



**Metropolitan Police Authority**

Metropolitan Police Authority  
**Statement of Accounts 2009/10**



**METROPOLITAN  
POLICE**

Working together for a safer London

# Metropolitan Police Authority

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# Foreword to the Accounts

## Background

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

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

## The Accounts

The Statement of Accounts sets out the overall financial position of the Metropolitan Police Authority (MPA) for the year ending 31 March 2010. 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.

The Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting. The accounts are supported by notes to the accounts to assist the reader in understanding the figures.

The Statement consists of:

- The Statement of Responsibilities for the accounts;
- The Annual Governance Statement;
- The Accounting Policies on which the accounts are based;
- The Income and Expenditure Account - summarising the resources generated and consumed in the year. The Income and Expenditure account as shown at page 29 shows a deficit of £928 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 revenue reserves, the deficit is offset in the Statement of Movement on the General Fund Balance to provide a balanced budget with no transfers to and from the General Reserve;
- Statement of the Movement on the General Fund Balance - showing how the balance of resources generated and consumed in the year links with the statutory requirements for raising funding through council tax;
- Statement of Total Recognised Gains and Losses – this statement shows the increase or decrease in the Authority's net worth by bringing together the gains and losses in the Balance Sheet with the outturn on the income and expenditure account;
- The Balance Sheet, which sets out the financial position of the Authority at 31 March 2010;
- The Cash Flow Statement, summarising the inflows and outflows of cash; and
- The Police Officer Pension Fund, providing statements for revenue account, assets and liabilities.

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

## Summary of the changes for 2009/10

The UK Generally Accepted Accounting Practice (UK GAAP) forms the basis for the CIPFA Local Government Accounting Code of Practice to which this Authority complies. CIPFA produce an annual Statement of Recommended Practice (SORP) to indicate how the UK GAAP should be applied to the production of the Statement of Accounts.

There are a number of changes required by the 2009 CIPFA SORP in the presentation of the 2009/10 accounts. Where necessary the MPA has restated the 2008/09 figures to ensure comparison. The changes are described below:

- The 2009/10 Statement of Accounts shows its two PFI contracts as assets on the Balance Sheet as well as showing a liability for payments to the contractor(s) for these contracts. This SORP requirement is consistent with the International Financial Reporting Standards (IFRS) for PFI contracts and therefore helps to smooth the transition to IFRS based accounts in 2010/11. The MPA has restated the prior year comparatives in the Balance Sheet. Details of the impact of the change in accounting for Private Finance Initiative (PFI) can be found on page 45.
- The Best Value Accounting Code of Practice (BVACOP) issued by CIPFA has stated that for 2009/10 the figure for Total Policing Services as stated in the Income and Expenditure Account must be analysed between nine divisions of service to provide greater clarity of how the costs of the MPA are used to support its operations. The MPA has also restated the prior year comparatives in the Income and Expenditure Account.
- Guidance notes published by CIPFA in relation to the nine BVACOP divisions of service have also provided greater clarity on the treatment of special and supplementary grants, (previously reported under the heading 'Other Grants' in the Income and Expenditure Account). This has led the MPA to reclassify some of the grants as directly attributed to services and to report them within the 'Net Cost of Policing Services'. The MPA has therefore restated the prior year comparatives in the Income and Expenditure Account.
- In recognition of the significant number of additional disclosures which will be required under IFRS next year, the 2009 CIPFA SORP has removed the need to disclose less essential information such as publicity costs on the basis that information does not directly contribute to the understanding of the overall financial transactions of the Authority.

There is also a new requirement within the Accounts and Audit (Amendment No 2) Act 2009 to provide greater disclosure of the remuneration of relevant police officers and senior MPA/MPS staff in the Statement of Accounts (except where a duty of confidentiality already exists). Specific individual remuneration details have been provided:

- For the Commissioner;
- For all police officers and MPA/MPS staff earning a salary over £150,000;
- Where MPA/MPS staff receive £50,000 or more and are a designated head of paid service, a statutory or non statutory chief officer and/or have power to direct or control major activities of their respective bodies.

Comparative remuneration figures for 2008/09 have been restated to increase transparency. Minor changes have also been made in respect of the requirement to disclose the number of employees whose taxable remuneration was over £50,000, lowering the banding scale from £10,000 to £5,000 in line with the new regulations.

Next year will see significant changes to the Statement of Accounts as the MPA adopts the International Financial Reporting Standards.

## **Financial Performance for the year**

### **Setting the budget**

The Mayor and London Assembly set the budget for 2009/10 following the submission of proposals by the MPA. The approved budget provided for net expenditure of £3,203.5 million which included savings and efficiencies of £92.3 million identified to ensure a balanced budget.

## Final Accounts

The provisional outturn for 2009/10 presented to the Authority represents a balanced budget position after taking into account various contributions to earmarked reserves to support expenditure on the Service Improvement Plan Fund, Climate Change Action Plan, Partnership Funding, Transforming HR and the Modernisation Programme.

The table below provides a summary of the final outturn position for 2009/10, following transfers to reserves, compared to the approved budget:

Original Budget £m		Revised Budget £m	Actual £m	Variation £m
3,203.5	Net expenditure	3,256.3	3,253.5	(2.8)
(563.2)	Home Office Grants	(588.1)	(591.4)	(3.3)
0	Transfer to/(from) reserves	(27.9)	(21.8)	6.1
2,640.3	Amount to be met by Local Taxation and Government Grants	2,640.3	2,640.3	0.0
	<i>Financed by:</i>			
662.0	Precept	662.0	662.0	0.0
1,978.3	General Government Grants	1,978.3	1,978.3	0.0

The most significant underspends against budget were on police officer pay (£18.3m) and police staff pay (£6.2m). The underspend on police officer pay was principally due to the under-strength position throughout the year and reductions in the amount of special priority payments and compensatory grant paid to officers. The underspend on police staff pay is principally due to the under strength position and also a reduction in the use of agency staff. In addition to this other favourable variances were over achievements against budget on other income (£3m) and specific grant (£3.2m). The main areas of overspending were police officer overtime (£7.6m), principally due to policing of the G20 summit, Tamil ceasefire and Climate Camp demonstrations, and supplies and services (£9.9m), principally due to information technology costs for the Transforming Human Resources (£4.8m), Counter Terrorism (£2.7m), the Dangerous Dogs Act (£1.2m), and Operational Technology Support Unit evidential analysis (£0.8m).

The financial year 2009/10 presented a number of key challenges, particularly around the G20 summit, Tamil and Climate Camp demonstrations, Olympics planning, increasing fuel prices, increasing activity relating to dangerous dogs and requirements for evidential analysis of CCTV and other data, as well as slippage on the introduction of Integrated Prosecution Teams, Finance & Resources Modernisation and Transforming HR. All of these issues together with the MPS having the lowest percentage increase in budget of any Police Service in the country have made financial management a key issue during the year.

## Capital Finance

Capital expenditure for 2009/10 was financed by specific grant, borrowing, capital receipts and revenue contributions. The projects which had capital expenditure against their budget are set out below:

<b>Original Budget £000</b>		<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variation £000</b>
60,954	Property Based Programme	50,500	47,816	(2,684)
82,832	Information Based Programme	98,666	82,355	(16,311)
2,000	C3i Programme – Command, Control, Communications & Information	4,120	1,974	(2,146)
0	MPA Information Technology	0	15	15
13,800	Transport Based Expenditure	16,711	15,159	(1,552)
555	Other Plant and Equipment	457	247	( 210)
3,700	Language Programme	3,700	56	(3,644)
14,888	Safer Neighbourhood	19,739	21,767	2,028
27,066	Olympics & Paralympics	1,190	405	( 785)
10,350	Counter Terrorism	11,186	11,386	200
0	ACPO TAM	7,774	5,118	(2,656)
<b>216,145</b>	<b>Total</b>	<b>214,043</b>	<b>186,298</b>	<b>(27,745)</b>

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

Capital expenditure on Authority assets in 2009/10 was financed, in accordance with the Prudential Code, from borrowing of £49.0 million, government capital grants and other third party contributions of £62.6 million, capital receipts of £34.1 million and a revenue contribution of £40.7 million.

Borrowing at the beginning of the year was £47.3 million. There was £80 million new long-term borrowing undertaken during 2009/10. Settlement of maturing debt during the year totalled £ 5.4 million. As a result, as at 31 March 2010, the level of outstanding debt totalled £122.0 million. Capital receipts of £29.5 million were generated from the disposal of tangible fixed assets during the year.

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 improved working conditions and the public with accessible buildings in the right locations. The downturn in the economy has affected the level of receipts that can be generated through property disposals. The ability of the Authority to generate receipts will continue to be significantly affected by the volatility of the property market. Therefore capital expenditure in future years has been reduced with many projects and programmes including those related to the modernisation of the estates having to be delayed and/or delivered over more years than originally anticipated.

## **The Balance Sheet**

### **Final Accounts**

In accordance with SORP 2009 the Authority has recognised assets in the Balance Sheet arising from its PFI contracts. There are two PFI contracts, one in respect of four police stations and the other for a police training ground. The contracts involved the construction of appropriate buildings and to provide continuing support services over the lease period. Both the contracts commenced in 2003 and at that point in time the fair value of the buildings was £135.4 million and a liability to repay the contract for the construction costs of £135.4 million was recognised. The value of the assets were subsequently written down and revalued and the liabilities simultaneously adjusted for repayments made up to 1 April 2008. The value used to restate the opening Balance Sheet at 1 April 2008 is £114.0 million and the value of

the liabilities to the contractor is £111.2 million. It is considered that the overall impact of this accounting treatment for PFIs is not significant in terms of increasing the net worth of the Authority.

## **Reserves**

The Authority's policy is to have a General Reserve at a minimum of 2% of net budgeted expenditure, provided that there are appropriate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control. The General Reserve remained at £47.5 million at 31 March 2010. The other uncommitted reserve is the Emergencies Contingency Reserve (£23.1 million), which is an earmarked reserve. Together these uncommitted reserves total £70.6 million, 2.7% of the 2009/10 budget requirements.

## **Pensions**

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed on the Balance Sheet, 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 to finance the liability the Authority makes a pension contribution of 24.2%, 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 2010/11**

The 2010/11 budget requirements were set at £2,673.3 million, an increase of 1.25% over the 2009/10 figure. The budget is funded by General Government Grant £2,027.8 million and council tax income of £645.6 million. The policing element of the Band D council tax precept for 2010/11 is £216.83.

## **Corporate Governance**

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

# Independent auditor's report to Members of the Metropolitan Police Authority

## Opinion on the accounting statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of the Metropolitan Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, 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 Account, the Net Assets Statement and the related notes. The accounting 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 members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

## Respective responsibilities of the MPA Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting 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 accounting statements, the police pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and

regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- 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 governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I 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 accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword to the accounting statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. 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 accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, 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 accounting statements, the police pension fund accounting statements and related notes 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 accounting statements, the police pension fund accounting statements and related notes.

## Opinion

In my opinion:

- the accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- the police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

## **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 regularly to review the adequacy and effectiveness of these arrangements.

### **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 published in May 2008 and updated in October 2009. 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.

### **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 May 2008 and updated in October 2009, and the supporting guidance, 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 2010.

### **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.

**L.J. Kidner**  
**District Auditor**  
Audit Commission  
1st Floor, Millbank Tower  
Millbank  
London SW1P 4HQ  
30 September 2010

# **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.

**Kit Malthouse**  
**Chair of the Metropolitan Police Authority**  
**September 2010**

## **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 judgments 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 present a true and fair view of the financial position of the Metropolitan Police Authority at 31 March 2010 and its income and expenditure for the period then ended.

**Robert Atkins**  
**Treasurer**  
**September 2010**

To:  
Mr L.J. Kidner  
District Auditor  
First floor, Millbank Tower  
Millbank  
London  
SW1P 4HQ

## **Metropolitan Police Authority - Audit for the year ended 31 March 2010**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of the Metropolitan Police Authority and Metropolitan Police Service, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2010. All representations cover the Authority's accounts and Police Officer Pension Fund accounts included within the financial statements.

### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Authority and for making accurate representations to you.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error. There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Law, regulations, contractual arrangements and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no

non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Fair Values**

I confirm the reasonableness of the significant assumptions within the financial statements. For all assumptions, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement.

### **Assets**

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

### **Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in the note to the financial statements we have no other lines of credit arrangements.

### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### **Related party transactions**

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### **Post balance sheet events**

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements. The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Specific representations**

#### **Covert accounts**

We confirm that the financial transactions maintained for police covert activity are materially accurate.

**Bank accounts**

We are not aware of any bank accounts held by the Authority that have not been disclosed in the financial statements.

**PFI**

There have been no variations or amendments to the terms of either of the PFI contracts below of which the auditor has not been notified which could have a material effect on the value of PFI assets, liabilities and related expenditure disclosed in the financial statements.

- Contract 1 – South London police stations; and
- Contract 2 – Gravesend public order and firearms training centre.

I confirm that this letter has been discussed and agreed by the Authority on 24 June 2010.

Signed on behalf of the Metropolitan Police Authority.

Mr Bob Atkins  
MPA Treasurer

Signed .....

27 September 2010

Ms Catherine Crawford  
MPA Chief Executive

Signed .....

27 September 2010

Lord Toby Harris  
Chair of MPA Corporate Governance Committee

Signed .....

27 September 2010

# Annual Governance Statement

Position as at 31 March 2010 including plans for the financial year 2010-11

## 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. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the Authority places reliance on the Commissioner to support the governance and risk management processes.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. A copy is on our website at [www.mpa.gov.uk](http://www.mpa.gov.uk) or can be obtained from the Treasury Team, Metropolitan Police Authority, 10 Dean Farrar Street London, SW1H 0NY. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendments) (England) Regulations 2006 in relation to the publication of a statement on internal control.

A more detailed Statement of Assurance for the MPS signed by the Commissioner supports the Authority's overarching Governance Statement.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve 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 governance framework has been in place at the Authority for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

## 3. The Governance Framework

The key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Authority and MPS include:

### Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

Authority members are responsible for the vision, strategic direction and priorities for the Authority, and are advised by the senior management team who also advise and support members in influencing and shaping the strategic direction and priorities for the policing of

London. Environmental scanning forms an important part of the identification of local and national expectations.

MetForward is the Authority's strategic framework providing details of the strategic priorities within which the Authority will operate over the next three years. Enabling the Authority to discharge its functions effectively and ensure delivery of the policing plan and other key priorities.

Within the MPS the annual Corporate Strategic Assessment process identifies, through environmental scanning, crime intelligence, strategic capability and stakeholder analysis, the policing priorities outlined in the Policing London Business Plan. Public consultation forms an important part of the process with a number of consultation processes being used to identify public priorities. The plan covers a three-year period and provides details of the MPS's corporate objectives, outlining what the MPS intend to do to deliver these objectives. The plan also describes how the delivery of these objectives will be monitored through the use of Critical Performance Areas and targets. Full Authority agrees the plan on an annual basis.

In addition, both the Full Authority and the Strategic and Operational Policing Committee meet regularly to consider the strategic direction, plans and progress of the Authority and MPS. A range of member committees regularly review specific policy areas. These formal meetings are held in public and papers are available on the internet.

### **Reviewing the Authority's vision and its implications for governance arrangements**

The Authority's vision was reviewed in 2008/09 at the start of the new four-year term of office, the outcome of which MetForward, was approved by Full Authority in April 2009. A new committee structure supporting this and enabling the Authority to adopt a more strategic approach to its oversight of the MPS and the setting of policy priorities was approved in 2008/09 and reviewed in 2009/10.

All committee work programmes have been reviewed to ensure actions are in place to deliver the Met Forward agenda. The annual review of the local code of corporate governance framework has not highlighted the need for any revisions.

### **Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources**

The Strategic and Operational Policing Committee is responsible for monitoring performance and ensuring that MPS policy, planning and business change results in improved operational performance and productivity in respect of key priorities and targets. In addition, the Full Authority receives performance information on a monthly basis with members of the Authority using the information provided to hold the Commissioner to account.

Within the MPS the Performance Board is responsible for monitoring key performance.

The Authority regularly scrutinises budgets throughout the financial year to ensure they represent best use of resources. Budgets are scrutinised both as part of the business planning process, with all business groups' budgets being subject to members' scrutiny of their savings and growth proposals and as part of budget monitoring with the Authority's Finance and Resources Committee receiving regular monitoring reports. Additional scrutiny is provided by the Resources and Productivity Sub Committee.

As part of the Policing London Business Plan the MPS is required to demonstrate cashable efficiency savings of 9.3% over 3 years from 2008/09. Achievement in meeting these savings is monitored by HMIC. In addition, Finance and Resources Committee monitor progress through quarterly update reports.



## **Defining and documenting the roles and responsibilities of the Authority and MPS and the members and senior officers within each, setting out clear delegation arrangements and protocols for effective communication, and arrangements for challenging and scrutinising the services' activity**

The roles and responsibilities of each of the Authority's Committees are clearly defined in their individual terms of reference. These include arrangements for challenging and scrutinising the MPS's activity.

The Authority's Standing Orders, which are reviewed on an annual basis, provide for the delegation of Authority functions and decision making to committees, sub committees, panels and senior officers and includes a scheme of delegation that sets out those decisions that the Authority has delegated to its officers and the Commissioner.

A statement of members' role, responsibilities and expectations was agreed by Full Authority in September. The statement aims to increase members' awareness of their roles and responsibilities, thereby improving their effectiveness as members of the Authority.

## **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members, officers and staff**

Members are bound by the statutory Code of Conduct that form part of Standing Orders, and Standards Committee is responsible for ensuring that members are aware of their responsibilities under the code and receive guidance on ethical standards and behaviour. All members are offered training on standards and the code of conduct as part of the induction process. The Authority's Standards Committee have developed key standard indicators that are used to monitor ethical and good practice standards in the Authority.

The Authority has in place a set of values and behaviours which support the corporate strategy. These are currently being reviewed to ensure they are aligned with MetForward, the Authority's strategic framework.

The Good Conduct and Anti Fraud Policy forms part of standing orders and is applicable to both Members and employees of the Authority and the MPS and also all external persons that the Authority does business with. Following the success of the fraud awareness workshops provided during 2008/09 The MPA/MPS have agreed to jointly fund further Audit Commission workshops during 2010/11 to further raise fraud awareness within both organisations.

Within the MPS the Professional Standards Directorate are the lead for this area, with the MPS Professional Standards Strategic Committee overseeing strategy and policy. The Committee is supported by a professional standards support programme which is responsible for reducing specific risks identified with the operational command units. The strategic intelligence assessment assesses risks relating to corruption and wrongdoing of MPS staff.

## **Reviewing and updating standing orders and supporting documentation, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Authority's decision making process is clearly defined in standing orders and supporting financial instructions and these are reviewed on an annual basis to ensure they continue to be fit for purpose. A review of standing orders was last completed in 2009 with the Full Authority approving the revisions in June 2009 and this year's annual review of standing orders is currently underway.

Within the MPS financial instructions and supporting procedure notes and manuals are reviewed and updated regularly to ensure they remain fit for purpose. A review of the scheme of delegation has taken place to ensure appropriateness of the scheme as part of the overall MPS corporate governance framework.

The Corporate Governance Committee is responsible for risk management activity within the Authority and MPS, ensuring that risk management processes and programmes operate effectively in accordance with the risk management statement and supporting strategies. There is a joint risk management statement between the Authority and MPS, which sets out the vision and objectives for risk management and the differing roles of the Authority and MPS.

Within the MPS there is also a corporate risk register, risk management policy and a business risk maturity model in place. Risk management is a standing item on the Governance Board and the risk managers' together forum.

The Authority has developed a risk register that is reviewed regularly by the Senior Management Team, actions from which are embedded in corporate and teamwork plans

### **Undertaking the core functions of an Audit Committee**

The Corporate Governance Committee provides the core functions of an Audit Committee and in line with CIPFA guidance considers issues relating to internal control, risk management and financial reporting, including the annual scrutiny of the statement of accounts. The Committee also provides a forum to discuss areas of concern raised either by internal or external audit as well as Health and Safety scrutiny.

In addition to the Authority members that sit on Corporate Governance Committee there are also two co-optees. These members bring additional expertise in their areas of competence i.e. health and safety and risk management.

In line with good practice a review of the effectiveness of the Corporate Governance Committee was undertaken during 2009/10. This concluded that the committee was dealing with its key areas of business in accordance with its terms of reference and CIPFA guidance. A number of opportunities to change were recommended and these are in the process of being implemented.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful**

The Authority has a duty to ensure that it acts in accordance with the law and various regulations. Standing orders and supporting policies and procedures have been produced to ensure officers, within the Authority and MPS understand their responsibilities. These, and compliance with them, are reviewed regularly both internally and by the appropriate committees, and all Committee reports must consider the legal implications of their proposals.

Professionally qualified staff occupy key roles throughout the MPS and the Authority with external advice sought as and when needed. 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. During 2009/10 the role of Monitoring Officer was delegated to the Head of the Corporate Secretariat. The recently appointed Solicitor to the Authority will in future take on this role.

Within the MPS, all reports to Management Board and Investment Board must consider legal implications and the scheme of delegation requires legal advice to be sought from the Directorate of Legal Services before the MPS enters into any form of commitment. The Policy Co-Ordination Unit is responsible for overseeing all key aspects of policy, quality assuring all policies and overseeing the monitoring of corporate policies. Purchasing processes within the MPS have recently been reviewed to ensure compliance with policies and procedures.

### **Whistleblowing, receiving complaints from the public and handling citizen and other redress**

Within the Authority the Corporate Secretariat provide the central point for receiving complaints sent to the Authority. The Professional Standards Cases sub-committee considers complaints made about police officers. The Committee will consider whether or not there is a matter to be investigated, arranging for an investigation if a need is identified.

Complaints made about the Authority or a member of staff are initially dealt with by the relevant line manager, being referred on to the corporate complaints officer and the Local Government Ombudsman if need be. Complaints made against members are investigated by the Standards Committee.

Within the MPS the Confidence Satisfaction and Standards Unit are responsible for receiving, monitoring and resolving quality of service complaints. The Authority has access to the MPS's complaints database and regular reports are provided to the MPA Professional Standards and Complaints Committee.

Arrangements are in place for members of the public to report internal fraud in the MPS or the Authority via its website.

The Authority has a whistleblowing policy for its own staff and the MPS have a "Reporting Wrongdoing Policy" which sets out the whistleblowing arrangements for the MPS, including compliance with the 1998 Public Interest Disclosure Act. Internal Audit is one of the contact points for reporting wrongdoing.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training The Authority's appraisal process ensures that work related and personal development objectives of all staff within the Authority are properly identified, managed and monitored.

A new member assessment and development process has been put in place. All members now receive an annual assessment of their individual performance, including an optional training needs analysis, supplementing the training offered as part of the induction programme for all new members and the regular lunchtime briefings. In addition a member development programme is currently being developed. Within the MPS the Personal Development Review process identifies, manages and monitors the work related and personal development opportunities for all staff. The Leadership Academy trains and develops new and existing managers through values based leadership development programmes and interventions. There are also structured induction/probation programmes and mandatory training for new supervisors and line managers. The human resources scorecard reports are discussed at monthly human resources board meetings, and training issues at training management board.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Authority and MPS work in partnership to consult on all relevant plans, policies and proposals such as the Policing London Business Plan and Budget and take the results of the consultation into account prior to making decisions. Areas include:

- Understanding Community Views on Policing - making arrangements, in consultation with the Commissioner, for obtaining the views of people in the area about matters concerning their policing.
- Consultation on Police Objectives – ensuring that in the development of annual policing objectives, the Authority has regard to issues raised in local consultative arrangements; that separate consultative arrangements are put in place by the Authority for each London Borough in consultation with its respective local authority.
- Crime and Disorder Partnerships – to ensure that local people's views on crime and disorder reduction priorities are included in the development of local crime and disorder Strategic Assessment and in the planning and implementing the crime and disorder partnership plan.
- Local Strategic Partnerships, and Local Area Agreements – Police Authorities have a legal duty to co-operate in determining LAA targets and have regard to those targets linking LAA targets, Policing Plan targets and CDRPs
- Safer Neighbourhood Panels and the associated communication strategy are seen as key in engaging with the community.

A MPA and MPS community engagement commitment 2010-2013 (formally known as the community engagement strategy) has been drafted and action plans re it's delivery are currently being drawn up.

The Community, Equalities and People Committee ensures oversight of community engagement, with the practical implementation of community engagement continuing to be supported by the work of a broad section of the Authority, through monitoring and scrutiny work and by the specialist support of its Engagement and Partnerships Unit.

A new round of Joint Engagement meetings is due to commence in May 2010 whereby key borough stakeholders will be brought together with the Authority's Chair to facilitate joint problem solving on issues related to crime and public safety.

### **Incorporating good governance arrangements in respect of partnerships**

The Authority has strengthened governance arrangements for Community Policing Engagement Groups (CPEGs) to ensure they are properly held to account for the funding they receive. Bids for funding for 2010/11 have been reviewed and approved by members of the Community Engagement and Citizen Focus Sub Committee.

As a responsible authority of each borough's crime and disorder reduction partnership (CDRP), the Authority undertakes it duty through assigning a link officer to each of the 32 CPEGs. This helps ensure the Authority's views are represented in the general development of their work and in the development of borough based community safety priorities and their incorporation into the work of local strategic partnerships and their Local Area Agreement developments. The link officers also ensure there is two way communications between the CPEGs and the Authority. These officers work with Authority members, supporting them when they are attached to Boroughs as link members. The Community Engagement and Citizen Focus Sub Committee's terms of reference require oversight and guidance of the CDRP work and additionally the officers also report back through the internal management structure of the Authority.

Within the MPS there is a Partnerships strategy supported by a web-enabled partnerships toolkit, which provides guidance for all partnership working, MPS finance regulations and specific guidance for EU funding bids. As well as a partnerships best practice network, a partnership central steering group has been set up which has representation from across the Authority and MPS. A partnerships central database is in place which is updated quarterly and links in with the Medium Term Financial Plan (MTFP) and monthly revenue forecast. This database is also used to assess and manage risks. There are accounting arrangements in place for partnerships and these are specified in the finance manual. Budgets and fixed expenditure are separately accounted for in the finance system and monthly reviews and a year-end review of financial and operational performance of partnerships are carried out by Finance Services.

## **4. Review of effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including

- The system of internal audit
- The system of internal control

A group of senior officers within the Authority have undertaken a review of effectiveness of the governance framework using as it's basis the Authority's self assessment framework and taking into account the work of internal auditors and also managers within the Authority who have responsibility for the development and maintenance of the governance environment. In addition, comments made by the external auditors and other review agencies and inspectorates have informed this review. The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

- **The Authority**

The Authority has overall responsibility for the discharge of all the powers and duties placed on it and has a statutory duty to 'maintain an efficient and effective police force'. The Authority will from time to time receive reports on governance issues. However as detailed in standing orders, the Authority has delegated responsibility for the review and maintenance of the governance framework to Corporate Governance Committee and therefore that Committee discusses the majority of governance issues, with reports being referred to the Authority as and when felt appropriate. During the year and following concerns raised at Resources and Productivity Sub Committee with regard contract compliance, the Full Authority received a section 5 report from the monitoring officer. Progress in addressing this has continued to be monitored by the Sub Committee and there is clear action plan in place to ensure the Authority is in a compliant position by December 2010

- **The Metropolitan Police Service**

The Commissioner has responsibility for conducting a review of the effectiveness of the governance framework within the MPS at least annually. This review is informed by the work of the Director of Resources, Director of Audit Risk and Assurance and managers within the MPS who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2009/10 the officers of the Authority have placed reliance on this review and the MPS's resulting Annual Assurance Statement.

- **Corporate Governance Committee**

The Authority has delegated responsibility for reviewing and maintaining the effectiveness of the governance framework to the Corporate Governance Committee, with the Committee receiving regular reports on governance issues at it's quarterly meetings. During 2009/10, and in addition to the regular update reports on governance and risk issues, the Committee also received a number of reports on specific governance issues, including reports relating to recording and reporting of gifts and hospitalities within the Authority and MPS, the Audit Commission review of Internal Audit, a separate review of the effectiveness of Corporate Governance Committee and the outcome of a review into the award of contracts to Impact Plus

The Committee reviews and approves the Annual Governance Statement for inclusion in the Annual Statement of Accounts and receives quarterly update reports on progress made in addressing significant governance issues included in it.

- **The Standards Committee**

Standards Committee is responsible for promoting and maintaining high standards of conduct by members of the Authority and as part of the review and maintenance of an effective governance framework the Committee monitors key standard indicators on a regular basis.

The Assessment Sub-Committee of the Standards Committee convened twice during 2009/10 and considered complaints against an external member of an Authority committee and against a member of the Authority, in both cases deciding that no further action was needed. In addition a sub-committee of the Standards Committee was set up to consider a matter relating to the appointment of an external representative of the Authority's Section Panel. The Sub-Committee decided to recommend to the Home Secretary that they be removed from the membership of the selection panel.

In addition to the regular standard indicator reports, the committee also considered reports with regard to new regulations for Standard Committees which came into force in June 2009, and a report on members expenses, gifts and hospitality

- **Internal Audit**

In maintaining and reviewing the governance framework, the Treasurer places reliance on the work undertaken by Internal Audit and in particular Internal Audit reports to the Chief Executive

and the Corporate Governance Committee and the Director of Audit and Risk and Assurance's independent opinion on the adequacy and effectiveness of the system of internal control. For 2009/10 the Director of Audit and Risk and Assurance is of the opinion, taking into account all available evidence, that the internal control environment has improved and there is a positive direction of travel with clearly defined plans in place to address areas identified for further improvement but overall the control environment is not yet fully effective.

- **External Audit**

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the Authority's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports. In 2009/10 the annual letter highlighted amongst other things the need for continued monitoring of the Authority's financial position and the strength of reserves; ensuring members continue to receive reports in relation to the collectability of Landsbanki deposits and the need for the Authority to ensure effective control of treasury management functions. The letter also made reference to the unqualified opinion given by the District Auditor in relation to both the financial statements and value for money conclusion.

- **Her Majesty's Inspectorate of Constabulary**

Her Majesty's Inspectorate of Constabulary (HMIC) are charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally. HMIC delivered inspections in several areas during 2009/10, these included the police "scorecard". This assessed the approach to service delivery and value for money. There were two borough inspections - Westminster and Barking and Dagenham, both of which highlighted several concerns about the way the boroughs were being run. Action plans have been put into place to address the problems identified. Like all forces, the MPS's approach to delivering the policing pledge was assessed. The MPS were graded "fair". There were also several joint inspections of custody all of which found much good practice, but also significant areas for improvement. The Authority was also inspected by a joint team from HMIC and the Audit Commission. The joint team concluded, amongst other things, that the Authority is performing adequately and has made significant improvements in its governance of the MPS in the past three years, it is well placed to improve further. The inspection report also stated that the Authority is strengthening systems, processes and governance.

- In addition to the above other review/assurance mechanisms such as the Health and Safety Inspectorate are also relied upon.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Corporate Governance Committee and a plan to address significant governance issues is in place as detailed in section 5 below.

## 5. Significant Governance Issues

	<b>Governance Issues</b>	<b>Action</b>
1	<p><b>Risk management</b></p> <p>Whilst there continues to be improvements in the effectiveness of the framework for assessing and managing risk within the MPA and MPS with increased oversight within the MPA and MPS, continued development of the MPA and MPS corporate risk registers and the introduction of a risk maturity model in the MPS, further work is needed in embedding risk management across the organisation.</p>	<p>Improve risk maturity within the MPS through building on improvements made and continuing to put in place processes that ensure risk management is embedded throughout the organisation.</p>

	<b>Governance Issues</b>	<b>Action</b>
2	<p><b>Assurance framework</b> The MPS has a significant number of internal inspection and review functions and although a number of these functions have a clearly defined role and operate to defined standards, there is a need to develop a corporate assurance framework. A review is currently underway led by the MPS which will assist in mapping the assurance functions and increasing their effectiveness.</p>	To develop further the assurance framework. Including mapping assurance functions, eliminating duplication, setting standards and ensuring appropriate management action is taken to address issues identified through internal review activity.
3	<p><b>Control environment</b> Whilst there have been improvements in control with the internal control score increasing from 2.8 to 2.6 (where on a scale of 1 to 5 a score of 2 reflects a system with adequate control and 3 to 5 reflects increasing degrees of the need to improve) the control environment is not yet fully effective, including within boroughs and specialist command units where there remain issues with applying controls consistently at a local level. The local control environment will also be impacted by Finance modernisation and Transforming HR in the coming year</p>	To ensure the improvement continue to be made to the control environment and that the internal control framework within boroughs and specialist command units is strengthened further following centralisation of the finance and HR functions.
4.	<p><b>Procurement and contract compliance</b> Good progress continues to be made in strengthening the control environment around procurement. However a number of issues around contract management have been identified which impact on our ability to ensure good value for money is being achieved. This includes continued examples of ineffective planning which on occasion has necessitated the need to use non compliant contracts, whilst compliant contracts are put in place and has limited the Authority's ability to tender for goods and services competitively.</p>	To continue to put in place processes that strengthen the contract management framework and contract compliance, ensuring these are embedded throughout the organisation, including the development and implementation of a strategic contract re-let strategy.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

.....  
Kit Malthouse

Chair of the Metropolitan Police Authority  
Authority

.....  
Catherine Crawford

Chief Executive to the Metropolitan Police  
Authority

.....  
Robert Atkins  
Treasurer to the Metropolitan Police Authority

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recognised by statute as representing proper accounting practice. The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

## 2. Accruals of Income and Expenditure

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

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

## 3. Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are

eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required, the provision is reversed and credited back to the service account.

*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.

*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.

## 4. Reserves

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.

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 2% of net budgeted expenditure, as and when conditions permit, provided that there are adequate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well funded budget and effective budgetary control.

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the



General Fund Balance statement so that there is no net charge for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Authority. The SORP requires the maintenance of a Revaluation Reserve and a Capital Adjustment Account within the Balance Sheet. These accounts do not form part of the cash resources available to the Authority.

## **5. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received, and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

## **6. Retirement Benefits**

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

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

A Pension Fund was set up on 1 April 2006 to administer both schemes.

The NPPS and PPS are defined benefit schemes paid from revenue (without managed pension assets). Accrued net pension liabilities have been assessed on an actuarial basis in accordance with FRS 17 (Accounting for Pension Scheme Liabilities), 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 2010. The pension liabilities in these accounts have been calculated accordingly at a discount rate of 5.5% (6.9% in 2008/09).

*Police Staff* – The Authority joined the Principal Civil Service Pension Scheme (PCSPS) in 2002-03. 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 a multi-employer scheme and the appropriate level of disclosure has been followed.

## **7. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software licences) are capitalised where it will bring benefits to the MPA for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. The de-minimus level policy is to

capitalise all expenditure over £5,000 on an individual asset basis, and projects (or grouped assets) with a total value in excess of £5,000: expenditure on partnership assets is capitalised over £1,000.

## 8. Tangible Fixed Assets

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

**Recognition:** Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services it provides are for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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

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

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

**Impairment:** The values of each category of assets and material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a valuation exercise, it is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service account.
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

**Disposals:** When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account and the receipts are credited as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. No additional revaluation is made at the point of disposal. Proceeds in excess of £10,000 are categorised as capital receipts, which are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the MPA's underlying need to borrow.

**Grants and contributions:** Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service account, in line with the depreciation policy applied to them.

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

	Category	Years
Land and Buildings	Land Buildings - Operational  - Residential Improvements to leasehold properties	Indefinite, not depreciated. Useful economic life as assessed by valuers on an individual property basis (10 – 50 years). 50 years. Shorter of expected life and lease period.
Vehicles, Plant and Equipment	Information Technology and communications equipment Software Development Policing Support Vehicles including Patrol vehicles Air Support Unit – Helicopters	3 - 7  3 - 5 3 - 15  10
Intangible Assets	Software licences.	3
Community Assets	Pictures, museum contents and vintage vehicles.	Depreciation is only applicable when appropriate.
Non Operational Assets	Assets Under Construction  Surplus Assets Awaiting Disposal  Investment Properties	Not depreciated until completed. Depreciation is charged not to Services but to Non Distributed Costs Not Depreciated

## 9. Charges to Revenue for Fixed Assets

Service revenue accounts are debited with the following amounts, to record the real cost of holding fixed assets during the year.

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The MPA is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The amount is determined on a prudent basis determined by the MPA in accordance with statutory guidance. The above charges are replaced by the minimum revenue provision in the Statement of Movement on the General Fund Balance.

## 10. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset, has been charged as expenditure to the relevant service revenue account in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the final outturn position.

## 11. Leases

### *Finance Leases*

The MPA accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. All rentals payable are for low value ground rents which are considered to be immaterial and are charged in full to the Income and Expenditure Account.

### *Operating Leases*

Leases that do not meet the definition of finance leases are accounted for as

operating leases. The MPA has a large number of operating leases, mainly in respect of property, but also vehicles. Rentals payable are charged to the Income and Expenditure Account.

## **12. Value Added Tax (VAT)**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recovered from it.

## **13. Financial Liabilities**

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

## **14. Financial Assets**

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Interest and other income received are based on the capital value of the investment multiplied by the rate of interest. For most of the loans that the MPA has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, interest is credited to the Income and Expenditure Account with the amount receivable for the year contained within the loan agreement. The loans made by the MPA are short-term investments consisting of fixed term deposits.

The MPA has no Available for Sale Assets.

## **15. Contingent Assets and Liabilities**

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

## **16. Stock and Assets Under Construction**

Stock is shown in the Balance Sheet at the lower of cost or net realisable value of the separate groups of stock. Assets under construction are recorded in the Balance Sheet at cost.

## **17. Private Finance Initiative**

The MPA has entered into two long term contractual agreements under PFI whereby the contractor is responsible for the design, construction, finance and maintenance of four police stations in south-east London (Police Stations PFI) and a public order and firearms training center (Training Ground PFI). These contracts are deemed to be under the control of the Authority and as such the accounting treatment has been restated together with comparative year's figures in accordance with SORP 2009.

MPA land for these sites has been leased to the contractor for varying lengths of time and has been accounted for as a finance lease in one case and an operating lease in the other.

Assets have been created for the PFI buildings on the Balance Sheet. Long term liability accounts are also disclosed on the Balance Sheet to reflect future payments to the contractor. Payments made by the MPA under contract are charged in part to revenue to reflect the value of services received and in part to the Balance Sheet, to reflect the financing costs of the contract and the payment of the liability outstanding. Details of the accounting for PFIs are described on pages 45 and 52.

## 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 2010. For a subjective analysis see Note 1.

Restated Year ending 31 March 2009		Notes	Year ending 31 March 2010		
			£000	£000	£000
	<b>Service Expenditure Analysis</b>		<b>Expenditure</b>	<b>Income</b>	
1,298,662	Local Policing	2	1,542,900	(306,058)	1,236,842
239,839	Dealing with the Public	2	207,844	(5,425)	202,419
314,640	Criminal Justice Arrangements	2	303,564	(19,344)	284,220
84,217	Road Policing	2	95,526	(16,320)	79,206
214,138	Specialist Operations	2	240,674	(45,200)	195,474
178,953	Intelligence	2	157,218	(6,999)	150,219
503,980	Specialist Investigation	2	496,743	(36,060)	460,683
108,299	Investigative Support	2	110,579	(2,278)	108,301
133,793	National Policing	2,3	540,463	(444,496)	95,967
<b>3,076,521</b>	<b>Net Cost of Policing Services</b>	<b>4, 5 &amp; 6</b>	<b>3,695,511</b>	<b>(882,180)</b>	<b>2,813,331</b>
17,013	Corporate and Democratic Core	2,7			16,705
2,705	Non Distributed Cost	2			8,474
<b>3,096,239</b>	<b>Net Expenditure</b>	<b>4, 5, 6 &amp; 7</b>			<b>2,838,510</b>
21,113	Interest payable and similar charges	8			16,082
859,000	Police Pensions interest cost	5			850,300
(14,197)	Interest and Investment Income				(824)
(12,593)	Net gains on disposal of fixed assets	9			(7,679)
<b>853,323</b>					<b>857,879</b>
<b>3,949,562</b>	<b>Net Operating Expenditure</b>				<b>3,696,389</b>
	<b>This was financed by:</b>				
(1,541,715)	S102 Greater London Authority Act 1999 Grant	10			(1,556,671)
(1,180,988)	Other Grants	11			(1,211,332)
<b>(2,722,703)</b>					<b>(2,768,003)</b>
<b>1,226,859</b>	<b>Deficit Transferred to General Fund</b>				<b>928,386</b>

(See Statement of Movement on the General Fund Balance on page 30)

## Statement of Movement on the General Fund Balance

The Statement of Movements on the General Fund Balances shows how the balance of resources are generated and consumed for the year ended 31 March 2010.

Year ending 31 March 2009			Year ending 31 March 2010
£000		Notes	£000
<b>1,226,859</b>	<b>Deficit/(Surplus) for the year on the Income and Expenditure Account</b>		<b>928,386</b>
(1,281,272)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	<b>16</b>	<b>(906,563)</b>
<b>53,712</b>	Net transfers to/(from) earmarked reserves	<b>N</b>	<b>(21,823)</b>
<b>( 701)</b>	<b>Decrease/(Increase) in movement to the General Fund</b>		<b>0</b>
(46,782)	General Fund Balance brought forward		(47,483)
<b>(47,483)</b>	<b>General Fund Balance carried forward</b>		<b>(47,483)</b>

## Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses show the total movement in the Authority's net worth for the year ended 31 March 2010.

Year ending 31 March 2009			Year ending 31 March 2010
£000		Notes	£000
<b>1,226,859</b>	<b>Deficit/(Surplus) for the year on the Income and Expenditure Account</b>		<b>928,386</b>
(89,690)	Deficit/(Surplus) on revaluation of fixed assets	<b>A &amp; P</b>	(10,043)
(1,004,391)	Actuarial (gain)/loss on Police Officer Pension Scheme liabilities	<b>Q</b>	6,204,175
6,861	Other gains and losses		6,971
<b>139,639</b>	<b>Total recognised gains and losses since last year</b>		<b>7,129,489</b>

The cumulative effect of prior period adjustments on reserves amounts to £39.2 million which is analysed in Note P.

## Balance Sheet

The Balance Sheet shows the financial position of the Metropolitan Police Authority as at 31 March 2010.

31 March 2009		Notes	31 March 2010	
£000			£000	£000
	<b>Fixed Assets</b>			
12,480	<b>Intangible Fixed Assets</b>	<b>A,B</b>	11,113	
	<b>Tangible Fixed Assets</b>	<b>A</b>		
1,554,565	Land and Buildings (L&B)		1,527,483	
232,683	Vehicles, Plant and Equipment (VPE)		215,319	
1,121	Community Assets		1,308	
	<b>Non Operational Assets</b>	<b>A</b>		
103,208	Assets under Construction		169,859	
35,565	Investment Properties		45,371	
1,382	Surplus Assets held for Disposal		483	
<b>1,941,004</b>	<b>Total Fixed Assets</b>			<b>1,970,936</b>
9,893	Long Term Debtors	<b>D</b>		2,220
<b>1,950,897</b>	<b>Total Long Term Assets</b>			<b>1,973,156</b>
	<b>Current Assets</b>			
6,722	Stock	<b>C</b>	7,518	
226,361	Debtors	<b>D</b>	180,834	
59,717	Short Term Investments	<b>E</b>	58,046	
292,800				246,398
<b>2,243,697</b>	<b>Total Assets</b>			<b>2,219,554</b>
	<b>Current Liabilities</b>			
(366,535)	Creditors	<b>F</b>	(319,976)	
(8,255)	Loans Repayable in 12 months		(5,184)	
(9,860)	Cash and Bank Balances		(4,614)	
<b>(384,650)</b>				<b>(329,774)</b>
<b>1,859,047</b>	<b>Total Assets less Current Liabilities</b>			<b>1,889,780</b>
	<b>Long Term Liabilities</b>			
(38,974)	Provisions	<b>G</b>		(29,375)
(42,500)	Long Term Borrowing	<b>H</b>		(120,350)
(148,978)	Government Grant Deferred	<b>P</b>		(182,833)
(18,228)	Unapplied Capital Grants	<b>P</b>		(15,728)
(104,977)	PFI Liabilities	<b>A</b>		(101,393)
(12,317,900)	Police Officer Pension Liability	<b>L</b>		(19,382,100)
<b>(10,812,510)</b>	<b>Total Assets less Liabilities</b>			<b>(17,941,999)</b>
	<b>Financed by:</b>			
	<b>Accounting Reserves</b>			
86,036	Revaluation Reserve	<b>P</b>	92,727	
1,099,702	Capital Adjustment Account	<b>P</b>	1,061,539	
<b>1,185,738</b>				<b>1,154,266</b>
	<b>Pension Reserve</b>			
(12,317,900)	Police Officer Pension Reserve	<b>Q</b>		(19,382,100)
	<b>Usable Reserves</b>			
26,539	Capital Receipts Reserve	<b>O</b>	21,923	
5,000	Earmarked Capital Reserves	<b>O</b>	5,000	
17,119	Capital Grant Reserve	<b>O</b>	9,741	
47,483	General Fund	<b>N</b>	47,483	
223,511	Earmarked Revenue Reserves	<b>N</b>	201,688	
<b>319,652</b>				<b>285,835</b>
<b>(10,812,510)</b>	<b>Total net worth</b>			<b>(17,941,999)</b>

## Cash Flow Statement

The consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the year ended 31 March 2010.

Year ending 31 March 2009 £000		Note	Year ending 31 March 2010 £000
	<b>Outflow</b>		
2,296,802	Pay to officers and staff		2,392,927
1,199,022	Other operating expenditure		1,271,933
	<b>Inflows</b>		
(19,200)	Rent		(17,057)
(163,076)	Sale of goods and services		(161,339)
(2,722,703)	Revenue grants	V	(2,768,004)
(613,211)	Other receipts		(756,817)
<b>(22,366)</b>	<b>Cash flow from Revenue Activities</b>	<b>S</b>	<b>(38,357)</b>
	<b>Returns on Investments and Servicing of Finance</b>		
12,272	Interest paid		13,566
(9,564)	Interest received		(957)
<b>2,708</b>	<b>Net cash outflow from Investments and servicing of finance</b>		<b>12,609</b>
	<b>Capital Activities</b>		
280,807	Purchase of fixed assets		173,862
(27,629)	Sale of fixed assets		(29,484)
(59,283)	Capital grants received		(52,681)
<b>193,895</b>	<b>Net cash outflow from capital activities</b>		<b>91,697</b>
	<b>Management of Liquid Resources</b>		
(167,000)	Purchases/(sales) of short term investments		0
	<b>Financing Activities</b>		
5,000	Repayment of loans		5,388
2,777	PFI Principal Repayment		3,417
(10,000)	Loans Raised		(80,000)
<b>5,014</b>	<b>(Increase)/Decrease in cash</b>	<b>T</b>	<b>(5,246)</b>



# Notes to the Financial Statements of the Metropolitan Police Authority

This set of notes represents the consolidated notes for the statement of accounts for 2009/10 as presented in the preceding pages 29 to 32.

## Notes to the Income and Expenditure Account

### 1. Net Expenditure

Operating revenue income and expenditure for the year to 31 March 2010 is presented in subjective analysis format below:

	2009/10 £000	2008/09 £000
<b>Expenditure</b>		
Employee Costs		
Police Officer Salaries	1,594,167	1,506,391
Police Staff Wages and Salaries	579,112	545,951
Police Officer & Staff Allowances and Training Expenses	211,082	219,942
Net Police Officer Pensions	395,298	431,176
Net Police Staff Pensions	117,488	114,659
Premises-related	212,739	218,341
Transport-related	66,210	68,768
Supplies and Services	428,475	431,454
Capital Charges	116,203	427,302
<b>Total Gross Expenditure</b>	<b>3,720,774</b>	<b>3,963,984</b>
<b>Income</b>		
Fees and Charges	(159,616)	(161,441)
Other Income	(198,880)	(226,244)
Specific Grants	(523,768)	(480,060)
<b>Net Expenditure</b>	<b>2,838,510</b>	<b>3,096,239</b>

### 2. The Service Expenditure Analysis (SEA)

The Income and Expenditure Account is presented in accordance with the CIPFA Best Value Accounting Code of Practice (BVACOP). For 2009/10 Police Forces have adopted nine new divisions of service under which expenditure should be analysed, as part of the Net Cost of Service. These figures include an overhead allocation on a consistent basis with other headings in the statement. The headings (and the activities which fall within these headings) are listed below:

#### Local Policing

- Neighbourhood policing
- Incident (response) management
- Local investigation
- Community liaison

- Local command team and support overheads

#### Dealing with the Public

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

#### Criminal Justice Arrangements

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

#### Road Policing

- Traffic units

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

#### **Specialist Operations**

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

#### **Intelligence**

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

#### **Specialist Investigation**

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

#### **Investigative Support**

- Scenes of crime officers
- External forensic costs
- Fingerprint/DNA bureau
- Photographic image recovery
- Other forensic services

#### **National Policing**

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

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

- **Corporate and Democratic Core** – costs relating to the Authority's status as a multi-functional democratic organisation.
- **Non-Distributed Costs** – the cost of discretionary benefits awarded to employees retiring early and specific impairment losses relating to assets under construction and surplus assets held for disposal and any depreciation on surplus assets held for disposal. Also any revenue expenditure involved in holding surplus assets.

### **3. National Policing and international and capital city functions**

The MPS is unique in that it performs a range of national and international/capital city functions. The CIPFA BVACOP provides a separate category for national policing to assist comparison between forces. The definition of national policing therefore differs from that used traditionally by the MPA for grant purposes, for instance incorporating expenditure and income (which is netted off for grant purposes) and excluding costs and grant income in relation to International and Capital functions.

The total costs for grant purposes incurred for both national and international/capital functions in 2009/10, amounted to £618.3 million (2008/09 £603.3 million). The relevant grant from central government for both activities amounted to £547.3 million (2008/09 £501.2 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. Senior Officer Remuneration

The legal requirement to disclose the remuneration of relevant police officers and senior employees came into effect on 31 March 2010. A relevant police officer is defined as the Commissioner or any other senior police officer whose salary is £150,000 per year or more. A senior employee, is an employee whose salary is more than £150,000 per annum, or whose salary is at least £50,000 per annum (to be calculated pro-rata if they are part time) and who is either the designated head of service, a statutory chief officer or a non-statutory chief officer, as defined under the Local Government and Housing Act 1989 or any person having responsibility for the management of the authority.

As part of the transitional arrangements where a duty of confidentiality is owed to an individual, in relation to their remuneration, then the new requirement does not apply for 2009/10.

The new regulations also continue the existing requirement to disclose the number of employees whose taxable remuneration, excluding pension contributions, was £50,000 or more, (now in bands of £5,000.

Remuneration band £	Number of Employees	
	2009/10	2008/09
50,000-54,999	4,635	4,409
55,000-59,999	2,762	3,001
60,000-64,999	2,039	1,879
65,000-69,999	659	674
70,000-74,999	291	263
75,000-79,999	194	206
80,000-84,999	127	131
85,000-89,999	77	45
90,000-94,999	26	35
95,000-99,999	22	15
100,000-104,999	14	15
105,000-109,999	15	9
110,000-114,999	11	6
115,000-119,999	3	2
120,000-124,999	4	3
125,000-129,999	2	0
130,000-134,999	3	2
135,000-139,999	1	1
140,000-144,999	0	2
145,000-149,999	2	1
150,000-154,999	2	1
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	1	0

The table above only includes the remuneration of senior employees and relevant police officers which have not been disclosed individually. Note: the banding scale is based on all taxable remuneration, excluding pension costs, paid in the year rather than the annual salary. Taxable remuneration includes overtime, compensation for the loss of office and may also include back dated pay awards, which relate to previous years but were actually paid in the years in question.

#### Employee Numbers

Actual full-time equivalent employee numbers are categorised as follows:

	Number of Employees	
	2009/10	2008/09
Police Officers	33,260	32,543
Police Staff	14,330	14,217
PCSO	4,607	4,566
Traffic Wardens	247	273

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

Post Holder Information (Post Title)	Name	Note	Salary (including fees & Allowances)	Bonuses	Benefits in Kind	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
			£	£	£	£	£	£
Commissioner	P Stephenson	1	<b>269,009</b>	0	11,489	<b>280,498</b>	61,262	341,760
Deputy Commissioner	T Godwin	2	<b>224,667</b>	13,574	8,728	<b>246,969</b>	50,669	297,638
Assistant Commissioner	C Allison		<b>186,289</b>	13,416	5,177	<b>204,882</b>	42,902	247,784
Assistant Commissioner	C Dick	3	<b>175,676</b>	0	3,824	<b>179,500</b>	40,399	219,899
Assistant Commissioner	J Yates		<b>186,289</b>	20,471	4,864	<b>211,624</b>	42,902	254,526
Assistant Commissioner	R Quick	4	<b>38,426</b>	0	3,534	<b>41,960</b>	7,043	49,003
Assistant Commissioner	I McPherson	5	<b>47,332</b>	0	2,370	<b>49,702</b>	10,839	60,541
Deputy Assistant Commissioner	R Fitzpatrick	6	<b>175,682</b>	14,292	6,422	<b>196,396</b>	40,404	236,800
Deputy Assistant Commissioner	J Williams	7	<b>147,332</b>	9,307	5,116	<b>161,755</b>	35,410	197,165
Deputy Assistant Commissioner	J McDowall		<b>156,557</b>	9,307	3,912	<b>169,776</b>	30,236	200,012
Deputy Assistant Commissioner	S Osbourne	8	<b>147,998</b>	5,604	1,516	<b>155,118</b>	32,343	187,461
Director of Resources	A McMeel		<b>171,213</b>	0	0	<b>171,213</b>	30,035	201,248
Director of Information	A Beaton		<b>189,896</b>	0	0	<b>189,896</b>	30,035	219,931
Director of Human Resources	M Tiplady		<b>186,373</b>	0	829	<b>187,202</b>	30,035	217,237
Chief Medical Officer	E Cahill-Canning		<b>163,060</b>	0	0	<b>163,060</b>	39,624	202,684

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

### **Notes**

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

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

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

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

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

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

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

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

### **Additional information:**

Bonuses paid in 2009/2010 are in respect of performance in the post held during 2008/2009

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

Compensation for loss of office has not been reported as any amounts agreed for the officers above are subject to individual confidentiality agreements.

Senior Officers and Relevant Police Officers Remuneration - Salary is £150,000 or more per year ended 31 March 2009								
Post Holder Information (Post Title)	Name	Note	Salary (including fees & Allowances)	Bonuses	Benefits in Kind	Total Remuneration excluding pension contributions 2008/09	Pension contributions	Total Remuneration including pension contributions 2008/09
			£	£	£	£	£	£
Commissioner	P Stephenson	1	<b>240,926</b>	0	12,213	<b>253,139</b>	55,283	308,422
Commissioner	I Blair	2	<b>180,755</b>	0	10,346	<b>191,101</b>	40,237	231,338
Deputy Commissioner	T Godwin	3	<b>198,581</b>	21,339	7,334	<b>227,254</b>	45,021	272,275
Assistant Commissioner	C Allison	4	<b>160,112</b>	9,660	1,722	<b>171,494</b>	37,230	208,724
Assistant Commissioner	R Fitzpatrick	5	<b>154,736</b>	9,660	5,406	<b>169,802</b>	35,946	205,748
Assistant Commissioner	A Hayman	6	<b>13,207</b>	10,878	0	<b>24,085</b>	1,948	26,033
Assistant Commissioner	T Ghaffur	7	<b>117,343</b>	0	9,074	<b>126,417</b>	25,422	151,839
Assistant Commissioner	J Yates		<b>181,760</b>	16,318	7,060	<b>205,138</b>	42,439	247,577
Assistant Commissioner	R Quick		<b>173,829</b>	0	6,881	<b>180,710</b>	40,055	220,765
Assistant Commissioner	P Clarke	8	<b>24,592</b>	10,465	0	<b>35,057</b>	4,862	39,919
Deputy Assistant Commissioner	A Hitchcock	9	<b>147,030</b>	0	3,226	<b>150,256</b>	32,848	183,104
Deputy Assistant Commissioner	J McDowall		<b>153,831</b>	9,233	2,179	<b>165,243</b>	32,847	198,090
Director of Resources	A McMeel		<b>164,850</b>	0	0	<b>164,850</b>	29,988	194,838
Director of Information	A Beaton		<b>180,768</b>	0	0	<b>180,768</b>	29,988	210,756
Director of Human Resources	M Tiplady		<b>177,245</b>	0	1,217	<b>178,462</b>	29,988	208,450
Chief Medical Officer	E Cahill-Canning		<b>215,667</b>	0	0	<b>215,667</b>	0	215,667

## Senior Officers and Relevant Police Officers Remuneration - Salary is £150,000 or more per year ended 31 March 2009

### Notes:

Note1a: P. Stephenson: A driver for the Commissioner's vehicle(s) is provided for security purposes and excluded from benefits in kind in the table above. The Commissioner declined to accept a bonus payment.

Note1b: P Stephenson became Commissioner on 06/10/2008 (with an annualised basic salary of £247,194 as at 31 March 2009).

Note2a: I. Blair: A driver for the Commissioner's vehicle(s) was provided for security purposes and excluded from benefits in kind.

Note 2b: I Blair ceased employment on 30/11/2008 with an annualised basic salary of £247,194

Note3a: Bonus paid for service as Assistant Commissioner 2008/2009. Mr. Godwin declined to accept a bonus payment within his role as Deputy Commissioner

Note3b: T Godwin became Deputy Commissioner on 01/12/2008 (with an annualised basic salary of £204,075 as at 31 March 2009)

Note 4: C Allison became temporary Assistant Commissioner on 09/09/2008 (with an annualised basic salary of £172,458 as at 31 March 2009)

Note 5: R Fitzpatrick became Assistant Commissioner from 01/12/2008 (with an annualised basic salary of £172,458 as at 31 March 2009)

Note 6: A Hayman ceased employment on 17/04/2008 with an annualised basic salary of £168,006

Note 7: T Ghaffur ceased employment on 27/11/2008 with an annualised basic salary of £172,458

Note 8: P Clarke ceased employment on 12/05/2008 with an annualised basic salary of £168,006

Note 9: A Hitchcock became temporary Assistant Commissioner on 07/01/2008 with an annualised basic salary of £151,203 and became Deputy Assistant Commissioner on 13/04/2008, with an annualised basic salary of £128,808 as at 31 March 2009

### Additional information:

Bonuses paid in 2008/2009 are in respect of performance in the post held during 2007/2008

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

Compensation for loss of office has not been reported as any amounts agreed for the officers above are subject to individual confidentiality agreements.

**Senior Officers & Relevant Police Officers Remuneration - Salary less than £150,000 but equal or more than £50,000 per annum  
2009/10**

Post	Note	Salary inc fees and allowances	Bonuses	Benefits in Kind	Compensation for loss of office	Other Payments	Total Remuneration (excl Pension contributions)	Employers Pension Contribution	Total Remuneration incl pension contributions
		£	£	£	£	£	£	£	£
<u>MPS</u>									
Director of Public Affairs		140,537	0	829	0	0	141,366	30,035	171,401
<u>MPA</u>									
Chief Executive		142,008	0	0	0	0	142,008	34,508	176,516
Deputy Chief Executive		118,721	0	0	0	0	118,721	27,992	146,713
Treasurer - A	1	37,228	0	829	0	0	38,057	7,616	45,673
Treasurer - B	2	24,516	0	0	0	0	24,516	5,957	30,473
Acting Treasurer	3	54,700	0	264	0	0	54,964	12,485	67,449
Head of Committee Liaison and Member Services	4	59,989	0	0	28,510	0	88,499	13,248	101,747
Head of Community Engagement	5	60,510	0	0	51,785	0	112,295	13,361	125,656
Director of Internal Audit - A	6	54,629	0	829	0	0	55,458	13,275	68,733
Director of Audit, Risk and Assurance - B	7	50,214	0	0	0	0	50,214	12,202	62,416

**Notes**

Note 1 Ceased employment on 02/07/2009

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

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

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

Note 5 Ceased employment on 31/01/2010

Note 6 Ceased employment on 30/09/2009

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

Benefits in Kind represents Health care benefits

In some individual cases compensation for loss of office has not been reported where they are subject to confidentiality agreements



**Senior Officers and Relevant Police Officers Remuneration - Salary less than £150,000 but equal or more than £50,000 per annum 2008/09**

Post	Note	Salary inc fees and allowances	Bonuses	Benefits in Kind	Compensation for loss of office	Other Payments	Total Remuneration (excl Pension contributions)	Employers Pension Contribution	Total Remuneration incl pension contributions
		£	£	£	£	£	£	£	£
<u>MPS</u> Director of Public Affairs		<b>134,084</b>		1,497			<b>135,581</b>	29,988	165,569
<u>MPA</u> Chief Executive		<b>140,092</b>	0	0	0	0	<b>140,092</b>	35,723	175,815
Deputy Chief Executive	1	<b>93,465</b>	0	0	0	0	<b>93,465</b>	23,292	116,757
Treasurer		<b>120,840</b>	0	612	0	0	<b>121,452</b>	29,863	151,315
Director of Communications	2	<b>22,126</b>	0	0	0	0	<b>22,126</b>	5,642	27,768
Head of Equalities	3	<b>23,789</b>	0	0	0	0	<b>23,789</b>	6,066	29,855
Head of Committee Liaison and Member Services	4	<b>70,045</b>	356	0	0	0	<b>70,401</b>	16,582	86,983
Interim Assistant Chief Executive	5	<b>2,693</b>	0	0	0	0	<b>2,693</b>	625	3,318
Head of Community Engagement		<b>69,448</b>	266	0	0	0	<b>69,714</b>	16,539	86,253
Director of Internal Audit		<b>104,031</b>	0	612	0	0	<b>104,643</b>	26,325	130,968
Monitoring Officer	6	<b>39,585</b>	0	0	0	0	<b>39,585</b>	(2,209)	37,376

**Notes**

Note 1 Commenced employment on 14/04/2008

Note 2 Ceased employment on 30/06/2008

Note 3 Ceased employment on 25/07/2008

Note 4 In addition to post was appointed Monitoring Officer from 01/12/2008

Note 5 Interim Assistant Chief Executive for the period to 13/04/2009

Note 6 Ceased employment on 31/11/2008

Benefits in Kind represents Health care benefits

Compensation for loss of office has not been reported as they are subject to confidentiality agreements

## 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 set out in notes L and M to the Balance Sheet.

Non distributed costs include 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 costs.

### Police Officers

In the year to 31 March 2010, the net costs of pensions and other benefits amounted to £395.3 million, representing 32.3% of pensionable pay.

A separate pension scheme, the 2006 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 70 to 72.

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 24.2% 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.

The following transactions have been made in the Income and Expenditure account during the year:

	2009/10 £000
Current service cost	402,600
Past service costs	900
Interest cost	850,300
<b>Total charges to expenditure</b>	<b>1,253,800</b>
Contributions to pension fund	(393,775)
Movement in pension reserve	(860,025)
<b>Total charge to General Fund</b>	<b>0</b>

- 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.
- Contributions to pension fund is the actual amount paid by the Authority on behalf of Officers during the year to the Pension Fund.
- Pension Reserve movement represents a net increase in the Pensions Reserve as analysed in the Statement of Total Recognised Gains and Losses.

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 30 shows the reasons for the increase in the pension reserve.

### Police Staff

In the year to 31 March 2010, the net costs of pensions amounted to £117.5 million (£114.7 million 2008/09), representing 19.6% of pensionable pay (20.4% 2008/09).

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

## 6. Leases

### Land and Buildings

The MPA recognises a number of properties on the Balance Sheet as finance leases. They include police stations and long term ground leases and are shown below:

	Land and Building £000
Restated Value as at 1 April 2009	75,878
Additions	219
Revaluations	397
Impairment	(758)
Depreciation	(560)
Value as at 31 March 2010	75,176

In the year to 31 March 2010, the Authority spent £44.9 million on operating leases for property (£44.6 million in 2008/09) and £2.2 million on operating leases for vehicles (£2.0 million in 2008/09). In the same year the Authority received £15.9 million in respect of operating leases where it is the lessor (£17.6 million in 2008/09).

the low rental yields as compared to the capital values in the previous table is due to the expenditure being in respect of ground leases. Future finance lease payments are shown below, analysed between amounts payable in the next year, in the second to fifth subsequent years and from the sixth subsequent year onwards.

The Authority spent £0.02 million on finance leases for land and buildings (£0.02 million in 2008/09). The reason for

Future Periods	2009/10		2008/09	
	Property £000	Vehicles £000	Property £000	Vehicles £000
<b>Finance Leases</b>				
In year 1	22	0	20	0
Between 2 and 5 years	90	0	80	0
More than 5 years	2,317	0	2,076	0

The following table lists the operating lease payments the Authority is committed to make in the next financial year, analysed between those leases that will expire in the next year, in the second to fifth subsequent years and from the sixth subsequent year onwards.

Future Periods	2009/10		2008/09	
	Property £000	Vehicles £000	Property £000	Vehicles £000
<b>Operating Leases</b>				
In year 1	1,803	746	3,007	407
Between 2 and 5 years	7,391	819	8,086	1,601
More than 5 years	31,325	0	31,026	0

## 7. Members' Allowances and Expenses

A total of £496,565 was paid in 2009/10 (2008/09 £392,046) in respect of allowances and expenditure payable to Members.

## 8. Interest payable and Similar Charges

This represents the interest cost of loans taken out with the Public Works Loans Board which in 2009/10 amounted to £3.7 million (2008/09 £1.9 million), interest charged in respect of the inclusion of PFI assets in the accounts for the first time which amounted to £10.6 million (2008/09 restated accounts £10.4 million) and a further interest impairment for the Icelandic bank debt of £1.8 million (2008/09 £8.8 million).

## 9. Gains and Losses on disposal

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

	2009/10			2008/09		
	Property £000	VPE £000	Total £000	Property £000	VPE £000	Total £000
Gains	7,715	54	7,769	13,144	36	13,180
Losses	(90)	0	(90)	(583)	(4)	(587)
<b>Net</b>	<b>7,625</b>	<b>54</b>	<b>7,679</b>	<b>12,561</b>	<b>32</b>	<b>12,593</b>

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

## 10. S102 Greater London Authority Act 1999 Grant

The Greater London Authority precepts London Boroughs for Council Tax and receives Revenue Support Grant (RSG) and National Non Domestic Rates (NNDR) 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 2009/10 were as follows:

	2009/10 £000	2008/09 £000
Revenue Support Grant	167,773	107,136
National Non-Domestic Rates	726,879	769,609
Police Precept	662,019	664,970
<b>Total</b>	<b>1,556,671</b>	<b>1,541,715</b>

## 11. Other Grants

Other revenue grants received during 2009/10 were:

	2009/10 £000	2008/09 £000
Police Revenue Grant (including amendment grants)	1,083,629	1,053,285
Crime Fighting Fund	72,980	72,980
Special Formula	54,723	54,723
<b>Total</b>	<b>1,211,332</b>	<b>1,180,988</b>

Funding from the Home Office for 2009/10 includes the Police Revenue Grant of £1,083.6m and other grants which totalled £591.4m. This £591.4 million includes a grant allocation for the Crime Fighting Fund and Special Formula which are reported as Other Grants in the Income and Expenditure Account, and £463.7 million of specific grant in the Service Expenditure Analysis in the Income and Expenditure Account.

In total, £524 million of specific grant income is reported within the Service Expenditure Analysis (£480 million in 2008/09) as per note 1. There is a revision to the presentation in the 2008/09 accounts to reflect grant income in the Service Expenditure Analysis where grants relate to specific services or activities. The details of the change in the Income and Expenditure Account are presented in note 12 alongside the prior period adjustments in respect of the Authority's PFI schemes.

## 12. Private Finance Initiative (PFI)

The Authority has entered into two long-term contractual agreements under the PFI whereby the MPA has overall control over the contracts and the contractor is responsible for design, construction, finance and maintenance of the Police Stations PFI in south-east London and a public order and firearms training centre (Training Ground PFI). The agreements impose 25 year commitments on the Authority from occupation/use of the new facilities from 2003. The unitary charge shown below is based on costs at the Balance Sheet date for 2009/10.

	Payment analysis 2009/10				Payment Analysis 2008/09			
	Liability £000	Interest £000	Service charge £000	Total £000	Liability £000	Interest £000	Service charge £000	Total £000
<b>Police Stations PFI</b>								
Within 1 year	2,529	7,110	5,874	15,513	2,362	7,011	5,762	15,135
2 to 5 years	10,359	28,729	26,943	66,031	9,664	28,385	26,372	64,421
6 to 10 years	14,491	35,472	42,298	92,261	14,632	35,949	39,429	90,010
11 to 15 years	19,905	34,453	50,027	104,385	18,355	34,563	48,920	101,838
16 to 21 years	27,155	31,343	32,718	91,216	31,789	38,211	43,139	113,139
<b>Training Ground PFI</b>								
Within 1 year	1,055	3,640	2,512	7,207	1,055	3,635	2,341	7,031
2 to 5 years	4,145	14,541	11,987	30,673	3,907	14,437	11,581	29,925
6 to 10 years	6,189	17,938	18,731	42,858	5,549	17,695	18,568	41,812
11 to 15 years	10,125	18,517	19,847	48,489	9,256	18,505	19,545	47,306
16 to 21 years	9,024	11,193	10,625	30,842	11,825	15,193	14,007	41,025

The Training Ground and Police Station PFIs have been restated from the beginning of their contracts to be shown in the accounts as assets and liabilities of the MPA. In addition the revenue charges paid to the contractor have been restated such that the liability element is set off against the liability account on the Balance Sheet (see note A). The effect of this is to restate the charges to revenue in 2008/09, as shown by the PFI transactions in the table below. The table also shows the restatement of prior period grant income referred to in Note 11.

	Income and Expenditure Account	Grants restatement	PFI additional transactions	Revised Income and Expenditure account
	2008/09 £'000	2008/09 £'000	2008/09 £'000	2008/09 £'000
Net Expenditure	3,552,859	(480,059)	23,439	3,096,239
Interest charges	10,697		10,416	21,133
Other operating expenditure	832,210			832,210
<b>Net Operation Expenditure</b>	<b>4,395,766</b>	<b>(480,059)</b>	<b>33,855</b>	<b>3,949,562</b>
Finance by grants	(3,22,762)	480,059		(2,722,703)
<b>Deficit to General Fund</b>	<b>1,193,004</b>		<b>33,855</b>	<b>1,226,859</b>
<b>Statement of Movement on the General Fund Balance</b>				
Net additional amount required by statute and non-statutory proper practice	(1,247,417)		(33,855)	(1,281,272)
Net transfers from earmarked reserves	53,712			53,712
<b>Decrease in movement to the General Fund</b>	<b>(701)</b>			<b>(701)</b>

As a result of the creation of these assets additional Minimum Revenue Provision charges have been made from the start of the contract, which offset the reduced charge to revenue thereby resulting in no change to the General Reserve balance. Inflation increases, which are stipulated in the contract, are included in the service charge element. The authority made a lump sum payment at the start of the Training Ground PFI and accordingly the payment has been offset against the liability in the Balance Sheet.

### 13. 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:

	2009/10 £000	2008/09 £000
<b>Expenditure</b>		
Forensic Science Services	35,919	33,136
<b>Income (net)</b>		
Immigration Services *	862	2,201
Special Service Agreements *	62,688	61,787
National Identification Service **	1,897	2,585
Transport for London *	65,717	65,589
City of London Police *	236	221
National Crime Squad *	290	194
SOCA **	303	303
ACPO TAM ***	39,220	18,505
Seconded Officers *	13,049	13,748

\* *Fees and Charges (page 33)*

\*\* *Other Income (page 33)*

\*\*\* *Specific Grants (page 33)*

The Authority is required to disclose any material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allow readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. This disclosure note has been prepared on the basis of specific declarations obtained in April 2010, in respect of related party transactions.

The Authority is one of the functional bodies of the Greater London Authority (GLA) group – the other bodies being London Fire Brigade, Transport for London and the London Development Agency. The Authority is made up of 23 members, twelve of whom are appointed by the Mayor from the London Assembly. In addition to appointing members to the Authority, the Mayor sets the budget of the MPA, subject to the Home Secretary's reserve power to set a minimum budget for the MPA. The London Assembly approves the Mayor's budget for the police and is able to summon members of the MPA to answer questions at Assembly meetings. Monies received from the GLA in the form of grants and precepts are disclosed in note 10.

Cindy Butts MPA member and T Godwin Deputy Commissioner are both trustees of the Safer London Foundation, and P Stephenson, Commissioner, is the President. The Authority provided £500,000 to the Foundation in 2009/10.

### 14. Auditors Remuneration

The audit fee payable to the Audit Commission during the year totalled £516,000 (2008/09 £510,000).

### 15. Local Area Agreements

There are a number of Local Area Agreements (LAA's) representing the 32 London Boroughs. The amounts relating to the LAA's are included within the Local Authority Partnership Receipts which form part of the income included in the Service Expenditure Analysis on page 29. Not all of the amounts receipted can be attributed to LAA's as other amounts are provided from sources not related to LAA's.

## Notes to the Statement of Movement on the General Fund Balance

### 16. General Fund Balance

The General Fund shows the level of resources available to the Authority after setting aside earmarked reserves, 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. A schedule of these items is shown below:

	Notes	2009/10 £000	2008/09 £000
<b>Amounts to be excluded from the General Fund</b>			
Depreciation, Impairment and Capital Grant applied	<b>1</b>	(116,203)	(427,301)
Gains on disposals of assets	<b>9</b>	7,679	12,593
Contributions to/(from) Pensions Reserve	<b>5</b>	(860,025)	(887,991)
Revenue expenditure financed from capital under statute		0	(6)
<b>Amounts previously not included in Income and Expenditure</b>			
Minimum revenue provision adjustment	<b>17</b>	21,301	16,963
Revenue Contributions to Capital	<b>A</b>	40,685	4,470
<b>Total</b>		<b>(906,563)</b>	<b>(1,281,272)</b>

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.

After making these accounting adjustments the surplus for the year was £21.823 million (2008/09 surplus of (£54.413) million). This was allocated to earmarked reserves.

### 17. Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require the Authority to charge to the Statement of Movement in General Fund balance a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For 2009/10 the

Authority has made an MRP charge based on:

- the capital financing requirement method for borrowing undertaken prior to 2008/09, and any borrowing undertaken during the year supported through the revenue grant settlement; and
- the depreciation method for unsupported borrowing undertaken in 2008/09 as permitted by the flexibilities provided under the Prudential Code.

An Annual Statement detailing how MRP should be calculated forms part of the formal setting and review of the Prudential Indicators, which are included in the annual Treasury Management Strategy. The MRP amount for 2009/10 was £21.3 million (2008/09 £17.0 million) with a corresponding charge to the Capital Adjustment Account.

### 18. Capital Charges

Capital Charges include depreciation and impairments of buildings, land and investments.



## **19. Post Balance Sheet Events**

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index, rather than the retail price index, will be the basis for future public sector

pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the Authority's liabilities and balance sheet deficit by around 7%.

## Notes to the Balance Sheet

### A. Fixed Assets

The table shown below has been amended to reflect the inclusion of PFI properties in the opening balance on 1 April 2009 for Gross Book value and Accumulated Depreciation for Operational land and buildings.

	Intangible Fixed Assets £000	Tangible Fixed Assets			Non Operational Assets			Comm-unity Assets £000	Total £000
		Land and Buildings – Operational £000	Land and Buildings - Residential £000	Vehicles Plant and Equipment £000	Assets under Con-struction £000	Investment Properties £000	Surplus Assets £000		
<b>Gross book value as at 1 April 2009</b>	<b>19,469</b>	<b>1,504,833</b>	<b>111,814</b>	<b>566,108</b>	<b>103,209</b>	<b>36,041</b>	<b>1,440</b>	<b>1,121</b>	<b>2,344,035</b>
Transfers – (Reclassification)	2,745	5,556	(1,836)	34,565	(50,048)	9,619	(601)	0	0
Additions	2,698	20,822	451	41,203	121,124	0	0	0	186,298
Other Additions	0	750	597	105	0	0	0	0	1,452
Disposals	(196)	0	(21,696)	(45,616)	(1)	0	0	0	(67,509)
Impairment consumption of economic life	0	0	0	(1,215)	(4,281)	0	0	0	(5,496)
Impairment fall in prices	0	(46,288)	(5,574)	0	0	(2,044)	(300)	0	(54,206)
Revaluations	0	19,635	9,009	0	0	7,789	(19)	0	36,414
Capital adjustment	0	(94)	0	0	(144)	0	0	187	(51)
<b>Gross book value at 31 March 2010</b>	<b>24,716</b>	<b>1,505,214</b>	<b>92,765</b>	<b>595,150</b>	<b>169,859</b>	<b>51,405</b>	<b>520</b>	<b>1,308</b>	<b>2,440,937</b>
<b>Accumulated depreciation as at 1 April 2008</b>	<b>(6,989)</b>	<b>(60,263)</b>	<b>(1,819)</b>	<b>(333,425)</b>	<b>(1)</b>	<b>(476)</b>	<b>(58)</b>	<b>0</b>	<b>(403,031)</b>
Depreciation for the year	(6,810)	(46,235)	(1,516)	(91,539)	0	0	(18)	0	(146,118)
Redundant depreciation	0	31,874	1,324	0	0	18	19	0	33,235
Depreciation on assets sold	196	0	490	44,215	1	0	0	0	44,902
Depreciation on transferred assets	0	5,533	23	0	0	(5,576)	20	0	0
Depreciation on impaired assets	0	93	0	918	0	0	0	0	1,011
<b>Total Depreciation</b>	<b>(13,603)</b>	<b>(68,998)</b>	<b>(1,498)</b>	<b>(379,831)</b>	<b>0</b>	<b>(6,034)</b>	<b>(37)</b>	<b>0</b>	<b>(470,001)</b>
<b>Net book value at 31 March 2010</b>	<b>11,113</b>	<b>1,436,216</b>	<b>91,267</b>	<b>215,319</b>	<b>169,859</b>	<b>45,371</b>	<b>483</b>	<b>1,308</b>	<b>1,970,936</b>
<b>Net book value at 31 March 2009</b>	<b>12,480</b>	<b>1,444,570</b>	<b>109,995</b>	<b>232,683</b>	<b>103,208</b>	<b>35,565</b>	<b>1,382</b>	<b>1,121</b>	<b>1,941,004</b>

The Authority's property portfolio which is located throughout London's 32 boroughs includes 137 police stations (2008/09 - 137), 404 residential properties (2008/09 - 596) 257 investment properties (2008/09 - 96) and 396 other operational buildings (2008/09 - 374) including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices.

The Authority also operates 5,369 patrol cars motorbikes and other vehicles (2008/09 - 5,276), 33 boats including inflatables and dinghies (2008/09 - 34), 51,012 airwave terminals (2008/09-48,498) and 3 helicopters (2008/09 - 3).

### Basis of valuation

The operational property portfolio was revalued as at 1 April 2009 as part of the revaluation programme. For the revaluation programme 20% of the assets are physically inspected whilst 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by 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 and investment portfolios have been subjected to a revaluation exercise and their values shown in the accounts as at 31 March 2010 in line with accounting policies.

Buildings under construction are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2010.

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, vehicles, furniture and museum pieces, which are at present in long-term storage, which have been gifted over many years.

During the year, transfers of £50 million were made for those assets under construction, which were completed and became operating assets.

### Revaluation Reserve

The closing balance on the Revaluation Reserve is £92.7 million at 31 March 2010 (2008/09 £86.0 m).

### Redundant Depreciation

The redundant depreciation figure totalling £33.3 million in the above table is an offset to amounts arising from the new valuation for property, which gives a more accurate figure for the value of land and buildings. The balances for accumulated depreciation for these buildings become redundant and should not be carried forward in the Balance Sheet, but are written off.

### Impairment Review

Final impairment reviews were performed at the year-end on land and buildings and on vehicles, plant and equipment. No further impairment of capital expenditure was identified beyond that which was identified during the year either as a result of the property revaluation process or as a result of accident damage and obsolescence.

### Capital Expenditure

Items of capital expenditure for the year were:

	2009/10 £000	2008/09 £000
<b>Intangible Assets</b>	2,698	2,381
<b><u>Tangible Assets</u></b>		
Land and Buildings	21,273	154,319
Plant and Equipment	19	554
Information Technology	28,229	39,645
Vehicles	12,955	23,337
Assets under construction	121,124	77,329
<b>Total</b>	<b>186,298</b>	<b>297,565</b>

## Sources of Capital Finance

	2009/10	2008/09
	£000	£000
<b>Capital payments to be financed</b>	<b>186,298</b>	<b>297,565</b>
Supported Borrowing	19,635	19,635
Unsupported Borrowing	29,319	131,392
Other contributions	846	873
Capital grants	61,713	58,398
Capital receipts	34,100	83,108
Revenue contribution	40,685	4,470
Aborted Projects	0	(311)
<b>Total financing</b>	<b>186,298</b>	<b>297,565</b>

All Prudential Code indicators are approved by the full Authority prior to the start of the financial year as required by statute and are monitored on a monthly basis throughout the financial year.

## PFI Assets

These assets form part of the Land and Buildings - operational category within Note A. The table below shows the value of Training Ground PFI land and buildings broken down by movements in year with comparatives.

	2009/10	2008/09
	£000	£000
Balance as at 1 April	63,426	35,956
Additions	437	982
Depreciation for year	(3,032)	(3,032)
Redundant Depreciation	3,032	9,204
Revaluation (Decrease)	(5,586)	0
Revaluation (Increase)	0	20,316
<b>Balance as at 31 March</b>	<b>58,277</b>	<b>63,426</b>

The table below shows the value of buildings in the Police Station PFI:

	2009/10	2008/09
	£000	£000
Balance as at 1 April	91,260	77,861
Additions	217	100
Depreciation for year	(4,693)	(4,784)
Redundant Depreciation	4,694	17,449
Revaluation (Decrease)	(4,888)	0
Revaluation (Increase)	0	634
<b>Balance as at 31 March</b>	<b>86,590</b>	<b>91,260</b>
<b>Total Balance as at 31 March</b>	<b>144,867</b>	<b>154,686</b>

## PFI Liabilities

The table below shows the value of PFI liabilities broken down by movements in year with comparatives

	2009/10	2008/09
	£000	£000
<b>Training Ground PFI</b>		
Balance as at 1 April	(31,592)	(32,205)
Net movement in year	1,054	613
<b>Total for Training Ground PFI</b>	<b>(30,538)</b>	<b>(31,592)</b>
<b>Police Stations PFI</b>		
Balance as at 1 April	(76,802)	(78,966)
Net movement in year	2,363	2,164
<b>Total for Police Station PFI</b>	<b>(74,439)</b>	<b>(76,802)</b>
<b>Total PFI Liability</b>	<b>104,977</b>	<b>108,394</b>

## Future Capital Expenditure Commitments

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

	2010/11 and later years £000	2009/10 and later years £000
IT various projects	45,624	33,314
Building works	55,178	19,608
Vehicles, Plant & Equipment	4,582	8,522

### 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. The Authorised Limit for 2009/10 was £228.2million. The Operational Boundary was £217.3 million.

## B. Intangible Fixed Assets

Intangible Assets consist of software licences and agreements, which have, on average, a useful economic life of three years. During 2009/10 £2.70 million was incurred on software licences.

## C. Stocks

	2009/10 £000	2008/09 £000
Uniforms	4,389	4,250
Transport & Air Support Unit	1,319	1,278
Heating Oil	1,442	775
Catering goods	368	419
<b>Balance</b>	<b>7,518</b>	<b>6,722</b>

## D. Amounts owed to the Authority

	2009/10 £000	2008/09 £000
<b>Long Term Debtors:</b>		
HMCS/NPS repayment of MPS debt	2,220	9,893
<b>Balance</b>	<b>2,220</b>	<b>9,893</b>

<b>Other Debtors:</b>		
Staff Advances	2,007	2,595
Government Departments	71,451	115,610
General Debtors	5,064	5,313
Other Local Authorities	23,011	22,057
HMCS/NPS	2,238	3,869
Payments in Advance and Accrued income	62,770	64,873
Customs and Excise	14,620	12,757
	181,161	227,074
<b>Less Bad Debt Provision</b>	327	713
<b>Balance</b>	<b>180,834</b>	<b>226,361</b>

HMCS – Her Majesty's Court Services, NPS - National Probation Service

## E. Short Term Investments

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

## F. Amounts owed by the Authority falling due within one year

	2009/10 £000	2008/09 £000
Receipts in advance	(12,835)	(11,226)
Government Departments	(69,409)	(80,829)
General Creditors	(233,381)	(269,991)
HMCS/NPS	(4,351)	(4,489)
<b>Balance</b>	<b>(319,976)</b>	<b>(366,535)</b>

## G. Provisions

	2009/10 £000	2008/09 £000
Third party liabilities	24,601	32,014
General Provisions	4,774	6,960
<b>Balance</b>	<b>29,375</b>	<b>38,974</b>

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 2010 for £24.6 million (2008/09 £32. million). Over the course of the year agreed claims have been paid from this account amounting to £15.6 million.

General Provision including tax liabilities –

- Provision for the reimbursement to officers of tax deducted in respect of Compensatory Grant - £1.4 million
- Provision for a repayment of tax and National Insurance - £2.5 million
- Other - £0.9 million

## 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:

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

## 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 59-63.

## J. Contingent Liabilities and Assets

There are no contingent liabilities or assets in existence at the 31 March 2010.

## 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 in the Balance Sheet. The principal funds are described below. Authority staff administer the Metropolitan Police Authority Police Property Act Fund and the Metropolitan Police Detained Monies Account on behalf of the Authority and the remaining funds on behalf of their respective governing bodies. Details of the principal funds, together with their income and expenditure for their respective financial years which ended during the twelve months to 31 March 2010 and values at their financial year-end dates are given below. Not all of the figures have been audited:

Fund Name	Income £000	Expen- di-ture £000	Assets £000	Liabil- ities £000
M.P.A.P.P.A.F.	2,775	804	4,225	53
M.P.A.D.M.A.	2,110	2,857	6,791	19
M.P.B.F.	5,090	1,610	3,873	195
M.P.C.B.F.	2,103	1,847	0	0
M.C.P.R.F.	481	421	46	0
M.P.W.W.F.	55	525	11	0
M.P.C.H.F.	1,369	1,525	11	0
M.P.C.F.	26	26	399	4
M.P.S.F.	854	975	332	42
M.P.C.S.W.F	39	29	273	1
M.P.A.A.	600	538	2,686	37
M.P.S.C	1,057	1,048	668	238
COMETS	62	59	103	3
Other Funds	4,401	4,210	1,251	742
<b>TOTAL</b>	<b>21,022</b>	<b>16,474</b>	<b>20,669</b>	<b>1,334</b>

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

Regulations under the Police (Property) Act 1897 and its subsequent amending legislation permit police to retain the proceeds from the disposal of property that comes into police possession in connection with a criminal charge (or suspicion of a criminal offence being committed) where the owner has not been

ascertained or no court order has been made. The legislation stipulates that the income is to be used to meet the cost of the storage and sale of the property with any residual funds being used for charitable purposes in accordance with directions of the force's police authority. The MPAPPAF is used for this purpose. Until 31 March 2004 it was also used to hold for the time being money that had been detained from persons suspected of criminal activity. Since 1 April 2004 such money has been paid into the Metropolitan Police Detained Monies Account (see below).

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

As stated above, until 31 March 2004 the MPAPPAF was used to hold for the time being money that had been detained from persons suspected of criminal activity, such money being retained pending a decision as to its disposal. Since 1 April 2004 detained money has been paid into the MPADMA.

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

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

- Metropolitan Police Combined Benevolent Fund
- Metropolitan and City Police Relief fund
- Metropolitan Police Widows' and Widowers' fund
- Metropolitan Police Convalescent Fund

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

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

Contributions deducted from Metropolitan Police Officers pay who support the

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

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

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

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

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

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

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

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

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

**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.

**Metropolitan Police Sports and Social Association COMETS**

The aim of the COMETS is the promotion of sports, social and recreational activities for MPA staff, serving or retired.

**Other Funds**

A further 84 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 61 of these clubs etc. whose income, expenditure or assets 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 cash amounts, not included in the balance sheet, are as follows:

	<b>£000</b>
Proceeds of Crime Act monies	34,031
Drug Trafficking Offences Act monies	889
Prisoners' property and lost cash	686
Other	9,468
<b>Total</b>	<b>45,074</b>

In addition, the Authority also holds non cash assets which are not valued in the above table.

The prisoners' property and lost cash relates to the total amount held in property stores at 31 March 2010 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 2009/10 this amounted to



£129.9 million. In 2009/10, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £290.2 million. Both schemes are accounted for in the statement of accounts of the Police Pensions Fund on pages 70 to 72.

The Authority had the following overall liabilities for pensions at 31 March 2010 that have been included in the Balance Sheet:

	31 March 2010	31 March 2009
Estimated liabilities in the scheme	£ million	£ million
Officer members	10,540	5,595
Deferred Pensioners	558	343
Pensioners	7,715	5,951
Injury Pensions	569	429
<b>Total value of scheme liabilities</b>	<b>19,382</b>	<b>12,318</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2010.

The principal actuarial assumptions used in their calculations are:

	2009/10	2008/09
Rate of inflation	3.8%	3.1%
Rate of increase of salary ( <i>note i</i> )	5.3%	4.6%
Rate of increase in pensions	3.8%	3.1%
Rate for discounting scheme liabilities ( <i>note ii</i> )	5.5%	6.9%

- i. Future salary increases are assumed to be within an acceptable range.

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

The Actuarial Mortality rate assumptions used in their calculations are:

	Males	Females
Current Pensioners	27.6 years	31.0 years
Future Pensioners	29.2 years	32.7 years

Future pensioners are assumed to retire at age 60 in 2024

The movement in the present value of the scheme liabilities for the year to 31 March 2010 can be analysed as follows:

	2009/10 £ million	2008/09 £ million
Deficit in scheme at beginning of the year	(12,318)	(12,434)
<i>Movement in year:</i>		
Current service cost including Home Office contribution.	(403)	(423)
Officer contributions	(130)	(121)
Benefits Paid	500	492
Injury Award Expenditure	25	24
Transfers from / to other authorities	(3)	(2)
Past service cost (injury benefits)	(1)	0
Interest cost on pension liabilities.	(850)	(859)
Actuarial gain / (loss)	(6,202)	1,005
<b>Scheme liabilities at 31 March</b>	<b>(19,382)</b>	<b>(12,318)</b>

The cumulative amount of actuarial Gains and Losses recognised in the Statement of Total Recognised Gains and Losses are as follows:

	2009/10	2008/09	2007/08	2006/07	2005/06
	£000	£000	£000	£000	£000
Actuarial gain/(Losses)	(6,202)	1,005	3,115	1,092	(1,411)
Cumulative Actuarial Gains/(Losses)	(4,778)	1,424	419	(2,696)	(3,788)

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

Present Value of Defined Benefits Obligation	(19,382)	(12,318)	(12,434)	(14,574)	(14,744)
Surplus/(Deficit)	(19,382)	(12,318)	(12,434)	(14,574)	(14,744)
Experience Gains/(Losses) on Liabilities	(430)	420	55	106	108
Experience Gains/(Losses) as % of Liabilities	(2.2%)	3.4%	0.4%	0.7%	0.7%

An estimate of contributions expected to be paid to the scheme for the year to 31 March 2011 is:

	31 March 2011 £ million
Projected Current Service Cost	728
Interest on Obligation	1,069
<b>Total</b>	<b>1,797</b>

### M. Police Staff Pensions Liabilities

The PCSPS is an unfunded multi-employer defined benefit scheme (see Statement of Accounting Policies on page 25 for details of membership) but the Metropolitan Police Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation as carried out as at 31 March 2010 can be found in the resource accounts of the Cabinet Office, who administer the fund.

For 2009/10, employers' contributions of £117.5million were payable to the PCSPS at one of four rates in the range 17.1 to 25.5 percent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme.

## N. Usable Revenue Reserves

	Balance as at 1 April 2009 £000	Transfer To £000	Transfer from £000	Balance as at 31 March 2010 £000
<b>Earmarked Revenue Reserves</b>				
<b>Accommodation strategy/Property related costs</b>				
Dilapidations	(12,727)	0	0	(12,727)
Property Related Costs	(24,567)	0	848	(23,719)
PFI Contract	(203)	0	0	(203)
<b>Total of Accommodation strategy/Property related costs</b>	<b>(37,497)</b>	<b>0</b>	<b>848</b>	<b>(36,649)</b>
<b>Operational costs</b>				
Communications Project	(8,656)	0	1,974	(6,682)
Insurance Indemnity Fund	(680)	(475)	0	(1,155)
ICT contract issues	(733)	0	0	(733)
Kickz	(1,900)	(116)	900	(1,116)
Legal Costs	(1,455)	0	267	(1,188)
Motor Insurance	(2,124)	(1,001)	0	(3,125)
Operational Costs	(51,342)	(3,153)	12,401	(42,094)
POCA	(1,481)	(2,302)	2,270	(1,513)
Protective Clothing	(354)	0	0	(354)
Publicity	(50)	0	0	(50)
Pump Priming Fund	(2,000)	0	0	(2,000)
Support for the Capital Programme	(22,000)	0	13,000	(9,000)
Systems	(192)	0	0	(192)
TP Youth Violent Crime	(3,101)	(97)	2,531	(667)
Vehicle Recovery Services	(3,200)	0	1,350	(1,850)
<b>Total of Operational costs</b>	<b>(99,268)</b>	<b>(7,144)</b>	<b>34,693</b>	<b>(71,719)</b>
<b>Revenue support to capital re-phasing</b>				
Capital Programme Re-phasing	(14,545)		6,395	(8,150)
<b>Total of Revenue support to capital re-phasing</b>	<b>(14,545)</b>	<b>0</b>	<b>6,395</b>	<b>(8,150)</b>
<b>Budget Pressures</b>				
Budget Pressures	(19,571)	0	0	(19,571)
<b>Total of Budget Pressures</b>	<b>(19,571)</b>	<b>0</b>	<b>0</b>	<b>(19,571)</b>
<b>Major change programmes</b>				
Modernisation Programmes	(28,373)	(20,716)	7,736	(41,353)
<b>Total of Major change programmes</b>	<b>(28,373)</b>	<b>(20,716)</b>	<b>7,736</b>	<b>(41,353)</b>
<b>MPA initiatives</b>				
MPA	(1,164)	(370)	381	(1,153)
<b>Total of MPA initiatives</b>	<b>(1,164)</b>	<b>(370)</b>	<b>381</b>	<b>(1,153)</b>
<b>Total Earmarked Revenue Reserves excl. Emergencies Contingency Fund</b>	<b>(200,418)</b>	<b>(28,230)</b>	<b>50,053</b>	<b>(178,595)</b>
<b>Emergencies Contingency Fund</b>				
Emergencies Contingency Fund	(23,093)			(23,093)
<b>Total Emergencies Contingency Fund</b>	<b>(23,093)</b>	<b>0</b>	<b>0</b>	<b>(23,093)</b>
<b>Total Earmarked Revenue Reserves inc. Emergencies Contingency Fund</b>	<b>(223,511)</b>	<b>(28,230)</b>	<b>50,053</b>	<b>(201,688)</b>
<b>Net Movement in Earmarked Revenue Reserves</b>		<b>21,823</b>		
<b>General Fund</b>	<b>(47,483)</b>	<b>0</b>	<b>0</b>	<b>(47,483)</b>
<b>Net Movement in Revenue Reserves</b>		<b>21,823</b>		

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

### **Dilapidations**

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

### **Property Related Costs**

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

### **PFI Contracts**

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

## **Operational costs**

### **Communications Project**

Monies set aside to provide for the development of an integrated communications system for the MPS.

### **Insurance Indemnity Reserve.**

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

### **ICT Contract issues**

This represents a reserve to cover delays in the delivery of a standard operating environment as part of the ICT contract.

### **Kickz**

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

### **Legal Costs**

To provide for the cost of potential law suits.

### **Motor Insurance**

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

### **Operational Costs**

The reserve provides for a number of operational activities that have been planned in 2009/10. The expectation is that the majority of the reserve will be used in 2010/11.

## **POCA**

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

### **Protective Clothing**

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

### **Publicity**

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

### **Pump Priming Fund**

This reserve has been set up to encourage 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.

### **Support for the Capital Programme**

Monies set aside to support capital spend in 2009/10 £13m and 2010/11 £9m.

### **Systems**

The reserve contributes to the cost of developing financial systems.

### **TP Youth Violent Crime**

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

### **Vehicle Recovery Services**

Reserve allocated to fund operations targeting clamping of uninsured vehicles.

## **Revenue support to capital re-phasing**

### **Capital Programme Re-phasing**

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

## **Budget Pressures**

### **Budget Pressures**

This reserve was to meet specific unbudgeted pressures.

### **Emergencies Contingency Fund**

An earmarked reserve available to assist in exceptional circumstances to support

operational requirements, which will normally not have been budgeted for.

## Major change programmes

### Modernisation Programme

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

### MPA initiatives

The reserve will be used to support projects that the Metropolitan Police Authority expects to undertake in 2010/11.

### General Revenue Reserve

This reserve was established to provide cover for emergencies and contingencies. The reserve, together with the emergencies/contingencies fund is to be maintained at 2% of the net revenue budget.

## O. Usable Capital Receipts and Reserves

	Usable Capital Reserves			
	Capital Receipts Reserve	Earmarked Capital Reserve	Capital Grant Reserve	Total
	£000	£000	£000	£000
<b>Balance as at 1 April 2009</b>	<b>(26,539)</b>	<b>(5,000)</b>	<b>(17,119)</b>	<b>(48,658)</b>
Grants applied in year	0	0	(38,568)	(38,568)
Proceeds of disposals	(29,484)	0	0	(29,484)
Financing of Fixed Assets	34,100	0	45,946	80,046
<b>Balance as at 31 March 2010</b>	<b>(21,923)</b>	<b>(5,000)</b>	<b>(9,741)</b>	<b>(36,664)</b>
<b>Net movement for year</b>				<b>11,994</b>

### Usable Capital Receipts

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

### Earmarked Capital Reserve

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

## Capital Grant Reserve

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

### P. Accounting Reserves and Long Term Liability

	Accounting Reserves		Long Term Liability		Total
	Revaluation Reserve	Capital Adjustment Account	Government Grant Deferred Account	Unapplied Capital Grants	
	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2009</b>	<b>(86,036)</b>	<b>(1,099,702)</b>	<b>(148,978)</b>	<b>(18,228)</b>	<b>(1,352,944)</b>
Minimum Revenue Provision	0	(21,301)	0	0	(21,301)
Transfers during year	675	(29,469)	28,794	0	0
Grants received	0	0	0	(14,113)	(14,113)
Revaluation of Fixed Assets (including impairment)	23,498	(5,708)	0	0	17,790
Financing of Fixed Assets	0	(34,100)	(62,559)	16,613	(80,046)
Depreciation & Impairment	2,254	148,145	0	0	150,399
Redundant Depreciation	(33,235)	0	0	0	(33,235)
Revenue Contributions to Capital	0	(40,685)	0	0	(40,685)
Capital expenditure/historic cost adjustment	117	(1,326)	(90)	0	(1,299)
Cost of assets disposed	0	22,607	0	0	22,607
<b>Balance as at 31 March 2010</b>	<b>(92,727)</b>	<b>(1,061,539)</b>	<b>(182,833)</b>	<b>(15,728)</b>	<b>(1,352,827)</b>

### Accounting Reserves

#### Revaluation Reserve

The Revaluation Reserve was created on 1 April 2007 and records the unrealised revaluation gains on land and buildings arising in 2009/10. Accumulated gains are removed from this account when re-valued assets are sold and also to amortise the gains over the lives of the assets held at 31 March 2010.

The opening balance has been restated to include entries for PFI assets which were included in the balance sheet from the start of the restated contracts in 2003. The accumulated adjustment to the opening balance is an increase of £67.9 million representing a net increase in the value of the PFI assets from 2003.

	2008/09
Closing balance as per 2008/09 revaluation reserve	(18,150)
Adjustment arising from PFI restatement in 2008/09	(67,886)
Revised Opening Balance	(86,036)

The £10.0 million in the STRGL reflects impairment losses (due to falling market prices of residential and operational property) which can be offset against previously accumulated revaluation gains and as such, not recognised in the Income and Expenditure Account.

#### Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are

financed through the capital controls system. The year-end balance shows that capital finance has been set aside at a faster rate than fixed assets have been consumed. This account shows a reduction in value due to an increase in depreciation charges during 2009/10.

The opening balance has been restated to include entries for PFI assets which were included in the balance sheet from the start of the related contracts in 2003. The accumulated adjustment to the opening balance is a reduction of £28.7 million representing a reductions in the net worth of the PFI assets due to depreciation in the value of the PFI assets from 2003.

	2008/09
Closing balance as per 2008/09 Capital Adjustment Account	(1,128,370)
Adjustment arising from PFI restatement in 2008/09	28,668
Revised Opening Balance	(1,099,702)

## Long Term Liability

### Government Grant Deferred Account

Government grants and third party contributions are received and applied to finance capital expenditure on fixed assets. The grants and contributions are written off through the Capital Adjustment Account to match the depreciation levied against relevant fixed assets.

### Unapplied Capital Grant

The unapplied capital grant account holds specific capital grants held at year-end to finance ongoing capital investment schemes.

## Q. Police Officer Pension Reserve

	Police Officer Pension Reserve				
	2009/10	2008/09	2007/08	2006/07	2005/06
	£000	£000	£000	£000	£000
<b>Balance as at 1 April</b>	<b>12,317,900</b>	<b>12,434,300</b>	<b>14,574,400</b>	<b>14,743,987</b>	<b>12,496,488</b>
<i>percentage change over previous year</i>	<i>(.94)%</i>	<i>(14.68)%</i>	<i>(1.15)%</i>	<i>17.99%</i>	<i>33.28%</i>
Actuarial (gain)/loss	6,204,175	(1,004,391)	(3,106,927)	(1,095,714)	1,412,100
Revenue Reserve movement	860,025	887,991	966,827	926,127	835,399
<b>Balance as at 31 March</b>	<b>19,382,100</b>	<b>12,317,900</b>	<b>12,434,300</b>	<b>14,574,400</b>	<b>14,743,987</b>
<i>percentage change over previous year</i>	<i>57.35%</i>	<i>(.94)%</i>	<i>(14.68)%</i>	<i>(1.15)%</i>	

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.

## R. Financial Instruments

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

	Long Term		Current (within 12 months)	
	2009/10	2008/09	2009/10	2008/09
	£000	£000	£000	£000
Financial liabilities at amortised cost (including PFIs)	221,743	147,477	325,423	370,301
<b>Total Borrowings &amp; Payables</b>	<b>221,743</b>	<b>147,477</b>	<b>325,423</b>	<b>370,301</b>
Loans and receivables	0	0	156,865	164,251
<b>Total Investments &amp; Receivables</b>	<b>0</b>	<b>0</b>	<b>156,865</b>	<b>164,251</b>

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost	Loans and receivables	
	£000	£000	
Interest expense	(14,308)	0	(14,308)
Impairment Losses	0	1,673	1,673
<b>Interest payable and similar charges</b>	<b>(14,308)</b>	<b>1,673</b>	<b>(12,635)</b>
Interest income	0	824	824
<b>Interest and investment income</b>	<b>0</b>	<b>824</b>	<b>824</b>
<b>Net gain/(loss) for the year</b>	<b>(14,308)</b>	<b>2,497</b>	<b>(11,811)</b>

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

- The weighted average interest rate, which at 31 March 2010 is calculated as 4.181% for fixed rate borrowings, all of which are from the Public Works Loan Board (PWLB).
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. The short term loans made by the MPA fall into this category.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount as stated in the table above for current receivables.



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

	2009/10	2009/10	2008/09	2008/09
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Financial Liabilities</b>	<b>121,950</b>	<b>129,354</b>	<b>47,338</b>	<b>57,264</b>

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

**Nature and extent of risks arising from financial instruments**

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

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

**Liquidity risk** – the possibility that the authority might not have funds available to meet its commitments to make payments.

**Market risk** – the possibility that financial loss might arise for the Authority as a

result of changes in such measures as interest rates.

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

The Authority does not generally allow credit for general debtors beyond 30 days, such that of the £25.7m , £0.9m is past its due date for payment, and can be analysed by age as follows.

	2009/10	2008/09
	£000	£000
Less than three months	294	2,372
Three to six months	105	1,195
Six months to one year	485	(627)
More than one year	65	571
<b>Total</b>	<b>949</b>	<b>3,511</b>

Following the economic downturn and events in the financial markets, the requirement for Governments to guarantee support for their banks and the performance of rating agencies particularly concerning Icelandic Banks, the Treasury Management Strategy was revised in November 2008 and carried through to the 2009/10 strategy.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are made with banks and financial institutions that have been rated by Fitch Ratings Ltd, Moody's credit ratings and Standard and Poor and have a minimum score of AA- (long term) and F1+ (short term) by Fitch, Aa3 (long term) and P-1 (short term) by Moody's, and AA- (long term) and A-1+ (short term) by Standard and Poor. In assessing minimum

risk the lowest common denominator from the three agencies is used. The rating agencies also advise when an institution's ratings are under review. Additionally in view of guaranteed support from their Central Governments, only UK and Eurozone banks will be considered as suitable counterparties and where the sovereign rating is AAA. Also only building societies that provide high credit ratings are included on the lending list. The Authority's policy of lending its surplus funds is £20m lending limit in total with

foreign banks and an individual lending limit of £50m for UK banks and building societies and is for no longer than three months. In addition the Authority will maintain about 25% of its funds with the Debt Management Office, which is an Executive Agency of HM Treasury, that carries the government's sovereign AAA credit rating. In November 2009 the MPA engaged Arlingclose as treasury management advisors providing additional monitoring of credit risk.

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

	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated Maximum exposure to default and uncollectability
	£000	%	%	£000
	A	B	C	(A X C)
Deposits with banks and Financial institutions	53,255	50.24	79.11	42,130
Customers (General Debtors)	98,996	0.61	0.33	327

### Liquidity risk

As the MPA has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority has undertaken £80m of new borrowings during 2009/10 with loans complementing the existing profile. The maturity analysis of all the PWLB borrowings are as per Note H (Page 54).

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

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

### Market risk

#### Interest rate risk

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

- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates - the interest income credited to the Income and Expenditure Account will rise

- investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. If the MPA had made fixed rate investments for more than 12 months, movements in their fair value would be reflected in the STRGL.

The Authority has set, for the net position of borrowings and investments, upper limits on fixed interest rate and variable interest rate exposures giving ranges that will limit exposure to interest rate movement. Fixed interest rate exposure is

managed within a 70% to 100% (70% to 95% in 2008/09) range and variable interest rate exposures within a 5% to 30% range. Furthermore upper limits for variable rate exposure are set for gross borrowings at 15% and for investments at 100% (15% for gross borrowing and 40% for investments in 2008/09).

#### Price risk

The Authority does not invest in equity shares or other similar financial instruments, and therefore has no exposure to losses arising from movements in the price of shares.

#### Foreign exchange risk

The Authority has no financial assets and liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

## Notes to the Cash Flow Statement

### S. Reconciliation of Surplus to revenue cash flow

2008/09 £000		Note	2009/10 £000
(701)	<b>Movement to the General Fund</b>	<b>N</b>	0
	<b><u>Non-cash Transactions</u></b>		
(72,369)	net transfer from reserves		(40,162)
2,649	net transfer from provisions		9,985
(6,283)	Impairment of investments		(1,671)
13,070	Other		4,272
	<b><u>Items on an Accruals Basis</u></b>		
(8,768)	(increase) / decrease in revenue creditors		46,559
142	increase / (decrease) in stocks		796
52,602	increase / (decrease) in debtors		(45,527)
	<b><u>Items shown later in the cash flow statement</u></b>		
9,564	investment income		957
(12,272)	interest paid		(13,566)
<b>(22,366)</b>	<b>Net cash flow from revenue activities</b>		<b>(38,357)</b>

Other non cash transactions include movements in balance sheet accounts which do not arise from regulatory accounting requirements. The table below has been produced to provide a reconciliation of the deficit shown on the Income and Expenditure Account on page 29.

2008/09 £000		Note	2009/10 £000
1,226,859	<b>Deficit for the year on the Income and Expenditure Account</b>	<b>N</b>	928,386
	<b><u>Non-cash Transactions</u></b>		
(1,299,929)	net transfer from reserves		(968,548)
2,649	net transfer from provisions		9,985
(6,283)	Impairment of investments		(1,671)
13,070	Other		4,272
	<b><u>Items on an Accruals Basis</u></b>		
(8,768)	(increase) / decrease in revenue creditors		46,559
142	increase / (decrease) in stocks		796
52,602	increase / (decrease) in debtors		(45,527)
	<b><u>Items shown later in the cash flow statement</u></b>		
9,564	investment income		957
(12,272)	interest paid		(13,566)
<b>(22,366)</b>	<b>Net cash flow from revenue activities</b>		<b>(38,357)</b>

### T. Analysis of cash balances

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

	Balance 31 March 2009 £000	Balance 31 March 2010 £000	Movement in year £000
Cash and bank	(9,860)	(4,614)	5,246

#### U. Analysis of Net Debt (liquid resources)

	Balance 31 March 2009	Cash Flow	Balance 31 March 2010
	£000	£000	£000
Cash at bank and in hand	(9,860)	5,246	(4,614)
Debt due within 1 year	( 4,838)	3,238	( 1,600)
Debt due after 1 year	(42,500)	(77,850)	(120,350)
Short Term Investments	66,000	0	66,000
<b>Total</b>	<b>8,802</b>	<b>(69,366)</b>	<b>(60,564)</b>

#### V. Analysis of Other Government Grants

2008/09 £000		2009/10 £000
	<b>Home Office</b>	
(1,541,715)	Revenue Grants	(1,556,671)
(1,180,988)	Other Grants	(1,211,333)
<b>(2,722,703)</b>	<b>Total</b>	<b>(2,768,004)</b>

## Police Officer Pension Fund Revenue Account

(for the year to 31 March 2010)

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.

31 March 2009 £000		Notes	31 March 2010 £000
	<b>Contributions receivable</b>		
	Police Authority		
(263,867)	• Employer contributions	1	(290,224)
(5,485)	• Additional income	3	(8,186)
(4,076)	Transfers in from other schemes	2	(13,854)
(122,536)	Officers' Contributions	4	(129,863)
<b>(395,964)</b>	<b>Net income</b>		<b>(442,127)</b>
	<b>Benefits Payable</b>		
368,228	Pensions paid		396,904
119,061	Lump sum payments		102,804
1,283	Lump sum death payments		2,183
133	Refund of Contributions		160
86	Other payments	6	104
5,903	Transfers out to other schemes	2	11,002
<b>494,694</b>	<b>Net Expenditure</b>		<b>513,157</b>
<b>98,730</b>	<b>Net Amount Payable for the year</b>		<b>71,030</b>
<b>(98,730)</b>	<b>Employer additional funding</b>	5	<b>(71,030)</b>
<b>0</b>	<b>Surplus on Fund</b>		<b>0</b>

## Police Officer Pension Fund Asset Statement

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

31 March 2009 £000	For the year to 31 March 2010	Notes	31 March 2010 £000
	<b>Current Assets</b>		
15,199	Funding to meet deficit due from police authority		0
15,199	Net Current Assets	A	0
	<b>Current Liabilities</b>		
(15,199)	Unpaid pensions benefits		0
(15,199)	Net Current Liabilities	A	0
<b>0</b>	<b>Total</b>		<b>0</b>

## 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 2007.

The Police Officer Pension Fund which is managed by the Metropolitan Police Authority has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and payment or refund to central government for the balance outstanding for each year. The Fund does not hold any investment assets nor does it reflect the liabilities of both Schemes to pay present and future pensioners. The fund will be paid sufficient monies from the Home Office in 2009/10 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 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 24 to 25. The MPA administers the Fund through its accounting and banking systems. Details of the two Schemes' actuarial report can be seen on page 56 in the notes to the Balance Sheet. The cost of pensions can be seen on page 42 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 8.

### Revenue Account Notes

#### 1. Employer contributions

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

#### 2. Transfers

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

#### 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. Officers' Contributions

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

#### 5. Employer additional funding

This sum represents additional funding required to provide for payment to pensioners. It represents additional funding of £47.0 million received by the MPS in 2009/10 and a statutory transfer from the police fund in respect of a further sum of £24.1 million to be received in 2010/11. Both sums are being paid by the Home Office.

#### 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 Pension Contributions

Additional pension contributions (e.g. added years) made by Police Officers amounted to £57,625 for the PPS scheme (2008/09

£56,692). For the NPPS scheme £26,913 (2008/09 £9,356).

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

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

### **Asset Statement notes**

#### **Note A**

The new Home Office circular issued in April 2009 requires additional lump sums payable under the PPS to officers who retired after 31 December 2006 and chose to take a lump sum. The additional lump sum is shown as a current liability in the police pension fund asset statement, with a corresponding amount shown as a current asset.



# Glossary of Terms

## **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, pension and all other pay-related allowances. Training expenses and professional fees are also included.

## **Finance Lease**

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

## **Government Grants**

Part of the cost of the service is paid for by central government from its own tax income. Grant income is partly received through the

S102 payments made by the GLA. In addition, the Home Office pays specific grants direct to the Authority towards both revenue and capital expenditure.

## **Long Term Debtors**

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

## **Minimum Revenue Provision**

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

## **Non Distributed Costs**

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

## **Operating Lease**

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

## **PCSPS**

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

## **Provision**

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

## **Revenue Expenditure**

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

## **Revenue Reserves**

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

## **Special Service Agreements**

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

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