay.

2 Officer contributions

Contributions by officers are deducted from officer wages at a rate of 11% of pensionable pay.

3 Additional income

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

4 Employer additional funding

This sum represents additional funding required to provide for payment to pensioners. It represents additional funding of £13 million received by the MPS in 2006-07 and a statutory transfer from the police fund in respect of a further sum of £25 million to be received in 2007-08. Both sums being paid by the Home Office.

5 Transfers

These represent lump sums transferred to and from other pensions schemes depending on whether the police officers were joining or leaving the MPS.

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 having been processed through the MPS.

8 Additional Voluntary Contributions

Additional voluntary contributions made by Officers amounted to £60,755 for 2006-07.

9 Members of the Scheme

The Pension Fund also administers pensions on behalf of members of H M Inspectorate of Constabulary. There are 4 HMIC staff who are working members of the scheme and 20 HMIC pensioners and 6 dependants pensioners.

Asset Statement notes

a There were no accruals or prepayments on payments to pensioners or contributions received from MPS or Police Officers.

All amounts due from Home Office in respect of funding shortfalls are the responsibility of the MPA and accordingly have been included in the balance sheet of the MPA.

Glossary of Terms

Assistance to the Public

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

Budget

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

Capital Expenditure

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

Capital Receipts

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

Corporate Democratic Core Costs

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

Credit Arrangements

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

Creditors

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

Debtors

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

Employee Costs

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

Finance Lease

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

Government Grants

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

Investigating Crime

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

Long Term Debtors

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

Minimum Revenue Provision

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

Non Distributed Costs

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

Operating Lease

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

PCSPS

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

Promoting Public Safety

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

Provision

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

Reducing Crime

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

Revenue Expenditure

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

Revenue Reserves

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

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