
Mayor's Office for Policing and Crime and Group

Statement of Accounts 2014/15

M O P A C | **MAYOR OF LONDON**
OFFICE FOR POLICING AND CRIME

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Explanatory foreword and financial review

Introduction

The Mayor's Office for Policing and Crime (MOPAC) was established in January 2012 with a separate body of the Commissioner of Police of the Metropolis (CPM). MOPAC is led by the Mayor of London, Boris Johnson MP, supported by the Deputy Mayor for Policing and Crime, Stephen Greenhalgh. The Mayor has several key roles in this capacity - most importantly setting the strategic direction and accountability for policing. The Mayor is responsible for the formal oversight of the Metropolitan Police Service (MPS), including budget-setting, performance scrutiny and strategic policy development, and for ensuring the MPS is run efficiently and effectively, so that Londoners are getting the best service possible from their police. Operational decision-making on day-to-day policing remains the responsibility of the Commissioner.

MOPAC's published Police and Crime Plan 2013-16 sets out how the Mayor will discharge his responsibilities through MOPAC and his commitments to Londoners over the four years following the Mayor's appointment as Police and Crime Commissioner for London in 2012. In order to respond to the financial challenges MOPAC and the MPS face, this Statement of Accounts reflects some of the choices made, such as prioritising frontline policing and selling under utilised buildings.

The primary function of MOPAC is to secure the maintenance of an efficient and effective Metropolitan Police Service in London, and to hold the CPM to account for the exercise of operational policing duties under the Police Act 1996.

All the financial transactions incurred during 2014/15 for policing London have been recognised and recorded within this Statement of Accounts, which sets out the overall financial position of MOPAC and the MOPAC Group for the year ending 31 March 2015. The term 'Group' refers to the consolidated Accounts of the MOPAC and its subsidiary, CPM. Where the Group's position differs from MOPAC's position this is made clear in the statements and notes. Separate statutory accounts are prepared for the CPM.

This Foreword provides an overview of the accounting arrangements and outlines the financial performance of MOPAC and the MOPAC Group during 2014/15.

Highlights of 2014/15

The Mayor is working hard to deliver his mission to make London the greatest and safest big city on earth tackling the crimes that concern Londoners most and making sure that the Metropolitan Police Service (MPS) is ready to face the challenges of policing a global city in the digital age. The Mayor has set out his ambitions for policing in London in the Police and Crime Plan. MOPAC as the strategic oversight body of the MPS is tasked with delivering this plan. Key to the plan is challenging the MPS to reduce crime in 7 key neighbourhood crime types (the MOPAC 7), by 20%, increase confidence in the police by 20% and reduce costs by 20%. All by 2016. The plan also includes a further set of 20:20:20 goals for London's criminal justice system. These are to improve compliance with community orders, reduce delays in the court process, and reduce reoffending.

In 2014/15:

- The MPS met the Mayor's target to reduce key neighbourhood crimes by 20%, a year ahead of schedule. Robbery has fallen by 44% and burglary is now at its lowest level since 1974;
- The number of officers has increased in line with the Mayor's promise to put more officers in neighbourhoods and overall Metropolitan Police officer numbers reached circa 32,000 at 31 March 2015. MOPAC is one of the few police bodies which has increased officer numbers over this period.

- Londoners' confidence in the MPS recently peaked at its highest ever recorded level last year.
- The Mayor's objective for the Metropolitan Police Service 'to better reflect the community it serves' made real progress with the launch of a London-only recruitment scheme, the direct entry scheme, and numbers of BME and female recruits hitting record highs;
- The Mayor fulfilled his pledge to encourage new entrants to the Special Constabulary and recognise the contribution of existing volunteers by providing a council tax rebate to Specials who live in the capital;
- MOPAC reduced delays in Police Appeal Tribunals and developed a draft performance dashboard which aims to capture police complaints and appeals;
- MOPAC recruited 18 members of the public to sit as Independent Members of Police Misconduct Hearings and is about to recruit legally qualified individuals to hear Police Gross Misconduct cases. These hearings will be held in public and outcomes will be published on MPS websites;
- MOPAC produced a new Hate Crime Strategy for the capital, in consultation with partners. The Strategy aims to boost confidence, increase reporting, reduce victimisation and improve the effectiveness of the authorities' responses to hate crime;
- MOPAC was praised by business and community safety leaders alike for publishing a Business Crime Strategy to galvanise efforts by police, businesses and other agencies to crack down on this criminal threat and increase resilience;
- MOPAC launched a ground-breaking 'sobriety tagging' scheme, fulfilling the Mayor's commitment to enforce sobriety on those responsible for persistent alcohol-related crime and anti-social behaviour;
- The single biggest police command in the country - the 2,300-strong Roads Traffic Police Command - was launched by the Mayor to tackle crime on London's roads and bus network;
- MOPAC took responsibility for commissioning services for victims of crime in London. Victims' Commissioner Baroness Newlove carried out a review of services available to victims and witnesses in London to inform this work;
- The first London-wide service for victims of domestic abuse was launched by the Mayor, who has invested £5m to provide a co-ordinated service that will ensure all abuse victims have access to specialist support;
- The Mayor continued to fulfil his pledge to ensure London's four Rape Crisis Centres are funded throughout this Mayoral term;
- Safer Neighbourhood Boards were established in every Borough to set local policing and community safety priorities along with scrutinising police performance;
- MOPAC continued to support a wide range of crime prevention and community safety projects via the London Crime Prevention Fund, which provides long-term funding of up to four years to enable organisations to tackle ingrained, complex problems. In the last year the Fund allocated over £18 million in total;

- The Mayor led the way in transparency of policing and criminal justice data, with MOPAC launching a range of ground-breaking online dashboards to allow the public open access to a wealth of information;
- MOPAC used Home Office Innovation Funding to invest in:
 - mobile IT which has delivered reduced bureaucracy by removing the need for Officers to transpose paper notes into MPS systems and allowing more transactions with the public to be dealt with on first contact;
 - a Body Worn Video pilot which has increased accountability with other partner agencies and calmed volatile situations more effectively.
- Millions of pounds were released for frontline policing as a result of wide-ranging workforce reforms, efficiency measures to cut the cost of back office functions and the sale of underutilised police buildings. In 2014/15 this saw MOPAC 'on track' to reduce costs by 20% gross savings by 2016/17.
- In 2014/15, MOPAC continued with the Estates Disposal Strategy under which £292 million has been raised from property sales in the last two years. On top of this, £120 million has been made from the sale of surplus land at the police training centre in Hendon and £370 million capital receipts will be generated from the sale of New Scotland Yard, which will be received upon completion of the sale in late 2016. This money is being invested in frontline policing, allowing the Mayor to achieve his target for the MPS to reach 32,000 warranted officers this year, whilst also making investment in technology to increase the effectiveness and efficiency of officers, with mobile devices like tablets, smartphones, and piloting body worn video technology.

March saw an exciting announcement that will enable the public an unprecedented opportunity to explore London's policing past. Working in partnership, MOPAC, the MPS and the Museum of London are to open a new exhibition - the Crime Museum Uncovered - in October 2015. For the first time this will allow the public to see artefacts from some of the most significant crimes in London's history and learn about how they were investigated.

The financial statements

In summary, the above achievements have been delivered within a challenging financial environment. These financial statements tell a story of increased investment over the previous year 2013/14 in the public facing elements of policing, such as greater spend on local policing, dealing with the public, and road policing. The balance sheet reflects the planned release of under-utilised buildings and investment in modern facilities and IT to support officers on the front line. Investment has been funded from receipts from the disposal of properties, and long and short term borrowing has reduced as debt has been repaid - lowering future financing costs. Before the police officer pension liability which is subject to a separate year on year funding arrangement agreed with the Home Office, the balance sheet shows a positive net worth of £1,670 million, an increase of £101 million from last year. Finally, general reserves have been maintained and earmarked reserves increased - a prudent approach given the anticipated pressures expected in the forthcoming years.

More specifically, the consolidated financial statements consist of:

The Comprehensive Income and Expenditure Statement (CIES) for the Group and MOPAC - this summarises the resources generated and consumed in the year. Whilst it shows a deficit on the provision of services of £1,523 million, after taking accounting adjustments into consideration there is a balanced position after transfers to earmarked reserves of £16 million;

The Movement in Reserves Statement (MIRS) for the Group and MOPAC - this shows how the £1,523 million deficit and other income and expenditure generated in the CIES is spread over the usable and unusable reserves in the Balance Sheet. Usable reserves increased from £427 million

to £457 million during 2014/15 which reflects the amount which MOPAC has increased its earmarked reserves (£16 million) and its usable capital reserves (£14 million);

The Balance Sheet for the Group and MOPAC - this sets out the assets, liabilities owed by MOPAC to others, and the usable and unusable reserves which MOPAC maintains. The Balance Sheet shows a negative net worth of £28,388 million. This figure however includes the cost of Police Officer pensioners' liabilities which are subject to a separate year on year funding arrangement agreed with the Home Office. If the Police Pension liabilities are excluded, the Balance Sheet would show a positive net worth of £1,670 million;

The Cash Flow Statement for the Group and MOPAC - this shows the inflows and outflows of cash to and from MOPAC. During 2014/15 there was a net cash outflow from MOPAC of £42.8 million. This was mainly due to financing the capital investment programme whilst at the same time reducing external borrowing by £79 million to £190 million (excluding PFI and finance lease liabilities) and increasing debtors of £124 million, offset by capital receipts and grant funding;

In addition to the financial statements the Annual Accounts include a Statement of Responsibilities for the Accounts and are accompanied by MOPAC's Annual Governance Statement for 2014/15.

Financial performance of the Group

Setting the budget

The Deputy Mayor for Policing and Crime recommends an annual budget to the Mayor, following consultation with the Commissioner. The approved budget for 2014/15 provided for gross expenditure of £3,247 million. The net budget, after taking into account income, specific grant and reserve usage, was £2,448 million. Within this amount £37 million was attributable to MOPAC, and included some £23m relating to London Initiatives such as crime prevention, rape crisis centres and safer neighbourhood boards, and preparing for and delivering victims services which became a MOPAC responsibility with effect from 1 October 2014.

Throughout the year the Deputy Mayor for Policing and Crime approves amendments to the budget to reflect known changes.

Performance against the Revenue Budget

The 2014/15 revenue outturn shows the financial impact of the changes and improvements which were planned for by MOPAC in the 2014/15 budget, in comparison with 2013/14. Additional spend on police officers reflects the Mayoral commitment to maintain officer numbers, with planned lower costs of police staff and premises and lower spend on employee related costs and supplies and services all contributing to addressing the constrained financial position.

The financial year 2014/15 presented a number of key challenges with savings and efficiencies of £134 million required to balance the budget, and to contribute to the 'austerity' measures to address the national deficit and debt. MOPAC has delivered a balanced outturn position against the budget. MOPAC has made a transfer of £16 million to reserves in anticipation of future requirements. Table 1 (overleaf) provides a summary of the final MOPAC outturn position for 2014/15 compared with last year and the revised budget. Figures in brackets in the variance column represent reduced expenditure or increased income against the revised budget.

Table 1 MOPAC Group - Final outturn position for 2014/15 compared with 2013/14 and the revised budget

Outturn 2013/14		Approved annual budget 2014/15	Revised annual budget 2014/15	Outturn 2014/15	Variance (favourable) / unfavourable 2014/15	Variance %
£000						
Pay						
1,822,084	Police officer pay and overtime	1,844,306	1,847,986	1,843,622	(4,364)	(0.2)
653,862	MOPAC and police staff pay and overtime	654,986	624,798	631,913	7,115	1.1
2,475,946	Total pay	2,499,292	2,472,784	2,475,535	2,751	(0.1)
Running expenses						
33,293	Employee related expenditure	19,504	27,847	24,403	(3,444)	(12.4)
212,165	Premises costs	169,337	167,500	170,440	2,940	1.8
60,982	Transport costs	61,163	61,730	62,088	358	0.6
425,046	Supplies & services	400,326	397,220	390,829	(6,391)	(1.6)
49,982	Capital financing costs	59,653	59,566	51,093	(8,473)	(14.2)
33,810	Discretionary pension costs	38,025	37,875	33,785	(4,090)	(10.8)
815,278	Total running expenses	748,008	751,738	732,638	(19,100)	(2.5)
3,291,224	Total gross expenditure	3,247,300	3,224,522	3,208,173	(16,349)	(0.5)
(846,380)	Total income and grants	(742,031)	(756,712)	(776,014)	(19,302)	(2.6)
2,444,844	Net expenditure	2,505,269	2,467,810	2,432,159	(35,651)	(1.4)
81,476	Transfer to/(from) earmarked reserve	(57,119)	(19,660)	15,991	35,651	181.3
0	Transfer to/(from) general reserve	0	0	0	0	0.0
2,526,320	Budget requirement	2,448,150	2,448,150	2,448,150	0	0.0
(2,526,320)	Total Funding	(2,448,150)	(2,448,150)	(2,448,150)	0	0.0
0	Total MOPAC Group	0	0	0	0	0.0

There were circa 32,000 police officers in post at 31 March 2015. New officers were recruited at a slower pace than anticipated, resulting in a small underspend in police officer pay and overtime (less than 1% of budget). Police Community Support Officers (PCSO's) were also below target, in part due to a number being successfully recruited to become police officers. In contrast, police staff numbers (including agency and interim staff) were above budget in the first 6 months of the year. The agency and interim staff were required to maintain expertise and capacity, and to retain flexibility for future arrangements. The actual amount shown in the table overleaf for police officer pay and overtime in 2014/15 also provides for a potential liability following a recent EAT decision that employers must include all elements of 'normal' pay within the calculation of working time directive holiday pay.

Whilst premises costs were higher by £2.9 million (1.8%) over the reduced budget, due to delays in the disposal of under-utilised buildings, this was more than offset by savings in recruitment advertising, lower spend on training, and lower crime prevention and community related initiatives. This latter will be protected and made available as part of multi-year funding commitments the DMPC has made.

In addition, as a result of higher than anticipated capital receipts and lower capital expenditure (see below) MOPAC capital financing costs were lower than budgeted. Pension costs were also lower than expected as the number of officers retiring on ill-health has reduced, and the provision for injury award pensions has also been lower. In addition, the closure of the 30+ abatement scheme has reduced costs.

As well as managing expenditure to reduce costs MOPAC has generated additional income through charging for mutual aid, receiving officer contributions to the subsidised rail travel arrangement and additional counter terrorism grant.

The net movement on earmarked and general reserves during 2014/15 represents a £16 million net increase to reserves.

Table 2 Net movement on earmarked and general reserves

Description	£m
Opening reserves balance 1 April 2014	403.4
Transfers from reserves	(69.9)
Transfers to reserves	85.9
Closing reserves balance 31 March 2015	419.4

The £16 million net increase to the earmarked reserves was predominantly to the 'Budget Resilience Reserve' to fund future unbudgeted pressures. Significant drawdowns made during the year were for items such as the cost of the early departure scheme, and as part of the original business plan to balance the 2014/15 budget. The early departure scheme saw a reduction of 167 posts at a cost of £8 million to lay the foundation for a sustainable reduction in support costs. Given the underspend against the revenue budget in 2014/15, it was decided that a number of planned reserve drawdowns would not be required. This enables MOPAC to maintain the existing levels of earmarked reserves to manage organisational change. This is especially important given the medium-term savings requirements facing MOPAC and the MPS.

Performance against the Capital Programme 2014/15

Capital expenditure 2014/15

Capital expenditure for 2014/15 was financed by grants, third party contributions, capital receipts and revenue contributions. Capital expenditure for 2014/15 was £199 million. This compares with the revised annual budget of £227 million. It should be noted that the approved annual budget was adjusted in year to take account of available capacity to deliver the capital programme. The majority of these adjustments were as a result of reprogramming of projects in line with corporate objectives for 2014/15 and beyond.

Any unused capital funds at financial year end are placed in capital reserves to be used to finance capital investment in future years.

Table 3 Capital Outturn position 2014/15

Actual expenditure 2013/14	Summary by programme £000	Approved budget 2014/15	Revised approved programme as at November 2014	Actual expenditure 2014/15	Actual v revised approved programme
76,346	Property Services	172,079	99,787	99,612	99.8%
54,876	Digital Policing	170,842	110,000	83,475	75.9%
18,563	Transport Services	25,174	17,150	16,201	94.5%
555	Other Plant & Equipment	60	60	70	116.7%
150,340	Total	368,155	226,997	199,358	87.8%

During the year significant modernisation of the estate continued through the refurbishment of Marlowe House, Lambeth HQ Building and Curtis Green, the construction of the new Hendon training centre, security upgrades and other improvement works for the central estate and key police stations throughout London. Expenditure of 99.8% of the revised property programme was achieved.

The new MOPAC training centre in Hendon, north London will replace the old Peel Centre in Aerodrome Road. Re-location of the iconic Sir Robert Peel statue and police call boxes is also part of the scheme, as well as the creation of a new memorial garden. The force's Hendon centre has built up a worldwide reputation for police training, however, police operational requirements have changed dramatically over the years and the older buildings have long been considered underused, expensive and outdated. The new development is designed to meet the need for a training facility more suited to modern-day policing.

MOPAC continues to rationalise its property assets at a time when the London property market is yielding high returns thereby generating suitable income to support the forward capital programme. The rationalisation of the estate will also produce significant revenue efficiency savings. This year the fair value of the MOPAC estate rose by £102 million, with further gains of £18 million on top of its current value realised on disposals of land and buildings during 2014/15. The increased fair value and the capital investment in the MOPAC estate offset disposals and depreciation costs for the year leading to a small increase in the value of MOPAC's physical assets for the financial year of £21 million.

A review of the estate has taken place which has informed MOPAC on all those properties which could be retained and upgraded, and those which are suitable for disposal. The aim is to optimise the use of available space, provide police officers and staff with improved working conditions and achieve significant savings in running costs by disposing of inefficient and underused properties.

The agreed sale of New Scotland Yard in 2014/15, which is possibly the world's most famous police headquarters, will generate capital receipts of £370 million in late 2016. The move is estimated to save more than £6 million a year in running costs. Some of the £370 million sale proceeds will be used to equip our officers with mobile technology and body cameras.

The Digital Policing based programme spent £83.5 million, 75.9% of the revised budget. Expenditure on Digital Policing programmes was slowed to allow a review of the portfolio which will enable re-prioritisation of the programme, ensuring the planned timetable is met and maximising the benefits within budgetary constraints.

Capital expenditure in 2014/15 included the Total Technology Programme (TTP) and the Mobility Programme. TTP will see the disaggregation of the Capgemini contract. In moving away from a monolithic agreement to a number of smaller more specialised contracts we will be able to reduce ongoing running costs, mitigate technology risks, and provide an infrastructure platform to support future changes. The Mobility Project is focused on improving mobile technology for officers patrolling the streets of London to provide a more efficient and effective service by, for example, reducing non-productive officer time, improving evidence capture, and reducing administrative and IT costs by routing transactions via mobile devices.

The Fleet Services based programme achieved £16.2 million (94.5%). The transport programme investment has enabled the delivery of a safe and reliable fleet that meets operational demand at a reduced cost with no impact on policing services.

Capital Financing

During 2014/15 MOPAC was able to reduce borrowing by £79.5 million as maturing debt was settled and the outstanding debt fell from £269.8 million at 31 March 2014 to £190.3 million at the 31 March 2015.

Capital receipts of £170 million were generated from the disposal of tangible non current assets during the year against the set target of £150 million. Capital expenditure on non-current assets in 2014/15 was financed with no additional borrowing, in accordance with the Prudential Code, from government capital grants and other third party contributions of £42 million, capital receipts of £154.9 million, and a revenue contribution of £2.5 million.

MOPAC complies with the CIPFA Code of Practice for Treasury Management in Public Services. All decisions by MOPAC about capital financing were taken in the context of the CIPFA Prudential Framework. The Framework provides authorities with borrowing flexibility, provided controls on affordability, sustainability and prudence are met. Net borrowing over the medium term will only be for a capital purpose. Borrowing will be contained within the borrowing limits agreed by the Mayor of London for MOPAC.

As part of the prudential framework a Capital Financing Requirement (CFR) is approved by MOPAC each year which represents MOPAC's underlying need to borrow for capital expenditure. For the purposes of the CFR the amount required to be borrowed reflects both external and internal borrowing (applying our own cash balances). The CFR has fallen this year by £35.1 million because the capital expenditure was fully funded this year through our internal cash resources and because we were legally obliged under the Framework to set aside a Minimum Revenue Position (MRP) of £30 million this year. The MRP is the prudent amount that the Group is legally required to set aside from revenue to meet the borrowing repayments undertaken to support capital investment.

MOPAC sets an annual treasury management policy. Borrowing is based on the estimate of the most prudent but not worst-case scenario, with sufficient flexibility over and above this to allow for operational management e.g. unexpected cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital investment and cash-flow requirements.

The Balance Sheet

The net worth of MOPAC and the MOPAC Group (excluding the cost of Police Officer pensions liabilities which are subject to a separate funding arrangement agreed year on year with the Home Office) increased by £101 million (from £1,569 million to £1,670 million) during 2014/15. MOPAC considers that the Balance Sheet remains 'robust' as evidenced by Earmarked and the General Fund Reserve maintained above target levels and high levels of income collection.

Reserves

MOPAC's policy is to have a General Reserve and an Emergency Contingency Fund, the latter of which is to meet unforeseen or emergency expenditure which cannot be contained within the budget. The General Reserve is £23.5 million at 31 March 2015. The Emergency Contingency Reserve which is an earmarked reserve is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.9% of the 2014/15 budget requirement. The intention is to reduce this to 1.5% when conditions permit.

Pensions

The Police Officer Pension Liability and Police Officer Pension Reserve, which are disclosed on the Group Balance Sheet, reflect the cost of paying police officers in the future to the extent they had earned entitlement to pension benefits for periods up to and including 2014/15 in line with IAS19. Police pension costs are recognised in the Commissioner of Police of the Metropolis CIES in the first instance along with other employee costs but are ultimately funded by MOPAC. Recognition of the total liability has a substantial impact on the net worth of the MOPAC Group. The fund valuation shows an increase in liabilities due in the main to the change in actuarial assumptions used to calculate the pensions liability and members' commutation terms. Pension contributions of 24.2% of pensionable pay are made to finance the liability, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Revenue Account. The shortfall on the pension fund between contributions and other income receivable and benefits payable was met by the Home Office in 2014/15.

Outlook for 2015/16

The 2015/16 gross revenue budget was set at £3,166 million, a decrease of 2.6% over the 2014/15 figure. The budget is funded by a general government grant of £1,794 million and council tax income of £566 million. Additionally, MOPAC is budgeting to receive £742 million in specific grants and income and is planning to utilise £64 million of reserves. The policing element of the Band D council tax precept for 2015/16 is £208.87 (2014/15 £214.52).

The Mayor approved a balanced budget for 2015/16 including additional savings of £206 million. In line with the principle of protecting the front line, these savings principally relate to reductions in police staff numbers, and savings in technology and supplies and services budgets.

Capital investment of £265 million is planned for 2015/16 and will be funded from the on-going disposal of property. During 2016/17 the anticipated receipt from the disposal of New Scotland Yard will provide funding for future investments.

MOPAC's financial strategy has been devised to address this savings requirement and will aim to achieve the following:

- Maximise future spend on the frontline by aiming to keep expenditure on back office functions to about 15% of affordable gross expenditure by 2019/20 (currently 23%). The commercial strategy, including potential decisions to outsource business support services, will be key to achieving this;
- Making best use of the capital receipts through investing in retained property and IT capability to ensure improvements in the productivity of front and middle office services.

A Priority Based Budgeting process has been commenced that will examine MPS services with a view to delivering the organisation's financial strategy.

The Statement of Accounts

The 2014/15 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2014/15.

The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework include:

- The Police Reform and Social Responsibility Act 2011 (the Act);
- The Home Office Financial Management Code of Practice for the Police Forces of England and Wales 2013;
- MOPAC Scheme of Delegation and Consent;
- MOPAC Financial Regulations;
- MOPAC Contract Regulations.

MOPAC is responsible for the finances of the whole Group and under the MOPAC/CPM Financial Regulations and the Scheme of Delegation and Consent, owns the assets, liabilities and reserves. MOPAC receives all income and funding and makes all the payments for the Group from the MOPAC Police Fund. In turn the CPM fulfils its functions under the Act within an annual budget set by the Mayor of London.

The Accounts reflect the Government's phasing of its reforms under the Act over a number of years. On 1 April 2014, police forces started the second phase of the transition with police staff under the direction of the Commissioner transferring their contracts of employment from MOPAC to the CPM. The existing governance framework was modified to reflect the new support staffing arrangements and a new Scheme of Delegation and Consent established between the two bodies, which determined their respective responsibilities, as well as local arrangements in respect of the use of MOPAC's assets and staff (the Scheme also includes delegations within MOPAC). All

assets, liabilities and reserves are under the ownership of MOPAC. The accounting arrangements between MOPAC and the CPM during this second phase of the transition are detailed more fully in Note 5 to the Accounts on page 21.

Accounting Changes for 2014/15

There were no changes in the CIPFA Code 2014/15 which affected the MOPAC Statement of Accounts.

Annual Governance Statement

The Accounts and Audit (England) Regulations 2011 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. MOPAC has elected to publish the AGS as a separate document to the Statement of Accounts. The AGS is a statutory document which explains the governance processes and procedures in place to enable MOPAC to carry out its functions effectively. The AGS highlights MOPAC's and the CPM's internal control environment, comments on its effectiveness and identifies issues for future work. The CPM also publishes an Annual Governance Statement focusing on the risk management and internal control framework in the MPS. Reliance is placed on this in drawing up MOPAC's Annual Governance Statement.

Independent Auditor's Report to the Mayor's Office for Policing and Crime

We have audited the financial statements of the Mayor's Office for Policing and Crime (MOPAC) for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the MOPAC Group and Single Entity Comprehensive Income and Expenditure Statements, the MOPAC Group and Single Entity Movement in Reserves Statements, the MOPAC Group and Single Entity Balance Sheets, the MOPAC Group and Single Entity Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Mayor's Office for Policing and Crime, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the MOPAC Single Entity and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Mayor's Office for Policing and Crime as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Police and Crime Commissioner to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

Conclusion on the Mayor's Office for Policing and Crime's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Mayor's Office for Policing and Crime and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that MOPAC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that MOPAC has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of MOPAC's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether MOPAC has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether MOPAC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, MOPAC had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Mayor's Office for Policing and Crime put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of the Mayor's Office for Policing and Crime in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed

Paul Grady

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton House,
Euston Square,
London, NW1 2EP

24 July 2015

Statement of responsibilities for the Accounts

Deputy Mayor's Responsibilities

The Deputy Mayor for Policing and Crime is required to:

- Make arrangements for the proper administration of the Mayor's Office for Policing and Crime's financial affairs and to secure that one of its officers (Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

I approve these Statement of Accounts on behalf of the Mayor's Office for Policing and Crime and Group.

Signed

Stephen Greenhalgh
Deputy Mayor for Policing and Crime
Dated: 24 July 2015

Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, MOPAC has:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of MOPAC and MOPAC Group at the accounting date and of the income and expenditure for the year ended 31 March 2015.

signed

Annabel Cowell
Chief Financial Officer
Dated: 24 July 2015

MOPAC Group Comprehensive Income and Expenditure Statement (CIES) for 2014/15

£000	Notes	Year ending 31 March 2015	Year ending 31 March 2015	Year ending 31 March 2015	Year ending 31 March 2014 Restated	Year ending 31 March 2014 Restated	Year ending 31 March 2014 Restated
		Gross exp	Income	Net exp	Gross exp	Income	Net exp
Local policing		1,302,572	(151,496)	1,151,076	1,152,105	(136,231)	1,015,874
Dealing with the public		217,228	(1,048)	216,180	217,141	(5,699)	211,442
Criminal justice arrangements		241,134	(12,560)	228,574	222,027	(19,132)	202,895
Road policing		77,200	(11,816)	65,384	84,170	(14,935)	69,235
Specialist operations		244,400	(53,097)	191,303	261,738	(56,625)	205,113
Intelligence		187,334	(10,313)	177,021	177,402	(11,862)	165,540
Investigations		755,738	(21,069)	734,669	729,669	(25,939)	703,730
Investigative support		104,630	(1,564)	103,066	92,737	(4,070)	88,667
National policing		539,611	(378,181)	161,430	508,207	(373,972)	134,235
Community safety & crime prevention		32,614	(10,350)	22,264	21,029	(18,529)	2,500
Corporate and democratic core		9,950	(920)	9,030	10,215	(649)	9,566
Non distributed cost		2,000	0	2,000	2,200	0	2,200
Net cost of policing services before impairment/funding	6.1	3,714,411	(652,414)	3,061,997	3,478,640	(667,643)	2,810,997
Revaluation loss (gain to reverse previous losses) not charged to CPM		2,225	0	2,225	(6,909)	0	(6,909)
Net cost of policing services	6.6	3,716,636	(652,414)	3,064,222	3,471,731	(667,643)	2,804,088
Other operating expenditure							
Net gains on disposal of fixed assets	13.1			(18,135)			(16,990)
Riot Damages Act claims	25			(22,586)			132,442
Financing and investment							
Interest payable and similar charges	11			20,908			20,900
Interest on Police Officer Pension Defined Benefit Liability	5.2 12.1			1,072,500			1,001,600
Interest and investment income				(1,827)			(2,713)
Investment properties revaluation	16			(5,218)			(11,366)
Grants							
Non Specific Grants	14			(2,567,826)			(2,645,612)
Capital grants				(41,769)			(40,445)
Funding of Riot Damages Act claims				22,431			(132,645)
Deficit on provision of services				1,522,700			1,109,259
Other comprehensive income and expenditure							
(Surplus) on revaluation of non current assets				(146,176)			(92,559)
Re-measurements of the defined benefit liability	5.2 12.1			3,728,700			1,460,500
Total other comprehensive income and expenditure				3,582,524			1,367,941
Total comprehensive income and expenditure				5,105,224			2,477,200

The statement above shows the accounting cost for the period 1 April 2014 to 31 March 2015 (with prior year as a comparative year) of providing services for the Group, in accordance with generally accepted accounting practices, in addition to the amount of funding by way of grant income. The comparative figures are restated to reflect refinements in the Police Objective Analysis used to identify the costs of policing activities and also to reflect the reclassified Carbon Reduction Scheme.

MOPAC Comprehensive Income and Expenditure Statement (CIES) for Policing and Crime for 2014/15

£000	Notes	Year ending	Year ending	Year ending	Year ending	Year ending	Year ending
		31 March 2015	31 March 2015	31 March 2015	31 March 201	31 March 20	31 March 2014
		Gross exp	Income	Net exp	Gross exp	Income	Net exp
Intra-group funding -policing		3,675,264	(643,244)	3,032,020	3,450,968	(650,554)	2,800,414
Community safety & crime prevention		32,614	(10,350)	22,264	21,029	(18,529)	2,500
Corporate and democratic core		8,633	(920)	7,713	8,732	(649)	8,083
Revaluation loss (gain to reverse previous losses) not charged to CPM		2,225	0	2,225	(6,909)	0	(6,909)
Net cost of policing services	6.6	3,718,736	(654,514)	3,064,222	3,473,820	(669,732)	2,804,088
Other operating expenditure							
Net gains on disposal of fixed assets	13.1			(18,135)			(16,990)
Riot Damages Act claims	25			(22,586)			132,442
Interest on Police Officer Pension Defined Benefit Liability - intra-group funding	5.2, 12.1			1,072,500			1,001,600
Re-measurements of the defined benefit liability - intra-group funding	5.2, 12.1			3,728,700			1,460,500
Financing and investment							
Interest payable and similar charges	11			20,908			20,900
Interest and investment income				(1,827)			(2,713)
Investment properties revaluation	16			(5,218)			(11,366)
Grants							
Non Specific Grants	14			(2,567,826)			(2,645,612)
Capital grants				(41,769)			(40,445)
Funding of Riot Damages Act claims				22,431			(132,645)
Deficit on provision of services				5,251,400			2,569,759
Other comprehensive income and expenditure							
(Surplus) on revaluation of non current assets				(146,176)			(92,559)
Total comprehensive income and expenditure				5,105,224			2,477,200

The statement above shows the accounting cost for the period 1 April 2014 to 31 March 2015 (with prior year as a comparative year) of providing services in accordance with generally accepted accounting practices for MOPAC, in addition to the amount of funding by way of grant income. The consolidated accounting cost and funding for the MOPAC Group to 31 March 2015 is shown on the page before.

MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2015

£000	General Fund Balance	Earmarked revenue reserves	Capital receipts reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total group reserves
At 1 April 2014	(23,483)	(379,899)	(17,270)	(5,918)	(426,570)	23,709,600	23,283,030
Deficit on provision of services	1,522,700	0	0	0	1,522,700	0	1,522,700
Other comprehensive income and expenditure	0	0	0	0	0	3,582,524	3,582,524
Total comprehensive income and expenditure	1,522,700	0	0	0	1,522,700	3,582,524	5,105,224
Adjustments between accounting basis & funding basis under regulations (note 29)	(1,538,691)	0	(14,250)	248	(1,552,693)	1,552,731	38
Net (increase) / decrease before transfers to earmarked reserves	(15,991)	0	(14,250)	248	(29,993)	5,135,255	5,105,262
Transfers (to) / from earmarked reserves (note 28.3)	15,991	(15,991)	0	0	0	0	0
(Increase) / decrease in year	0	(15,991)	(14,250)	248	(29,993)	5,135,255	5,105,262
Balance at 31 March 2015	(23,483)	(395,890)	(31,520)	(5,670)	(456,563)	28,844,855	28,388,292

This statement shows the movement in the year to 31 March 2015 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing the Group services. MOPAC is also required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by the Group.

MOPAC Movement in Reserves Statement (MIRS) for the year ended 31 March 2015

£000	General Fund Balance	Earmarked revenue reserves	Capital receipts reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total group reserves
At 1 April 2014	(23,483)	(379,899)	(17,270)	(5,918)	(426,570)	23,709,600	23,283,030
Deficit on provision of services	5,251,400	0	0	0	5,251,400	0	5,251,400
Other comprehensive income and expenditure	0	0	0	0	0	(146,176)	(146,176)
Total comprehensive income and expenditure	5,251,400	0	0	0	5,251,400	(146,176)	5,105,224
Adjustments between accounting basis & funding basis under regulations (note 29)	(5,267,391)	0	(14,250)	248	(5,281,393)	5,281,431	38
Net (increase) / decrease before transfers to earmarked reserves	(15,991)	0	(14,250)	248	(29,993)	5,135,255	5,105,262
Transfers (to) / from earmarked reserves (note 28.3)	15,991	(15,991)	0	0	0	0	0
(Increase) / decrease in year	0	(15,991)	(14,250)	248	(29,993)	5,135,255	5,105,262
Balance at 31 March 2015	(23,483)	(395,890)	(31,520)	(5,670)	(456,563)	28,844,855	28,388,292

This statement shows the movement in the year to 31 March 2015 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing the services. MOPAC is also required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by MOPAC.

MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2014

£000	General Fund Balance	Earmarked revenue reserves	Capital receipts reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total group reserves
At 1 April 2013	(23,483)	(298,423)	(2,872)	(14,121)	(338,899)	21,144,766	20,805,867
Deficit on provision of services	1,109,259	0	0	0	1,109,259	0	1,109,259
Other comprehensive income and expenditure	0	0	0	0	0	1,367,941	1,367,941
Total comprehensive income and expenditure	1,109,259	0	0	0	1,109,259	1,367,941	2,477,200
Adjustments between accounting basis & funding basis under regulations (note 29)	(1,190,735)	0	(14,398)	8,203	(1,196,930)	1,196,893	(37)
Net (increase) / decrease before transfers to earmarked reserves	(81,476)	0	(14,398)	8,203	(87,671)	2,564,834	2,477,163
Transfers (to) / from earmarked reserves (note 28.3)	81,476	(81,476)	0	0	0	0	0
(Increase) / decrease in year	0	(81,476)	(14,398)	8,203	(87,671)	2,564,834	2,477,163
Balance at 31 March 2014	(23,483)	(379,899)	(17,270)	(5,918)	(426,570)	23,709,600	23,283,030

This statement shows the movement in the year to 31 March 2014 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing the Group services. MOPAC is also required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by the Group.

MOPAC Movement in Reserves Statement (MIRS) for the year ended 31 March 2014

£000	General Fund Balance	Earmarked revenue reserves	Capital receipts reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total group reserves
At 1 April 2013	(23,483)	(298,423)	(2,872)	(14,121)	(338,899)	21,144,766	20,805,867
Deficit on provision of services	2,569,759	0	0	0	2,569,759	0	2,569,759
Other comprehensive income and expenditure	0	0	0	0	0	(92,559)	(92,559)
Total comprehensive income and expenditure	2,569,759	0	0	0	2,569,759	(92,559)	2,477,200
Adjustments between accounting basis & funding basis under regulations (note 29)	(2,651,235)	0	(14,398)	8,203	(2,657,430)	2,657,393	(37)
Net (increase) / decrease before transfers to earmarked reserves	(81,476)	0	(14,398)	8,203	(87,671)	2,564,834	2,477,163
Transfers (to) / from earmarked reserves (note 28.3)	81,476	(81,476)	0	0	0	0	0
(Increase) / decrease in year	0	(81,476)	(14,398)	8,203	(87,671)	2,564,834	2,477,163
Balance at 31 March 2014	(23,483)	(379,899)	(17,270)	(5,918)	(426,570)	23,709,600	23,283,030

This statement shows the movement in the year to 31 March 2014 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. The deficit on the Provision of Services' line shows the true economic cost of providing the services. MOPAC is also required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance after the adjustments (above), before any discretionary transfers to or from Earmarked Reserves are undertaken by MOPAC.

MOPAC Group Balance Sheet

£000	Notes	31 March 2015	31 March 2014
Non current assets			
Property, plant and equipment	16	1,625,334	1,635,955
Heritage assets	16	1,308	1,308
Investment properties	16	52,756	58,550
Intangible assets	16	2,500	2,897
Assets under construction	16	217,523	149,123
Surplus Assets	16	0	30,124
Total non current assets		1,899,421	1,877,957
Long term debtors	17	3,010	5,003
Total long term assets		1,902,431	1,882,960
Current assets			
Assets held for sale	18	78,417	66,873
Inventories		8,072	9,076
Short term debtors	19	451,889	325,615
Short term investments	20	58,318	125,389
Cash & cash equivalents	21	101,183	144,013
Total current assets		697,879	670,966
Current liabilities			
Short term creditors	22	(378,928)	(385,923)
Short term borrowing	23	(19,246)	(84,108)
Provisions	25.1	(245,934)	(200,917)
Total current liabilities		(644,108)	(670,948)
Long term liabilities			
Provisions	25.2	(15,764)	(24,715)
Long term borrowing	26	(175,922)	(190,379)
Capital grants receipts in advance		(6,933)	(5,850)
Long term contractor liability	27	(87,775)	(92,564)
Police officer pension liability	28.1	(30,058,100)	(24,852,500)
Total long term liabilities		(30,344,494)	(25,166,008)
Net assets		(28,388,292)	(23,283,030)
Financed by:			
Unusable Reserves	28.1	(28,844,855)	(23,709,600)
Usable reserves	28.2-3	456,563	426,570
Total reserves		(28,388,292)	(23,283,030)

The Balance Sheet shows the value as at 31 March 2015 (with prior year as a comparative year) of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

MOPAC Balance Sheet

£000	Notes	31 March 2015	31 March 2014
Non current assets			
Property, plant and equipment	16	1,625,334	1,635,955
Heritage assets	16	1,308	1,308
Investment properties	16	52,756	58,550
Intangible assets	16	2,500	2,897
Assets under construction	16	217,523	149,123
Surplus Assets	16	0	30,124
Total non current assets		1,899,421	1,877,957
Long term debtors	17	3,010	5,003
Total long term assets		1,902,431	1,882,960
Current assets			
Assets held for sale	18	78,417	66,873
Inventories		8,072	9,076
Short term debtors	19	451,889	325,615
Short term investments	20	58,318	125,389
Cash & cash equivalents	21	101,183	144,013
Total current assets		697,879	670,966
Current liabilities			
Short term creditors	22	(276,142)	(277,101)
Short term borrowing	23	(19,246)	(84,108)
Provisions	25.1	(245,934)	(200,917)
Intra-group Creditor	5.2	(102,786)	(108,822)
Total current liabilities		(644,108)	(670,948)
Long term liabilities			
Provisions	25.2	(15,764)	(24,715)
Long term borrowing	26	(175,922)	(190,379)
Capital grants receipts in advance		(6,933)	(5,850)
Long term contractor liability	27	(87,775)	(92,564)
Police officer pension liability - Intra-group liability	28.1	(30,058,100)	(24,852,500)
Total long term liabilities		(30,344,494)	(25,166,008)
Net assets		(28,388,292)	(23,283,030)
Financed by:			
Unusable Reserves	28.1	(28,844,855)	(23,709,600)
Usable reserves	28.2-3	456,563	426,570
Total reserves		(28,388,292)	(23,283,030)

The Balance Sheet shows the value as at 31 March 2015 (with prior year as a comparative year) of the assets and liabilities recognised by MOPAC. The net assets of MOPAC (assets less liabilities) are matched by the reserves held by MOPAC.

MOPAC Group and MOPAC Cash Flow Statement

£000	Notes	Year ending 31 March 2015-Group	Year ending 31 March 2014-Group	Year ending 31 March 2015-MOPAC	Year ending 31 March 2014-MOPAC
Net (surplus) or deficit on the provision of services		1,522,700	1,109,259	5,251,400	2,569,759
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	30.2	(1,695,219)	(1,447,360)	(5,423,919)	(2,907,860)
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	30.3	212,021	178,708	212,021	178,708
Net cash flows from operating activities		39,502	(159,393)	39,502	(159,393)
Investing activities	30.4	(80,780)	105,277	(80,780)	105,277
Financing activities	30.5	84,108	15,009	84,108	15,009
Net (increase)/decrease in cash and cash equivalents		42,830	(39,107)	42,830	(39,107)
Cash and cash equivalents at the beginning of the period		144,013	104,906	144,013	104,906
Cash and cash equivalents at the end of the period		101,183	144,013	101,183	144,013

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group and MOPAC during the reporting period (with prior year as a comparative year). The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the way the Group has managed its cash outflows against the monies received by way of grant income and from the recipients of services provided by the Group.

Investing activities shows how the Group has made best use of its resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities consist of short and long term borrowing in addition to repayment of PFI and finance lease liabilities and other payments for financing activities and are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Notes to the Financial Statements for the Mayor's Office for Policing and Crime and the MOPAC Group

This set of notes represents the consolidated notes for the Statement of Accounts for 2014/15 as presented in the preceding pages 1 to 9.

1. Statement of accounting policies

1.1 General principles

These financial statements have been prepared in accordance with the Code of Practice (the Code) on Local Authority Accounting in the United Kingdom 2014/15 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Accounts and Audit Regulations 2011 and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP). The accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS).

The Accounts have been prepared on a going concern basis using an historic cost convention, modified to account for the revaluation of certain categories of tangible fixed assets and financial liabilities.

Following the passing of the Police Reform and Social Responsibility Act 2011 the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two 'corporations sole', the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). Both bodies are required to prepare a separate Statement of Accounts. The Foreword to the Accounts sets out the roles and responsibilities of each in more detail.

The Financial Statements included here represent the accounts for MOPAC and also those for the MOPAC Group, consolidating the financial activities of MOPAC and the CPM. The Financial Statements cover the 12 months to the 31 March 2015 (with prior year as a comparative year). The term 'Group' is used to indicate combined transactions and policies of MOPAC and CPM for the year ended 31 March 2015. The identification of MOPAC as the holding organisation and the requirement to produce group accounts stems from the powers and responsibilities of MOPAC under the Police Reform and Social Responsibility Act 2011.

The principal accounting policies adopted are set out below.

1.2 Revenue and expenditure recognition

Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods or services provided in the normal course of business net of discounts and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many accounting aspects and revenue is only recognised when all related work has been completed. Whilst all expenditure is funded by MOPAC (as the body responsible for maintaining the Police Fund for London) including the wages of police staff and officers, the actual recognition in the respective MOPAC and CPM Accounts is based on which organisation receives the economic benefit from the transactions.

Consideration received in advance is recognised as deferred revenue in the Balance Sheet and released as income is earned. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

1.3 Accruals of income and expenditure

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

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

1.4 Provisions

Provisions are recognised on the Balance Sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are charged to the CIES in the year the Group becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the CIES.

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, in so far as they will not be met by external insurance. The figure shown on the Balance Sheet does not include any adjustment to discount the total liability to present day terms in line with IAS39 Financial Instruments because the claims involved are deemed to be estimates based on present day values.

Riot (Damages) Act 1886 claims - to make provision for the further claims amounts expected to be reimbursed to third parties who submitted claims, which have been assessed by Legal Services as meeting the criteria in respect of material damage and business interruption arising from the public disturbances in August 2011.

Police office pension commutation factors - to make provision for the estimated cost of revised lump sum pension payments expected to be reimbursed to eligible retired police officers, following a failure of the Government Actuarial Office to review commutation factors from 1998 to 2006 applicable to the lump sum.

Police officer pension liability (intra-group) - to make provision to reflect the continuing requirement on an elected local policing body as required under the Police Reform and Social Responsibility Act 2011, to provide funds to the CPM from the Police fund for the payment of police pensions. The intra-group balances will not appear in the Group Accounts.

1.5 Reserves

Reserves consist of two elements usable and unusable. Usable reserves are those which can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, Capital Receipts Reserve and the Capital Grants Unapplied Account. Earmarked reserves are established from time to time to meet specific expected revenue or capital costs as determined by MOPAC. Unusable reserves cannot be applied to fund expenditure. They include the Capital Adjustment Account, Pension Reserve, Accumulated Absences Account, Revaluation Reserves and Deferred Capital Receipts Reserve. These accounts do not form part of the cash resources available to the Group.

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

1.6 Government and other organisations' grants and contributions

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

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

Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the CIES within the provision of services.

1.7 Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non monetary benefits for current employees and these benefits are recognised as an expense in the year in which the employee renders service to the Group.

IAS 19 Employee Benefits requires MOPAC to account for short-term compensating absences (these are periods during which an employee benefits continue to be earned which include time owing for annual leave and rest days), by accruing for the benefits which have accumulated but are untaken by the Balance Sheet date. Short term accumulated absences are recognised in the CPM Accounts in the period in which officers or police staff render the service which entitles them to the benefit, not necessarily when they enjoy the benefit. The cost of leave earned, but not taken by police officers and staff at the end of the financial year is recognised in the financial statements to the extent the staff are entitled to carry forward leave into the following year. Equivalent liabilities for employee benefits are recognised on the MOPAC Balance Sheet to reflect the continuing requirement on MOPAC to provide funds from the Police Fund to meet these liabilities as they fall due. The Group Balance Sheet also reflects the liability for time owing and annual leave. The accrual for untaken leave is charged to the Net Cost of Policing Services, and reversed out through the MIRS so that the leave is charged to CIES in the financial year in which the holiday absence is earned.

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate a member of staff's employment before their normal retirement date or their decision to accept voluntary redundancy. These are charged as an expense in the Surplus or Deficit on the Provision of Services in the CIES at the earlier of when the organisation can no longer withdraw the offer of those benefits and when the organisation recognises the costs for a restructuring.

Post employment benefits

The Group operates two pension schemes for police officers and a single scheme for police staff. The CPM is the administering body for the Pension Fund and the Pension Fund Accounting Statements can be found in the CPM Accounts on page 33. MOPAC provides funds from the Police Fund to meet the pension payments as they fall due.

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 between 14.25% and 15.05% of pensionable pay for the 1987 police pension scheme or 11% to 12.75% for 2006 new police pension scheme. 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). Following the Code's requirements, IAS 19 has been fully recognised in the Group Accounts. Scheme liabilities as shown on the Group's Balance Sheet are calculated by determining future liabilities for pension payments and applying a discount rate to reduce them to present day values. IAS 19 specifies the use of a discount rate equal to the current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The pension liabilities in these Accounts have been calculated accordingly at a discount rate of 3.2% for PPS and 3.3% for NPPS.

Recognition of the total liability has a substantial impact on the net worth of the MOPAC Group. Accrued net pension liabilities are assessed on an actuarial basis. The change in net pension liability is analysed into the following components:

Service cost comprising:

- Current service cost - the increase in liabilities as a result of years of service earned this year - allocated to the Group CIES to the services for which the police officers worked;
- Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Net Cost of Policing Services in the Group CIES as part of Non Distributed Costs;
- Interest on the defined benefit liability - the increase during the period in the defined benefit liability which arises because the benefits are one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Group CIES;

Re-measurements comprising:

- Actuarial gains and losses - changes in the pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve as Other Comprehensive Income and Expenditure;

Contributions paid to the Police Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities, not accounted for as an expense.

The net liability for both pension schemes is recognised initially on the CPM Balance Sheet in accordance with IAS 19 Employee Benefits. MOPAC provides the sole source of funding to meet the CPM's costs through the budget delegated by MOPAC to the CPM. All CPM liabilities will therefore ultimately be funded by MOPAC. The pension liability is therefore offset by an intra-group adjustment between MOPAC and the CPM to reflect MOPAC's continuing responsibility to provide funds from the Police Fund to enable the CPM to administer pension payments. This has resulted in a liability within MOPAC's Balance Sheet for both Police Pension Schemes.

The legislation however requires the General Fund balance to be charged with the amount payable by MOPAC to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Police staff

The Group joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme which operates five different sub schemes but only one is open to new staff joining MOPAC/CPM, the Nuvos Scheme, which is a career average scheme. Additionally, there is a defined contribution alternative. The PCSPS is a multi-employer scheme whereby the underlying assets and liabilities within the Scheme are not broken down and attributed to individual employers, and therefore is defined as a multi-contribution scheme. The appropriate level of disclosure has been followed in accordance with IAS19.

1.8 Property, plant and equipment

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

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

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

- Specialised operational properties - depreciated replacement cost;
- Non-specialised operational properties - market value;
- Residential properties, investment properties and assets held for sale - 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 sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year end. Property revaluations are based on a rolling review programme. Operational properties are revalued at 30 September each year; the top 20 properties in value as well as 20% of the assets are physically inspected whilst 80% are revalued on a desktop basis. Residential and investment properties are also revalued at 30 September each year, 20% of the assets are physically inspected whilst 80% are revalued on a desktop exercise. A further desktop exercise is carried out at 31 March each year to determine whether the value at 31 March is materially different to the value at 30 September. This approach complies with the CIPFA Code of Practice on Local Authority Accounting 2014/15 requirements on measurement of property plant and equipment.

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

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible write down is estimated to be material, the recoverable amount of the asset is determined and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where the loss is determined for a previously revalued asset, it is written off against any revaluation gains held for the relevant asset in the Revaluation Reserve, with any excess charged to the CIES. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service

line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals: When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal. The written off carrying value of the asset is transferred from the General Fund to the Capital Adjustment Account in the MIRS. Sale proceeds over £10,000 are categorised as capital receipts and are transferred from the General Fund Balance to the Capital Receipts Reserve in the MIRS.

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

Principal asset categories and their useful economic lives

Operational Assets	Category	Years
Property	Land	Not depreciated.
	Buildings - operational - residential	10 - 50 years 50 years.
Plant and equipment	Information Technology and communications equipment	3 - 20 years
	Software development	3 - 5 years
	Policing support vehicles including Patrol vehicles	3 - 15 years
	Air Support Unit - helicopters and equipment	15 years
Intangible assets	Software licences.	3 years
Non operational assets		
Assets under construction		Not depreciated until operational.
Surplus Assets		Not depreciated
Assets held for sale		Not depreciated
Investment properties		Not depreciated

Grants and contributions: Grants and contributions relating to capital expenditure shall be recognised in the CIES as income except to the extent that the grant or contribution has a condition that the Group has not satisfied. In that event the amount subject to condition is transferred to the Capital Grants Receipts in Advance account. Where the conditions of the grant/contribution are satisfied, but expenditure for which the grant is given has not yet been incurred, then such sums will be transferred to the Capital Grants Unapplied Reserve.

1.9 Charges to revenue for property, plant and equipment

The Group CIES is charged with the following amounts, to record the real cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation gains or losses on investment properties;
- Amortisation of intangible fixed assets attributable to the service.

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

1.10 Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of its carrying amount and fair value less costs to sell.

1.11 Investment properties

These are properties held solely for the purpose of generating rental income or for capital appreciation and are occupied by third parties. Investment properties are not depreciated however they are subject to revaluations in line with MOPAC's revaluation policy although any revaluation gains or losses are taken to the CIES.

1.12 Leases

All leases are evaluated at inception in accordance with IAS 17 'Leases', to determine whether they are a finance lease or an operating lease. Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease is for land and buildings, the land and building components are separated. The land element is usually treated as an operating lease, unless it is for 125 years or more, in which instance the land is deemed to be a finance lease. Where the building element is a finance lease it is depreciated over its lease term. A de-minimus of £5,000 is applied to the annual rental of leases to determine their treatment as a finance lease. All major contracts are reviewed under IFRIC 4 to determine whether an arrangement contains an embedded lease.

Finance leases

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the organisation at the end of the lease period).

Operating leases

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

The Group as lessor

There are a number of short-term operating leases for property where the Group acts as lessor. Where the organisation grants an operating lease over a property or an item of or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

There are no finance leases where the Group is a lessor.

1.13 Value Added Tax (VAT)

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

1.14 Financial liabilities

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

1.15 Financial assets

Financial assets held by MOPAC comprise loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are initially measured at fair value and carried at their amortised cost. Interest and other income received is based on the capital value of the investment multiplied by the rate of interest. For most of the loans that MOPAC has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. Interest is credited to the CIES with the amount receivable for the year defined in the loan agreement. The loans made by MOPAC are short-term investments consisting of fixed term deposits.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to Financing and Investment Income and Expenditure in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the CIES.

1.16 Contingent assets and liabilities

The Group recognises material contingent liabilities as either:

- Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation, or
- Present obligations that arise from past events but are not recognised because:
 - a) it is not probable that outflows of resources embodying economic benefits or service potential will be required to settle the obligations, or
 - b) the amount of the obligations cannot be measured with sufficient reliability.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits or service potential in settlement is remote (in which case no action is needed).

The Group also recognises a contingent asset as 'a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organisation'.

1.17 Private Finance Initiative

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

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

services received and cost of financing and in part to the Balance Sheet, to reflect repayment of the outstanding liability over the remaining period of the lease agreement.

1.18 Cash and cash equivalents

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

1.19 Events after the balance sheet date

When an event occurs after the Balance Sheet date which provides evidence of conditions that existed at the Balance Sheet date an adjusting event occurs and the amounts recognised in the Statement of Accounts will be adjusted to take into account any values that reflect the adjusting event. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the Accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

1.20 Overhead costs

In line with the Service Reporting Code of Practice (SeRCOP) and the Police Objective Analysis, the costs of support services are fully allocated to services in the Group CIES. In practice this means support costs other than Corporate and Democratic Core (CDC) are recognised in the intra-group funding - policing line of the MOPAC CIES on the basis that all services to which support costs are allocated were delivered by the CPM in 2014/15. Support service costs identified as CDC costs and Non Distributed Costs are not charged to services but are shown separately in the CIES (Note 6).

1.21 Bad debt

The Group has made a provision for general and specific debts where there is significant doubt that payment will be received. The provision for bad debts is deducted from current debtors in the Balance Sheet.

1.22 Prior period adjustments, changes in accounting policies, estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the organisation's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

2. Accounting standards that have been issued, but not yet adopted

There are a number of accounting standards that have been issued but not yet adopted:

- IFRS 13 Fair Value Measurement provides a single definition of fair value which applies to assets and liabilities covered by International Accounting Standards that currently permit or require measurement at fair value. This standard is to be applied prospectively and it is anticipated that it will not have a material impact on the Statement of Accounts.

- The Annual Improvements to IFRS (2011-13 Cycle) cover the following issues:

IFRS 1: Meaning of effective IFRSs;

IFRS 3: Scope exceptions for joint ventures;

IFRS 13: Scope of portfolio exception;

IFRS 40: Clarifying the interrelationship of IFRS3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

As none of the issues covered by the improvements are relevant to the Group, there will be no impact on the statement of accounts.

- IFRIC 21 Levies provides guidance on when to recognise a liability for a levy imposed by a government that is not in the scope of another accounting standard. As the Group does not expect to have any levies imposed on it by a government, there will be no impact on the statement of accounts.

3. Significant estimates and judgements

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors, the results of which form the basis of making judgements about the values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. Material estimates and assumptions are made in the following cases:

Estimates

- Establishing the valuations of operational and residential properties (see Notes 16 and 16.1 for details of amounts and valuation process involved). Depreciation is calculated based on the asset value and expected useful life of the asset. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year;
- In respect of police staff when estimates are required, the calculation of unused holidays is based on a sample of staff and average cost of each grade of staff. The cost of absences due but not taken at the reporting date are recognised in the CPM Accounts in the first instance as described in Note 5 in more detail;
- The provision for compensation payments to third parties and ex-personnel in Note 25 is determined by applying historic experience of past claims and professional advice to determine the probable outflow of economic benefits in respect of existing claims.

Judgements

- The costs of providing pension benefits to police officers, requires estimates regarding future cash flows that will arise to meet the scheme liabilities. The assumptions underlying the valuation used for IAS 19 reporting are the responsibility of the MOPAC CFO as advised by the scheme actuaries. The financial assumptions used by the actuaries are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population;
- A judgement has been made of the expenditure allocated between MOPAC and the CPM to reflect the financial resources of MOPAC consumed at the request of the CPM. The basis adopted for this allocation was determined by the Group in accordance with the standard

set of activities for each corporate body identified in CIPFA's SeRCOP. In arriving at this approach various interested parties were consulted including senior management in both corporate bodies and careful consideration given to the Police Reform and Social Responsibility Act 2011 and Home Office guidance. More details are included in Note 5;

- There may be additional costs in relation to the Riot (Damages) Act 1886 arising from the public disturbances in London in August 2011. Under the Act MOPAC is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City);
- Claims for material damages and business interruption by Mitsui Sumitomo Insurance Co (Europe) Ltd and Tokio Marine Europe Insurance Ltd, (who are insurers of Sony Corporation), and Cresta's insurers, Royal Sun Alliance, and three companies, Lace International, Clear Vision and Asphyxiation Films, were upheld by the Court of Appeal. The outstanding liability for material damages has been recognised as a provision in the Accounts as per last year. The provision has been calculated at £66.5 million;
- In contrast MOPAC was granted leave to appeal in respect of claims for consequential loss (due to be heard in January 2016). There remains an element of uncertainty around the outcome. For this reason (and given that the Association of British Insurers has a professionally recognised basis for estimating such claims), MOPAC has continued to recognise these claims worth £78 million as a provision in the statutory accounts for 2014/15;

MOPAC is relying on the assurances given by HM Government that legitimate claims under the Riot (Damages) Act will be grant funded. Therefore the total amount of £144.5 million provided for in the statutory accounts is matched by a corresponding accrual in MOPAC's Balance Sheet, in the recognition that the Home Office will reimburse these claims. As a result there is no overall impact of the provision upon the overall outturn position;

- A liability has been recognised on the MOPAC Balance Sheet equivalent to the liability for police officer pensions recognised on the CPM Balance Sheet under IAS19 Retirement Benefits. The costs and liability relating to police pensions are recognised in the CPM Accounts in the first instance because police officers are under the direction of the CPM. As MOPAC has a statutory obligation to provide funds to meet police pension liabilities, a corresponding liability has been included in the MOPAC Accounts. The intra-group adjustments are removed from consolidation to show only the IAS19 liability itself in the Group Balance Sheet. This liability is offset in the Group Balance Sheet by the Police Officer Pension Reserve because under statute MOPAC can only charge to the Police Fund actual amounts paid as contributions in the Police Officer Pension Fund in the year and not the full amount under IAS19;

This judgement is consistent with IAS1 - 'the going concern concept'. The assessment of whether or not the CPM is a going concern is based on its ability to discharge liabilities in the normal course of its business. In this case the CPM is reliant upon MOPAC to discharge its liabilities in the normal course of its business. This expectation is necessary to enable the CPM to continue as a going concern.

A pension provision of £67 million has been recognised in the Accounts to reflect the estimated cost of probable revised lump sum pension payments for retired police officers. Following a complaint from a retired firefighter, the Pensions Ombudsman found the Government Actuarial Office guilty of maladministration in failing to review commutation factors from 1998 to 2006 applicable to the lump sum. The full determination is available at <http://www.pensions-ombudsman.org.uk>. The case has knock-on consequences and it is likely that a large number of retired police officers will be reimbursed for the correct amount. Our pension scheme administrators have identified police officers who retired between 2001 and 2006 and may be affected by this ruling. A corresponding debtor has been recognised in the Accounts to reflect the Home Office liability to make the additional

top up payment as laid down in the Police Pension Fund Regulations 2007 (E&W). The cost estimate does not include any additional tax cost, which is a liability for HM Treasury.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Group about the future or assumptions that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because these balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. At the date of publication of the Accounts Note 3 lists out the accounting estimates we consider significant to the preparation of the Accounts. There is only one assumption about the future for which there is a significant risk of 'material' adjustment. This involves the police pension liability - the discount rates used to calculate the pension liabilities are estimates, any changes in which could impact on the total liability of the police pension funds, see Note 12 for more details of the impact of discount rate changes.

5. The relationship between the Mayor's Office for Policing and Crime and the Commissioner of Police of the Metropolis for accounting purposes

5.1 Introduction

Following the Police Reform and Social Responsibility Act 2011 (The Act), the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two corporations sole, the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). It is the Government's intention that the reforms under the Act will be phased over a period of several years. These financial statements for 2014/15 show the financial positions of the MOPAC and MOPAC Group together with comparative figures for 2013/14.

5.2 Accounting principles

The accounting recognition of assets, liabilities and reserves in 2014/15, reflects the powers and responsibilities of MOPAC as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2013. This accounting treatment is also underpinned by the working relationship between the Deputy Mayor and the Commissioner as defined by local regulations, (MOPAC Financial Regulations and Scheme of Consent and Delegation), local agreement and practice. On 16 January 2012 the assets, liabilities and reserves of the MPA were transferred directly to MOPAC and during 2014/15 they remain under MOPAC control. Statutory and local arrangements determine that MOPAC holds all the assets, liabilities and the reserves and is responsible for the police pension liability. All payments for the Group are made by MOPAC from the MOPAC Police Fund and all income and funding received by MOPAC. MOPAC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers. Employment contracts for all police staff were transferred from the MPA to MOPAC on 16 January 2012 including those under the direction of the CPM whose costs for accounting purposes are recognised in the CPM Accounts and those under the direct control of MOPAC whose costs are recognised in the MOPAC CIES. With effect from 1 April 2014, under the phasing of the reforms in the Police Reform and Social Responsibility Act 2011, the contracts of employment of police staff under the direction of the Commissioner transferred to the CPM. All assets, liabilities and reserves remain under the ownership of MOPAC.

The International Accounting Standards Board (IASB) Framework states that assets, liabilities and reserves should be recognised when it is probable that any 'future' benefit associated with the item will flow to, or from the entity. Based on the statutory responsibilities and local arrangements within which MOPAC operates in conjunction with the IASB guidance, it has been deemed that 'all' the assets, liabilities and reserves are recognised on the MOPAC Balance Sheet and consequently the

balance sheets for MOPAC and the Group are similar. This reflects the fact that MOPAC retains control over all assets including which are held, which are disposed and who has access to use the assets and therefore controls the long term risk and rewards of ownership.

Police Pension costs are recognised in the CPM Accounts in accordance with IAS19 (Employee Benefits). The liability for police pensions on the CPM Balance Sheet is offset by an intra-group debtor reflecting MOPAC's responsibility to provide funds from the police fund each year to enable the CPM to administer police pension payments. The MOPAC Balance Sheet shows an intra-group provision to reflect its responsibility to provide funds for the payment of police pensions. The same accounting treatment applies to 'accumulated absences due to employees but not taken at the reporting date'. The liabilities in the CPM Balance Sheet are offset by an intra-group transfer from MOPAC to reflect the fact that MOPAC ultimately funds the CPM's employee costs.

Accounting treatment

The table below shows the movement through an intra-group account within the respective CIES during 2014/15. Corresponding accounting entries in the MOPAC CIES and CPM CIES can be seen in the financial statements.

Intra-group adjustments between MOPAC and CPM within the CIES

Intra-group - total transactions for 2014/15			
£million	MOPAC	CPM	Group
IAS19 pension costs within net cost of services	0	982	982
Accumulated absences	0	6	6
Other costs within net cost of services	0	2,044	2,044
Intra-group adjustment (MOPAC funding)	3,032	(3,032)	0
Pension interest cost	0	1,072	1,072
Intra-group adjustment (MOPAC funding -pension)	1,072	(1,072)	0
Actuarial losses on police fund	0	3,729	3,729
Intra-group adjustment (MOPAC funding -pension)	3,729	(3,729)	0
Total transactions for the year	7,833	0	7,833

Intra-group - total transactions for 2013/14			
£million	MOPAC	CPM	Group
IAS19 pension costs within net cost of services	0	718	718
Accumulated absences	0	6	6
Other costs within net cost of services	0	2,076	2,076
Intra-group adjustment (MOPAC funding)	2,800	(2,800)	0
Pension interest cost	0	1,002	1,002
Intra-group adjustment (MOPAC funding pension)	1,002	(1,002)	0
Actuarial losses on police fund	0	1,460	1,460
Intra-group adjustment (MOPAC funding pension)	1,460	(1,460)	0
Total transactions for the year	5,262	0	5,262

Accounting entries reflected in the respective Balance Sheet at year end

Intra-group - total transactions for 2014/15			
£million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	30,058	0
CPM - Short term Intra-group Debtor	0	103	0
CPM - Police Officer pension liability	0	(30,058)	(30,058)
CPM - Creditor - accumulated absences	0	(103)	(103)
MOPAC - Long term Intra-group Creditor	(30,058)	0	0
MOPAC - Short term Intra-group Creditor	(103)	0	0
MOPAC - Unusable Reserves	30,058	0	30,058
MOPAC - Unusable Reserves	103	0	103

Intra-group - total transactions for 2013/14			
£million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	24,853	0
CPM - Short term Intra-group Debtor	0	109	0
CPM - Police Officer pension liability	0	(24,853)	(24,853)
CPM - Creditor - accumulated absences	0	(109)	(109)
MOPAC - Long term Intra-group Creditor	(24,853)	0	0
MOPAC - Short term Intra-group Creditor	(109)	0	0
MOPAC - Unusable Reserves	24,853	0	24,853
MOPAC - Unusable Reserves	109	0	109

The 2014/15 CIES for MOPAC and the Group are similar at 'summary level'. The MOPAC CIES includes not only the cost of administering the MOPAC itself, but also payment for MOPAC resources consumed at the request of the CPM. Correspondingly in the CPM CIES, total Comprehensive Income and Expenditure is nil for 2014/15 as the 'resources consumed at the request of the CPM' are completely offset by the intra-group adjustment.

6. Analysis of net cost of policing services for MOPAC and the MOPAC Group

6.1 Service expenditure analysis

The first half of the MOPAC Group CIES on page 1 shows the Net Cost of Policing Services (the operating cost in year of providing services for the Group). The costs are also categorised between the various policing activities as per the Service Reporting Code of Practice (SeRCOP). For 2014/15 police forces have used nine SeRCOP divisions of service under which expenditure/resources should be analysed, as part of the Net Cost of Policing Services. These figures include an overhead allocation on a consistent basis with other headings in the statement. The divisions of service (and the activities which fall within these headings) are listed below;

The SeRCOP divisions of service

Local policing

- Neighbourhood policing
- Incident (response) management
- Specialist community liaison
- Local command team and support overheads

Dealing with the public

- Local call centres/front desk
- Central communications unit
- Contact management units
- Dealing with the public command team and support overheads

Criminal justice arrangements

- Custody
- Police doctors/nurses and surgeons
- Interpreters and translators
- Other custody costs
- Criminal justice
- Police National Computer (PNC)
- Criminal Records Bureau (CRB)
- Coroner assistance
- Fixed penalty scheme (central ticket office)
- Property officer/stores
- Criminal justice arrangements command team and support overheads

Road policing

- Traffic units
- Traffic wardens/police community support officers -traffic
- Vehicle recovery
- Casualty reduction partnership
- Road policing command team and support overheads

Specialist operations

- Operational support team and support overheads
- Air operations
- Mounted police

- Specialist terrain
- Dogs section
- Level 1 advanced public order
- Airport and ports policing unit
- Firearms unit
- Civil contingencies and planning

Intelligence

- Intelligence command team and support overheads
- Intelligence analysis/threat assessments
- Intelligence gathering

Investigations

- Investigations command team and support overheads
- Major investigation unit
- Economic crime (including regional asset recovery team)
- Specialist investigation units
- Serious and organised crime unit
- Public protection
- Local investigation/prisoner processing

Investigative support

- Scenes of crime officers
- External forensic costs
- Fingerprint/internal forensic costs
- Photographic image recovery
- Other forensic services
- Investigative support command team and support overheads

National policing (See below)

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

In addition there are two separate headings defined in SeRCOP (defined in 6.3 and 6.4). These costs are provided for centrally and do not affect the nature and scale of the activities listed above and are therefore accounted for separately in the CIES as part of the Net Cost of Policing Services:

- Corporate and democratic core;
- Non-distributed costs.

There is a separate heading to reflect the functions exercised by MOPAC relating to community safety and crime prevention, conferred under the Police Reform and Social Responsibility Act 2011.

6.2 National policing and international and capital city functions

The Group performs a range of national and international and capital city functions. The relevant grant from central government for both activities amounted to £526.8 million. The CIPFA SeRCOP provides a separate category in the Service Expenditure Analysis (above) for national policing to assist comparisons between forces. The definition of national policing differs from that traditionally used by the Group for grant purposes. The SeRCOP figures include IFRS accounting adjustments for instance for impairment, depreciation and pension liabilities and incorporates some expenditure and income which is otherwise netted off for grant purposes. The SeRCOP figures exclude some costs and grant income in relation to international and capital city functions such as:

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

6.3 Corporate and democratic core

These costs include democratic representation, governance and management by the Mayor and Deputy Mayor including costs associated with officer time spent on advising the Mayor and Deputy Mayor. Corporate management costs concerns those activities and costs that provide the infrastructure that allows services to be provided and the information that is required for public accountability, for example publishing corporate information and external audit. These costs are reviewed annually in consultation with senior managers as part of the preparation of the accounts.

6.4 Non-distributed costs

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

6.5 Income

Income received by MOPAC includes fees and charges, specific grants and other income. A breakdown under these headings for 2014/15 is shown in the table in Section 6.6 below.

The ability to charge for police services is generally determined by statutory provisions.

- The provision of special police services at the request of any person under s25 of the Police Act 1996. Special police services generally relate to policing an event e.g. a pop concert, or series of events, including football matches and policing at the Palace of Westminster;
- S15 of the Police Reform and Social Responsibility Act 2011 extends to police bodies the powers of the Local Authorities (Goods and Services) Act 1970 to supply goods and services to other bodies or persons. This may include services provided in competition with other providers, for example training, where charges will reflect market rates, or services provided as a by-product of core policing activity such as provision of collision reports;
- The Aviation Security Act 1982 for policing in relation to the operation of airports;

- The provision of police services to other agencies such as the Home Office Border Force (previously the UK Border Agency) or the prison service;
- The provision of mutual aid to other forces.

Income received also includes miscellaneous items such as loans of equipment to other forces, rents receivable, sales of equipment under £10,000, prosecution costs recovered by way of illustration.

Specific grants represent grants for specific operational activities (a breakdown is provided in Note 15). General grants not directly attributable to specific operational activities are recognised below the Net Cost of Service.

6.6 Net subjective expenditure for MOPAC and the MOPAC Group

In the table below the operating income and expenditure for MOPAC and the MOPAC Group for the period 1 April 2014 to 31 March 2015, is presented in a subjective analysis format. The subjective analysis format is used by management to make decisions about resource allocation in internal management reports. It differs from the analysis of income and expenditure on the face of the CIES as specified by the Service Reporting Code of Practice (SeRCOP), which is by policing activity.

Net subjective expenditure for MOPAC and the MOPAC Group

£000	MOPAC	CPM	Group	Group
	2014/15	2014/15	2014/15	2013/14
Expenditure				
Employee costs				
Police officer salaries	0	1,580,118	1,580,118	1,555,307
MOPAC and Police staff wages and salaries	5,576	530,542	536,118	556,703
Employee related expenditure	70	6,680	6,750	7,214
Net police officer pensions	0	709,044	709,044	447,536
Net MOPAC police staff pensions	1,035	96,647	97,682	111,419
Premises related	1,329	169,737	171,066	211,903
Transport related	41	62,027	62,068	63,138
Supplies and services*	33,196	357,006	388,102	366,024
Capital charges (revaluation gain)	2,225	163,463	165,688	152,487
Total gross expenditure	43,472	3,675,264	3,716,636	3,471,731
Funded by				
Fees and charges	(592)	(178,475)	(179,067)	(183,619)
Other income	(630)	(78,771)	(77,301)	(75,745)
Specific grants (note 15)	(10,048)	(385,998)	(396,046)	(408,279)
Total income	(11,270)	(643,244)	(652,414)	(667,643)
Intra group adjustment **	3,032,020	(3,032,020)	0	0
Net cost of policing services	3,064,222	0	3,064,222	2,804,088

* £33,196 supplies and services incurred by MOPAC includes costs of working with local communities, victims support and payments by MOPAC of crime prevention grants

** MOPAC payment for MOPAC financial resources consumed at the request of the CPM

The subjective analysis statement has been split between the Commissioner of Police of the Metropolis (CPM) and MOPAC to separately identify the resources consumed at the request of the Commissioner, from those costs exclusively incurred by the Mayor's Office. Costs exclusively incurred by the Mayor's Office include the day to day costs of administering MOPAC and supporting the Mayor and the Deputy Mayor for Policing and Crime as well as working directly with local communities and the public which includes the payment of Community Grants, detailed in the Explanatory Foreword. All grants and income are paid directly to MOPAC. Further details in respect

of the resources consumed under the direction of the Commissioner can be found in the CPM's Statement of Accounts.

7. Segmental reporting

Decisions about resource allocation within the Group are made using internal management reports which show net expenditure on a segmental basis. The segmental analysis is prepared using internal management reporting methodologies which in some cases are different from the accounting policies in the financial statements. In particular, interest, capital charges and movements on reserves are not included in the management reports. The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year. The following tables show the income and expenditure of the Group's principal business groups as recorded in group budget monitoring reports for the years 2014/15 (1 April 2014 to 31 March 2015) and 2013/14. A second table (see Note 7.2) shows a reconciliation between the management accounts and the Statement of Accounts for those years.

7.1 Segmental note for group financial statements

£000	CPM 2014/15	MOPAC 2014/15	GROUP 2014/15	CPM 2013/14	MOPAC 2013/14	GROUP 2013/14
Fees, charges and other income	(276,737)	(1,222)	(277,959)	(335,908)	(773)	(336,681)
Specific grants	(488,007)	(10,048)	(498,055)	(491,286)	(18,413)	(509,699)
Total income	(764,744)	(11,270)	(776,014)	(827,194)	(19,186)	(846,380)
Employee costs	2,492,554	7,384	2,499,938	2,502,647	6,592	2,509,239
Premises-related	169,111	1,329	170,440	211,332	833	212,165
Transport-related	62,045	43	62,088	60,943	39	60,982
Supplies and services*	357,786	33,043	390,829	402,240	22,806	425,046
Capital charges	51,093	0	51,093	49,982	0	49,982
Discretionary pension costs	33,785	0	33,785	33,810	0	33,810
Total operating expenses	3,166,374	41,799	3,208,173	3,260,954	30,270	3,291,224
Cost of service	2,401,630	30,529	2,432,159	2,433,760	11,084	2,444,844

* £33,043 supplies and services incurred by MOPAC includes costs of working with local communities, victims support and payments by MOPAC of crime prevention grants

7.2 Reconciliation of the cost of service per the segmental analysis to the cost of service in the Statement of Accounts

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

£000	2014/15	2013/14 restated
Cost of service per management accounts	2,432,159	2,444,844
Amounts in the CIES not in the segmental note:		
• Depreciation	163,463	159,426
• Impairment/valuation	2,169	(6,940)
• IAS19 Pension	404,400	144,600
• Accumulated Absences	(6,036)	(5,702)
Amounts in the segmental note not in the CIES:		
• Minimum Revenue Provision	(30,208)	(29,079)
• Revenue contribution to capital outlay	(2,471)	(4,329)

• Council Tax Support grant	119,676	119,292
• Other	(18,930)	(18,024)
Cost of service per Statement of Accounts	3,064,222	2,804,088

8. Police officers and police staff remuneration

8.1 Police and police staff remuneration

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

Remuneration band £ MOPAC	2014/15		2013/14	
	Number of employees exc exit packages	Number of employees inc exit packages	Number of employees exc exit packages	Number of employees inc exit packages restated
50,000 - 54,999	4,468	4,476	4,529	4,490
55,000 - 59,999	2,015	2,021	2,113	2,112
60,000 - 64,999	1,524	1,535	1,528	1,527
65,000 - 69,999	536	550	558	558
70,000 - 74,999	308	313	275	277
75,000 - 79,999	145	151	133	133
80,000 - 84,999	87	92	90	104
85,000 - 89,999	65	77	61	68
90,000 - 94,999	43	48	33	35
95,000 - 99,999	9	15	6	21
100,000 - 104,999	4	7	11	15
105,000 - 109,999	8	10	7	14
110,000 - 114,999	2	6	3	10
115,000 - 119,999	2	7	3	9
120,000 - 124,999	2	11	1	7
125,000 - 129,999	3	5	2	8
130,000 - 134,999	2	5	0	2
135,000 - 139,999	0	4	0	5
140,000 - 144,999	1	2	0	3
145,000 - 149,999	0	0	1	2
150,000 - 154,999	0	1	0	10
155,000 - 159,999	0	2	0	3
160,000 - 164,999	0	0	0	2
165,000 - 169,999	0	0	0	5
170,000 - 174,999	0	1	0	1
175,000 - 179,999	0	0	0	2
180,000 - 184,999	0	0	0	0
185,000 - 189,999	0	0	0	1
190,000 - 194,999	0	0	0	0
195,000 - 199,999	0	0	0	1
200,000 - 204,999	0	1	0	2
205,000 - 209,999	0	0	0	2
210,000 - 214,999	0	1	0	2
215,000 - 219,999	0	0	0	0
220,000 - 224,999	0	1	0	1
225,000 - 229,999	0	0	0	2

230,000 - 234,999	0	0	0	3
235,000 - 239,999	0	0	0	1
240,000 - 244,999	0	0	0	1
245,000 - 249,999	0	0	0	1
250,000 - 254,999	0	0	0	1
255,000 - 264,999	0	0	0	0
265,000 - 269,999	0	0	0	2
270,000 - 274,999	0	0	0	3
275,000 - 279,999	0	0	0	0
280,000 - 284,999	0	0	0	1
285,000 - 289,999	0	0	0	1
290,000 - 299,999	0	0	0	0
300,000 - 304,999	0	0	0	1

The banding scale is based on taxable remuneration, excluding pension costs, paid in the year rather than annual salary. Taxable remuneration includes overtime, compensation for loss of office and may also include back dated pay awards, which relate to previous years but were actually paid in the year in question. The numbers in the table above exclude senior staff and relevant police officers as defined below in Note 8.2. In these particular cases, a more detailed analysis of remuneration for 2014/15 is shown on the following pages. The comparative year has been updated and restated in the table above to show the precise values of exit packages received through the Civil Service Scheme in year.

In order to deliver a sustainable reduction in the cost base a reduction in staff posts is required and an early departure scheme is currently being operated to facilitate this, see table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2014/15	2013/14 restated	2014/15	2013/14 restated	2014/15	2013/14 restated	2014/15	2013/14 restated
£0 - £20,000	4	12	22	36	26	48	371,342	626,815
£20,001 - £40,000	8	23	44	57	52	80	1,539,858	2,288,431
£40,001 - £60,000	3	13	43	41	46	54	2,316,475	2,599,509
£60,001 - £80,000	3	2	21	23	24	25	1,732,662	1,800,904
£80,001 - £100,000	0	1	14	27	14	28	1,218,993	2,596,576
£100,001 - £150,000	0	0	3	13	3	13	389,636	1,562,921
£150,001 - £250,000	0	0	2	22	2	22	347,675	4,104,570
	18	51	149	219	167	270	7,916,641	15,579,726

The numbers in the table above exclude senior staff as defined below in Note 8.2. In these particular cases, compensation for loss of office is shown in Sections 8.3. - 8.6. The comparative year has been updated and restated in the table above to show the precise values of exit packages received through the Civil Service Scheme in year.

8.2 Relevant police officers and senior staff remuneration

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

8.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2015

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Bonuses relates to previous year 2013/14 (£)	Compensation for loss of office (£)	Benefits in kind (£)	Total remuneration excluding pension contributions 2014/15 (£)	Pension contributions (£)	Total remuneration including pension contributions 2014/15 (£)
<u>CPM</u>									
Commissioner	B Hogan-Howe		275,550	0	0	12,264	287,814	0	287,814
Deputy Commissioner	C Mackey		236,385	0	0	8,842	245,227	39,957	285,184
Assistant Commissioner	C Allison	1	19,641	0	0	1,449	21,090	4,533	25,623
Assistant Commissioner	C Dick	2	195,667	0	0	2,399	198,066	45,171	243,237
Assistant Commissioner	S Byrne	3	60,868	0	0	542	61,410	0	61,410
Assistant Commissioner	P Gallan	4	157,546	0	0	5,173	162,719	36,206	198,925
Assistant Commissioner	M Hewitt	5	189,806	0	0	10,321	200,127	44,013	244,140
Assistant Commissioner	H King	6	160,772	0	0	30,823	191,595	36,650	228,245
Assistant Commissioner	M Rowley		204,034	0	0	4,763	208,797	45,171	253,968
Deputy Assistant Commissioner	H Ball		155,660	0	0	3,836	159,496	34,763	194,259
Deputy Assistant Commissioner	M De-Brunner	7	156,494	0	0	6,622	163,116	35,892	199,008
Deputy Assistant Commissioner	M Simmons	8	156,483	0	0	6,958	163,441	35,949	199,390
Deputy Assistant Commissioner	A Basu	9	105,496	0	0	5,984	111,480	23,610	135,090
Deputy Assistant Commissioner	S Rodhouse	10	146,796	0	0	7,471	154,267	33,605	187,872
Deputy Assistant Commissioner	F Taylor		159,456	0	0	2,494	161,950	34,763	196,713
Deputy Assistant Commissioner	P Terry	11	112,397	0	0	2,494	114,891	23,610	138,501
Interim Director of Commercial & Finance	A Klonowski	12	-	-	-	-	-	-	-
Director of Commercial & Finance	L McMullan	13	85,878	0	0	0	85,878	20,771	106,649
Director of Digital Policing	R Thwaite	14	87,373	0	0	0	87,373	21,134	108,507
<u>MOPAC</u>									
Chief Operating Officer	H Bailey		165,000	0	0	0	165,000	40,095	205,095

8.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2015

Notes

1. C Allison left on 7/5/14 with an annualised salary of £194,580
 2. C Dick was seconded to the Foreign and Commonwealth Office from 19/1/15
 3. S Byrne left on 24/6/14 with an annualised salary of £195,735
 4. P Gallan was promoted to AC on 9/2/15 with an annualised salary of £195,360
 5. M Hewitt was promoted to AC on 12/5/14 with an annualised salary of £200,884
 6. H King joined the MPS on 9/6/14 with an annualised salary of £198,939
 7. M De-Brunner was temporarily promoted to AC from 3/1/15 to 8/2/15. As DAC the annualised salary is £150,196
 8. M Simmons was temporarily promoted to AC from 28/4/14 to 8/6/14. As DAC the annualised salary is £152,172
 9. A Basu was promoted to DAC on 30/3/15 with an annualised salary of £152,172
 10. S Rodhouse was promoted to DAC on 12/5/14 with an annualised salary of £152,172
 11. P Terry was promoted to DAC on 30/3/15 with an annualised salary of £161,698
 12. A Klonowski was appointed as the Interim Director of Commercial and Finance. A Klonowski was not salaried and received a total payment in the period 1/4/14 to 12/9/14 of £135,850 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay). If engaged for a full year her annualised total remuneration, excluding agency commission, for the year would have been £273,000.
 13. L McMullan was appointed as Director of Commercial and Finance on 15/9/14 with an annualised salary of £157,572. L McMullan previously held the post of Director of Police Resources at MOPAC see table 8.6
 14. R Thwaite was appointed the Director of Digital Policing on 1/9/14 until 13/2/15 with an annualised salary of £191,236. Prior to this appointment the post was held on an interim basis which is not salaried and received payment in the period 1/4/14 to 31/8/14 of £113,400 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay). If engaged for a full year the annualised total remuneration, excluding agency commission, as an interim would have been £294,000.
- From 1/12/14 Eclecsys Ltd has been engaged to provide advice to the MPS on its technology strategy and operations. Eclecsys Ltd provides up to 3 consultants and for the period 1/12/14 to 31/3/15 has cost £184,496.

Additional information

Benefits in kind may include health care benefits, car allowance, relocation expenses, other travel costs and provision of a vehicle and driver to certain police ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes). The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and one Assistant Commissioner required in the effective execution of their duties.

During 2014/15 no bonus payments were accepted by senior police officers and senior police staff in the above table.

8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2014

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Bonuses relates to previous year 2012/13 (£)	Compensation for loss of office (£)	Benefits in kind (£)	Total remuneration excluding pension contributions 2013/14 (£)	Pension contributions (£)	Total remuneration including pension contributions 2013/14 (£)
<u>CPM</u>									
Commissioner	B Hogan-Howe		272,909	0	0	6,184	279,093	0	279,093
Deputy Commissioner	C Mackey		232,796	0	0	13,331	246,127	52,821	298,948
Assistant Commissioner	C Allison		193,817	0	0	5,540	199,357	44,724	244,081
Assistant Commissioner	C Dick		193,817	0	0	2,754	196,571	44,724	241,295
Assistant Commissioner	M Rowley		199,108	0	0	6,707	205,815	44,724	250,539
Assistant Commissioner	S Byrne		199,108	0	0	8,105	207,213	0	207,213
Deputy Assistant Commissioner	S Osborne	1	62,971	0	0	2,661	65,632	0	65,632
Deputy Assistant Commissioner	H Ball		150,256	0	0	4,780	155,036	34,419	189,455
Deputy Assistant Commissioner	M De-Brunner		150,391	0	0	6,202	156,593	34,419	191,012
Deputy Assistant Commissioner	P Gallan		150,158	0	0	5,311	155,469	34,419	189,888
Deputy Assistant Commissioner	M Simmons		150,158	0	0	6,026	156,184	34,419	190,603
Deputy Assistant Commissioner	M Hewitt		150,158	0	0	6,881	157,039	34,419	191,458
Deputy Assistant Commissioner	P Spindler	2	151,283	0	0	4,540	155,823	34,387	190,210
Director of Resources	T Evans	3	19,548	0	70,100	2,039	91,687	4,750	96,437
Interim Director of Commercial & Finance	A Klonowski	4	-	-	-	-	-	-	-
Director of Digital Policing	A Beaton	5	79,065	0	100	2,014	81,179	14,463	95,642
Interim Director of Digital Policing	R Thwaite	6	-	-	-	-	-	-	-
Chief Medical Officer	E Cahill-Canning	7	55,589	0	110,699	0	166,288	16,172	182,460
<u>MOPAC</u>									
Chief Operating Officer	H Bailey		165,000	0	0	0	165,000	40,095	205,095

8.4 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2014

Notes

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1. S Osborne left on 28/7/13 with an annualised salary of £160,346
 2. P Spindler was seconded to HM Inspector of Constabulary from 2 April 2013
 3. T Evans left on 14/5/13 with an annualised salary of £162,163
 4. A Klonowski was appointed as the Interim Director of Commercial and Finance on 3/2/14. A Klonowski is not salaried and received a total payment in the period 3/2/14 to 31/3/14 of £53,300 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay). If engaged for a full year her annualised total remuneration, excluding agency commission, for the year would have been £273,000.
 5. A Beaton left on 26/8/13 with an annualised salary of £194,743. The compensation for loss of office was contractually committed in 2012/13 and was therefore reported last year.
 6. R Thwaite was appointed the Interim Director of Digital Policing for the year. R Thwaite is not salaried and received payment, excluding agency commission, in the period 1/4/13 to 31/3/14 of £312,200 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay).
 7. E Cahill-Canning left on 31/7/13 with an annualised salary of £166,310
-

Additional information

Benefits in kind may include health care benefits, car allowance, other travel costs and provision of a vehicle and driver to certain police ranks (Commissioner's driver is treated differently as vehicles and driver are provided for security purposes). The table above excludes accommodation provided to the Commissioner, Deputy Commissioner and one Assistant Commissioner required in the effective execution of their duties.

During 2013/14 no bonus payments were accepted by senior police officers and senior police staff in the above table.

8.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2015

Post	Note	Salary inc fees and allowances (£)	Bonuses relate to previous year 2013/14 (£)	Compensation for loss of office (£)	Benefits in kind (£)	Other payments (£)	Total remuneration (excl pension contributions) 2014/15 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2014/15 (£)
<u>CPM</u>									
Director of Media and Communication		131,435	0	0	0	0	131,435	31,841	163,276
Director of People and Change	1	135,600	0	0	0	0	135,600	32,854	168,454
Director of Legal Services		137,600	0	0	0	0	137,600	33,340	170,940
Director of Portfolio and Planning	2	107,054	0	0	442	0	107,496	25,917	133,413
Chief Financial Officer	3	92,957	0	0	0	0	92,957	22,491	115,448
<u>MOPAC</u>									
Deputy Mayor for Policing and Crime		128,487	0	0	0	0	128,487	0	128,487
Director of Police Resources and Performance	4	53,057	0	0	0	0	53,057	13,284	66,341
Acting Director of Police Resources and Performance	5	95,944	0	0	0	0	95,944	23,284	119,228
Interim Director of Police Resources and Performance	6	-	-	-	-	-	-	-	-
Director of Strategy		103,500	0	0	0	0	103,500	25,150	128,650
Director of Integrated Offender Management, Programmes & Neighbourhoods		115,000	0	0	0	0	115,000	27,945	142,945
Director of Audit, Risk and Assurance	7	118,750	0	0	0	0	118,750	28,856	147,606

8.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2015

Notes

1. The title of Director of Human Resources was re-titled to Director of People and Change from 23/2/15
2. The Director of Portfolio and Planning left on 28/2/15 with an annualised salary of £116,553
3. The Chief Financial Officer held the post of Section 151 officer from 1/4/14 to 14/9/14 with an annualised salary of £96,877
4. The Director of Police Resources and Performance left MOPAC on 14/9/14 and took up the post of Director of Commercial and Finance with the CPM (see note 8.4). The annualised salary of the Director of Police Resources and Performance is £119,481.
5. The acting Director of Police Resources and Performance covered the role from 15/9/14 to 7/12/14
6. An Interim Director of Police Resources and Performance was appointed on 8/12/14. The individual is not salaried and received a total payment in the period 8/12/14 to 31/3/15 of £60,759 (unlike the remuneration payments made to the employees in the table above, interims do not receive pensions, benefits and holiday pay). If engaged for a full year the annualised total remuneration, excluding agency commission, for the year would have been £178,500.
7. The Director of Audit, Risk and Assurance - following a review the annualised salary increased from £100,000 to £115,000. The 2014/15 disclosure includes backdated pay with effect from 1/1/14

Additional information

Benefits in kind may include health care benefits, car allowance, relocation expenses and other travel costs.

During 2014/15 no bonus payments were accepted by senior police staff in the above table.

8.6 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2014

Post	Note	Salary inc fees and allowances (£)	Bonuses relate to previous year 2012/13 (£)	Compensation for loss of office (£)	Benefits in kind (£)	Other payments (£)	Total remuneration (excl pension contributions) 2013/14 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2013/14 (£)
<u>CPM</u>									
Director of Media and Communication		130,835	0	0	0	0	130,835	31,793	162,628
Director of Human Resources		135,000	0	0	574	0	135,574	32,805	168,379
Director of Legal Services		137,000	0	0	0	0	137,000	33,291	170,291
Director of Portfolio and Planning		116,216	0	0	442	0	116,658	28,224	144,882
Temp Director of Commercial & Finance	1	97,447	0	49,940	2,164	0	149,551	23,680	173,231
Temp Director of Commercial & Finance	2	132,879	0	0	0	0	132,879	32,164	165,043
Chief Financial Officer	3	93,990	0	0	0	0	93,990	22,840	116,830
<u>MOPAC</u>									
Deputy Mayor for Policing and Crime		127,784	0	0	0	0	127,784	31,051	158,835
Chief Financial Officer	4	30,000	0	2,493	0	0	32,493	7,290	39,783
Temp Chief Financial Officer	5	95,077	0	0	0	0	95,077	23,104	118,181
Director of Police Resources & Performance	6	46,667	0	0	0	0	46,667	11,340	58,007
Director of Strategy	7	61,210	0	0	0	0	61,210	14,874	76,084
Director of Integrated Offender Management, Programmes & Neighbourhoods	8	62,292	0	0	0	0	62,292	15,137	77,429
Director of Audit, Risk and Assurance		100,000	0	0	0	0	100,000	24,300	124,300

8.6 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2014

Notes

1. The Director of Finance was appointed as the Temporary Director of Resources on 15/5/13 and then as Temporary Director of Commercial and Finance on 11/11/13. He left on 30/11/13 with an annualised salary of £145,771
2. The Director of Property Services covered the Director of Commercial and Finance post temporarily on 1/12/13 to 14/3/14 with an annualised salary of £141,208
3. The Chief Financial Officer held the statutory post of the Section 151 officer from 1 December 2013, with an annualised salary of £96,677
4. The Chief Financial Officer left on 30/6/13 with an annualised salary of £120,000. The compensation for loss of office was contractually committed in 2012/13 and was therefore reported last year.
5. The Temporary Chief Financial Officer covered the role from 1/7/13 to 10/11/13 with an annualised salary of £95,077
6. The Director of Police Resources & Performance joined on 11/11/13 with an annualised salary of £120,000.
7. The Director of Strategy joined on 29/8/13 with an annualised salary of £103,500
8. The Director of Integrated Offender Management, Programmes & Neighbourhoods joined on 16/9/13 with an annualised salary of £115,000.

Additional information

Benefits in kind may include health care benefits, car allowance, relocation expenses and other travel costs.

During 2013/14 no bonus payments were accepted by senior police staff in the above table.

9. Related party transactions

IAS 24 (Related Party Transactions) requires the Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Group or to be controlled or influenced by key individuals of the Group including the Mayor and Deputy Mayor, the Commissioner and members of the MOPAC Senior Management Team and MPS Management Board. Disclosure of these transactions allows readers to assess the extent to which the Group 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 Group. This disclosure note has been prepared on the basis of specific declarations obtained in April 2015, in respect of related party transactions.

CPM and MOPAC

The primary function of MOPAC is to secure the maintenance of an efficient and effective Metropolitan Police Service in London and to hold the CPM to account for the exercise of operational policing duties under the Police Act 1996. MOPAC is responsible for setting the Police and Crime Plan. Whilst the Commissioner is operationally independent and receives an annual budget, MOPAC is responsible for financial administration within the Group. The CPM holds no reserves or cash balances and assets. All payments for the Group are made by MOPAC from the MOPAC Police Fund and all funding and income is received by MOPAC. The CPM is dependant on MOPAC to discharge any liabilities, for instance to administer police pensions or settle future obligations. More information can be found on this relationship in Note 5.

Central Government and other public bodies

Central Government has a significant influence over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates as well as providing a substantial part of its funding in the form of grants and prescribes the terms of many of the transactions that the Group has with other parties. Grants received from Central Government are set out in the subjective analysis in Note 14 and Note 15:

Greater London Authority

The MOPAC Group is one of the functional bodies of the Greater London Authority (GLA), the other bodies being the London Fire and Emergency Planning Authority, Transport for London and the London Legacy Development Corporation.

The London Assembly approves MOPAC's budget for the police and sets the precept for the GLA. In addition Section 32 of the Police Reform and Social Responsibility Act 2011 requires the GLA London Assembly to establish a committee called the 'Police and Crime Committee' to exercise functions in relation to scrutiny of MOPAC. The Committee's responsibilities include reviewing the draft Police and Crime Plan and scrutiny of particular decisions made or actions taken by MOPAC in the discharge of its responsibilities. Monies received from the GLA in the form of grants and precepts are disclosed in Note 14.

The net receipts from Transport for London were £93.947 million in 2014/15 (£85.463 million in 2013/14). At 31 March 2015 £15.890 million was owed to the Group (£24.169 million at 31 March 2014).

Other bodies

In 2014/15, the Group was represented at both Cabinet and Director levels in the Association of Chief Police Officers (ACPO) which was an independent professional body of chief police officers and senior staff equivalents. Any work performed by ACPO by individuals was in addition to normal duties and did not attract any additional remuneration. ACPO ceased to exist on the 31 March 2015 to be replaced by the National Police Chiefs' Council (NPCC), which was formed on 1 April 2015.

In 2014/15 there were no transactions directly with ACPO TAM as funding was included within Home Office - Counter Terrorism grant which is disclosed in note 15 as a specific grant.

Income (Net)	2014/15	2014/15	2013/14	2013/14
	Income	Debtor	Income	Debtor
ACPO TAM	0	0	42,539	165

The Safer London Foundation is included here as a related party as MOPAC provided £635,093 in 2014/15 and Sir B Hogan-Howe, Commissioner, is the president of the organisation.

Similarly the Local Safeguarding Children Board is included as a related party as MOPAC provided £240,000 in 2014/15 and Commander P Spindler is a Member of the Board.

From 1 December 2014 Eclecsys Ltd has been engaged to provide advice to the MPS on its technology strategy and operations. John Lowry, who is a key shareholder of Eclecsys Ltd has a senior advisory role in respect of the MPS Management Board until 31 August 2015. The total value of the contract is £415,116 of which £184,496 relates to the period ending 31 March 2015.

10. Auditors' remuneration

The audit fee payable to Grant Thornton UK LLP during the year totalled £335,770 (£335,770 in 2013/14) for the Group, while the portion relating to MOPAC is £175,770 and the portion relating to CPM is £160,000 (£175,770 for MOPAC in 2013/14, £160,000 for CPM).

The Group also incurred fees payable to Grant Thornton UK LLP in respect of other services provided during the year of £84,750 (£0 in 2013/14).

11. Interest payable and similar charges

Interest paid in 2014/15 and 2013/14 is as follows:

£000	2014/15	2013/14
Public Work Loans Board	7,748	8,424
PFI and finance lease	13,136	12,447
Other interest cost	24	29
Total	20,908	20,900

12. Pension costs

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

12.1 Police officers

There are two pension schemes for police officers, the 2006 New Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS); both of which are unfunded, defined benefit schemes. An unfunded, defined benefit scheme has no investment assets to meet its pension liability and must generate cash to meet the actual pension payments as they fall due. These benefits payable are funded by contributions from employers and police officers and as a rule any shortfall is met by a top up grant from the Home Office, as was the case in 2014/15. The Group pays employer contributions at a rate of 24.2% of pensionable salary into the Fund.

Notes to the accounts

The Commissioner is the administering body under the Police Reform and Social Responsibility Act 2011 and further details of the schemes can be found in the CPM Accounts under the heading 'Police Officer Pension Fund Accounts'.

The principal risks of the schemes relate to the longevity assumptions, statutory changes to the schemes, changes to inflation and to bond yields. These are mitigated by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies Note 1.7 on post employment benefits.

Police officers' pensions income and expenditure

£000	2014/15	2013/14
<i>Comprehensive Income and Expenditure Statement</i>		
Cost of Services:		
Service cost comprising:		
Current Service Cost	693,600	633,600
Past service cost	2,000	2,200
Transfers in/(out)	(3,300)	1,900
Actuarial loss/(gain) - injury pensions	290,000	80,000
Financing and Investment Income and Expenditure		
Interest Expense	1,072,500	1,001,600
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	2,054,800	1,719,300
Re-measurement of the defined benefit liability comprising:		
Actuarial loss/(gain) arising on changes in demographic assumptions - excluding injury pensions	0	511,100
Actuarial loss/ (gain) arising on changes in financial assumptions - excluding injury pensions	3,728,700	949,400
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	3,728,700	1,460,500
<i>Movement in Reserves Statement (MIRS)</i>		
Reversal of charges made to Surplus or Deficit on the Provision of Services for post employment benefits	2,054,800	1,719,300
Actual amount charged against the General Fund Balance for pensions in the year - Pension Costs	577,900	573,100

The Table above shows the transactions have been made in the Group CIES and the General Fund Balance via the Group MIRS during the year as described more fully in Note 5. The following police pension costs are recognised in the CPM Accounts in the first instance:

- Current/past service costs, past service gains and the actuarial loss/(gain) have been produced by actuaries;
- Transfers in/(out) are in respect of monies received/paid from/to other authorities in respect of Officers who have either joined or left the Group;
- 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.

Police injury pensions are considered to be a cost to the service and as such the gains/loss on this type of pension has been incorporated in the Net Cost of Policing Services together with other related charges (see below for analysis of movements on liabilities for both funds).

Police officers contributions to the schemes amounted to £152.3 million in the year ended 31 March 2015. In the year ended 31 March 2015, employer pension contributions have been

charged to the revenue account on the basis of pensions payable in the year and totalled £553.5 million.

In the year to 31 March 2015 the net costs of pensions and other benefits amounted to £587.3 million, representing 50% of pensionable pay.

Assets and liabilities in relation to retirement benefits

In accordance with IAS 19 requirements, the total liability of the Police Officer Pension Fund is included in the Balance Sheet. Although these will not actually be payable until officers retire, the Group has a commitment to make the payments that need to be disclosed at the time that officers earn their future entitlement. The Group had the following overall liabilities for pensions at 31 March 2015 that have been included in the Balance Sheet:

£ million	2014/15	2013/14
Officer members	(17,316)	(13,286)
Deferred pensioners	(880)	(713)
Pensioners	(10,208)	(9,556)
Injury pensions	(1,654)	(1,298)
Total value of scheme liabilities	(30,058)	(24,853)

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 2015. The movement in the present value of the scheme liabilities for the year to 31 March 2015 can be reconciled as follows:

£ million	Excluding injury benefits	Excluding injury benefits	Injury benefits only	Injury benefits Only
	2014/15	2013/14	2014/15	2013/14
Scheme liabilities at 1 April	(23,555)	(21,088)	(1,298)	(1,158)
Current service cost including Home Office contribution.	(653)	(597)	(40)	(37)
Officer contributions	(152)	(145)	0	0
Benefits paid	698	689	0	0
Injury award expenditure	0	0	31	29
Transfers from / to other authorities	3	(2)	0	0
Past service cost (injury benefits)	(2)	(2)	0	0
Interest cost on pension liabilities.	(1,014)	(950)	(57)	(52)
Re-measurement gains and losses:				
Actuarial (loss)/gain arising on changes in demographic assumptions	0	(511)	0	(34)
Actuarial (loss)/gain arising on changes in financial assumptions	(3,729)	(949)	(223)	(52)
Other Experience	0	0	(67)	6
Scheme liabilities at 31 March	(28,404)	(23,555)	(1,654)	(1,298)

Actuarial assumptions

The value of the liabilities for IAS19 purposes is dependent on assumptions made by the Scheme's actuaries, Hymans Robertson. The financial assumptions reflect market expectations at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pension-in-payment), can have a significant effect on the value of the liabilities reported. A reduction in the net discount rate will increase the

assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The effect of a change in the net discount rate on the value placed on the liabilities of each scheme is shown in the sensitivity analysis schedule below. The value of current and future pension benefits will also depend on the life expectancy of the officers and dependents. The disclosures have been prepared using the Actuarial Profession's Continuous Mortality Investigation Board (CMIB) 'year of birth' tables with future improvement in line with the CMI 2010 model with a long term rate of improvement of 1.25% per annum.

The significant actuarial assumptions used in their calculations are:

Assumptions	PPS	NPPS	PPS	NPPS
	2014/15	2014/15	2013/14	2013/14
Rate of inflation	3.3%	3.4%	3.6%	3.7%
Rate of increase of salary (note i)	3.4%	3.5%	3.8%	3.9%
Rate of increase in pensions	2.4%	2.5%	2.8%	2.9%
Rate for discounting scheme liabilities (note ii)	3.2%	3.3%	4.3%	4.3%

- i. Future salary increases are assumed to be within an acceptable range;
- ii. The current discount rate is based on current rate of return available on high quality corporate bonds of equivalent currency and term to the scheme liabilities.

Mortality

Life expectancy is based on actuarial tables with future improvement in line with the CMI 2010 model with a long term rate of improvement of 1.25% per annum. The actuarial mortality rate assumptions used in their calculations are:

Mortality rate	Males	Males	Females	Females
	2014/15	2013/14	2014/15	2013/14
Current pensioners	29.5 years	29.3 years	31.7 years	31.5 years
Future pensioners*	31.1 years	30.9 years	33.2 years	33.0 years

*Future pensioners are assumed to be aged 45 at 31 March 2015.

Sensitivity analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis are consistent with those used in the previous period.

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

Financial assumptions	Approximate % increase to employer liability		Approximate monetary amount (£000)	
	2014/15	2013/14	2014/15	2013/14
0.5% decrease in real discount rate	10%	10%	3,225,000	2,570,500
1 year increase in member life expectancy	3%	3%	901,700	745,600
0.5% increase in the salary increase rate	2%	2%	718,000	532,600
0.5% increase in the pension increase rate (CPI)	9%	8%	2,591,100	2,104,400

The scheme will need to take account of the effect of the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new Career Average Revalued Earnings schemes to pay pensions and other benefits to certain public servants. The new police pension scheme will come into effect from 1 April 2015.

An estimate of contributions expected to be paid to the scheme for the future financial year:

£ million	2014/15	2013/14
Projected current service cost	631	684
Interest on obligation	966	1,071
Total	1,597	1,755

The weighted average duration of the defined benefit obligation is:

Weighted average duration	2014/15	2013/14
Officer members	26.5 years	26.3 years
Deferred pensioners	25.0 years	25.0 years
Pensioners	12.1 years	12.1 years
Injury pensions	20.9 years	20.6 years

12.2 Police staff

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme (see accounting policies Note 1.7 for details of membership). The Group is unable to identify its share of the underlying assets and liabilities with the result that under IAS19 the scheme is accounted for as a defined contribution scheme with the cost of pension contributions in to the scheme recognised in the Accounts but no share of scheme assets or liabilities recognised on the Balance Sheet.

A full actuarial valuation as carried out as at 31 March 2015 can be found in the Resource Accounts of the Cabinet Office, who administer the fund. For the year ended 31 March 2015, employer's contributions of £88.8 million were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 percent of pensionable pay, based on salary bands. In the year to 31 March 2015, the net cost of pensions amounted to £97.7 million, representing 20.8% of pensionable pay. The Group is not liable for any other entities obligations under the plan.

13. Other operating expenditure

13.1 Gains and losses on disposal of non current assets

The following gains and losses were made on disposal of property (Land and Building) plant and equipment:

£000	2014/15			2013/14		
	Property	Vehicles	Total	Property	Vehicles	Total
Losses	51,221	3,039	54,260	27,732	1,687	29,419
Gains	(72,275)	(120)	(72,395)	(46,114)	(295)	(46,409)
Net gain	(21,054)	2,919	(18,135)	(18,382)	1,392	(16,990)

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.

14. Non specific grant income

The Greater London Authority precepts London Boroughs for Council Tax and receives Police Formula Grant, Police Revenue Grant and Council Tax Support Grant directly from central government. The central funding allocated and the police precept for the year ended 31 March 2015 was:

£000	2014/15	2013/14
Revenue Support Grant	0	(9,357)
Formula Grant	(782,903)	(821,399)
Police precept	(564,166)	(557,125)
Police Revenue Grant	(1,101,081)	(1,138,439)
Council Tax Support	(119,676)	(119,292)
Total	(2,567,826)	(2,645,612)

14.1. Capital grants

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

£000	2014/15	2013/14
Capital grants	(41,769)	(40,445)

15. Specific grants

The Group received the following grants for specific operational activities:

£000	2014/15	2013/14
Home Office - Counter Terrorism	(253,379)	(199,500)
Home Office - CT Dedicated Security Posts	(101,647)	(106,409)
Association of Chief Police Officers	156	(42,539)
Home Office - Olympic 2012	0	(83)
Home Office/Ministry of Justice - Community Safety Fund	(10,048)	(18,529)
Home Office - Other	(7,978)	(24,725)
Miscellaneous grants	(23,150)	(16,494)
Total	(396,046)	(408,279)

16. Group and MOPAC non current assets at 31 March 2015

£000	Property	Plant and equipment	Sub total	Heritage assets	Investment properties	Intangible assets	Assets under construction	Surplus Assets	Total
Cost or valuation at 1 April 2014	1,572,851	795,369	2,368,220	1,319	58,899	36,815	149,123	30,889	2,645,265
Reclassifications (transfers)	57,484	39,021	96,505	0	(2,261)	1,735	(95,979)	0	0
Transfer assets held for sale	(43,008)	(793)	(43,801)	0	0	0	0	(30,529)	(74,330)
Additions	5,451	29,432	34,883	0	8	71	164,379	0	199,341
Donated assets/ other	0	5	5	0	0	0	17	0	22
Disposals	(96,509)	(116,889)	(213,398)	0	(8,820)	(2,494)	0	0	(224,712)
Impairment	0	0	0	0	0	0	(17)	0	(17)
Revaluation movements through CIES	(4,126)	0	(4,126)	0	5,218	0	0	1,169	2,261
Revaluation movements in reserves	101,529	0	101,529	0	0	0	0	(1,529)	100,000
Cost or valuation at 31 March 2015	1,593,672	746,145	2,339,817	1,319	53,044	36,127	217,523	0	2,647,830
Depreciation at 1 April 2014	(115,194)	(617,071)	(732,265)	(11)	(349)	(33,918)	0	(765)	(767,308)
Depreciation/amortisation for the year	(60,699)	(99,797)	(160,496)	0	0	(2,203)	0	(764)	(163,463)
Redundant depreciation	44,647	0	44,647	0	0	0	0	1,529	46,176
Depreciation on assets sold	17,192	110,026	127,218	0	61	2,494	0	0	129,773
Depreciation on transferred assets	5,659	754	6,413	0	0	0	0	0	6,413
Depreciation at 31 March 2015	(108,395)	(606,088)	(714,483)	(11)	(288)	(33,627)	0	0	(748,409)
Net Book Value at 31 March 2015	1,485,277	140,057	1,625,334	1,308	52,756	2,500	217,523	0	1,899,421
Net Book Value at 31 March 2014	1,457,657	178,298	1,635,955	1,308	58,550	2,897	149,123	30,124	1,877,957

The Group's Property portfolio which is located throughout London's 32 boroughs includes operational and residential properties. The portfolio consists of 93 (108 in 2013/14) police stations, 207 (231 in 2013/14) residential properties, and 367 (359 in 2013/14) other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. There are also 154 (189 in 2013/14) investment properties. The Group also operates 5,375 (5,729 in 2013/14) patrol cars, motorbikes and other vehicles, 27(28 in 2013/14) boats including inflatables and dinghies. All helicopters were transferred to the National Police Air Service on 31 March 2015 (3 in 2013/14).

16. Group and MOPAC non current assets at 31 March 2014

£000	Property	Plant and equipment	Sub total	Heritage assets	Investment properties	Intangible assets	Assets under construction	Surplus Assets	Total
Cost or valuation at 1 April 2013	1,609,410	882,304	2,491,714	1,319	63,093	36,512	153,767	0	2,746,405
Reclassifications (transfers)	26,217	34,110	60,327	0	0	301	(91,517)	30,889	0
Transfer assets held for sale	(67,275)	(582)	(67,857)	0	0	0	0	0	(67,857)
Additions	34,785	24,346	59,131	0	12	652	90,545	0	150,340
Donated assets/other	0	38	38	0	0	0	0	0	38
Disposals	(93,435)	(144,847)	(238,282)	0	(15,572)	(650)	0	0	(254,504)
Impairment	0	0	0	0	0	0	(3,672)	0	(3,672)
Revaluation movements through CIES	10,093	0	10,093	0	11,366	0	0	0	21,459
Revaluation movements in reserves	53,056	0	53,056	0	0	0	0	0	53,056
Cost or valuation at 31 March 2014	1,572,851	795,369	2,368,220	1,319	58,899	36,815	149,123	30,889	2,645,265
Depreciation at 1 April 2013	(109,335)	(664,129)	(773,464)	(11)	(5,753)	(31,348)	0	0	(810,576)
Depreciation/amortisation for the year	(59,542)	(96,664)	(156,206)	0	0	(3,220)	0	0	(159,426)
Redundant depreciation	39,503	0	39,503	0	0	0	0	0	39,503
Depreciation on assets sold	12,969	143,160	156,129	0	5,404	650	0	0	162,183
Depreciation on transferred assets	1,211	562	1,773	0	0	0	0	(765)	1,008
Depreciation at 31 March 2014	(115,194)	(617,071)	(732,265)	(11)	(349)	(33,918)	0	(765)	(767,308)
Net Book Value at 31 March 2014	1,457,657	178,298	1,635,955	1,308	58,550	2,897	149,123	30,124	1,877,957
Net Book Value at 31 March 2013	1,500,075	218,175	1,718,250	1,308	57,340	5,164	153,767	0	1,935,829

16.1 Basis of valuation

The Property portfolio was revalued as at 30 September 2014 as part of the revaluation programme. For the revaluation programme 20% of the assets are physically inspected as well as the top 20 properties by value whilst 80% are revalued on a desktop basis. This approach is part of a rolling programme of revaluations that is conducted by Cushman and Wakefield LLP (member of the Royal Institute of Chartered Surveyors) ensuring that all operational land and buildings within the estate are subject to inspection and revaluation at least once every five years.

Residential properties and the investment property portfolio were revalued as at 30 September 2014 as a 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 Drivers Jonas Deloitte (member of the Royal Institute of Chartered Surveyors) ensuring that all of the residential properties and the investment properties are subject to inspection and revaluation at least once every five years.

Both valuers also provided a valuation as at 31 March 2015 based on a desktop exercise. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Buildings under construction and other property works are valued on the basis of the associated land value plus the cumulative construction costs incurred at 31 March 2015.

Short life assets such as vehicles, plant, furniture and equipment are included at net depreciation cost. Heritage assets have been included in the Balance Sheet following valuations placed on them by internal and external valuers. These consist of pictures, medals, vehicles, furniture and museum pieces, which are at present in long-term storage, which have been gifted over many years.

During the year, transfers of £9.6 million were made for those assets under construction, which were completed and became operating assets.

16.2 Redundant depreciation

The redundant depreciation figure totalling £46.2 million, shown in table 16, is an offset to amounts arising from the new valuation for property, which gives a more accurate figure for the value of land and buildings. The balances for accumulated depreciation for these buildings become redundant and should not be carried forward in the Balance Sheet, but are offset against the Revaluation Reserve.

16.3 Impairment

The Group has recognised impairments within assets under construction and impairment reviews were also performed at the year-end on land and buildings and on plant and equipment.

16.4 Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Group, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by MOPAC that has yet to be financed.

£000	2014/15	2013/14
Opening Capital Financing Requirement	705,739	734,818
Capital Investment		
Property	5,451	34,785
Plant and equipment	29,432	24,346
Intangible assets	72	652
Assets under construction	164,395	90,545
Investment properties	8	12
Sources of finance		
Capital receipts	(159,790)	(97,363)
Government grants and other contributions	(42,018)	(48,648)
Sums set aside from revenue:		
Direct revenue contributions	(2,471)	(4,329)
Minimum Revenue Provision	(30,208)	(29,079)
Closing Capital Financing Requirement	670,610	705,739
Explanation of movements in year		
Decrease in underlying need to borrow (supported by government financial assistance)	(13,353)	(13,909)
Increase in underlying need to borrow (unsupported by government financial assistance)	0	0
Decrease in underlying need to borrow (unsupported by government financial assistance)	(17,125)	(12,205)
Decrease in underlying need to borrow for PFI and Finance Lease assets	(4,651)	(2,965)
Increase/(decrease) in Capital Financing Requirement	(35,129)	(29,079)

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 MOPAC to charge to the MIRS a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For the year ended 31 March 2015 MOPAC has made an MRP charge based on:

- the capital financing requirement method for all borrowing prior to 1 April 2008 and for any borrowing supported through the revenue grant settlement since 1 April 2008, and
- the asset life method for all unsupported borrowing undertaken since 1 April 2008 as permitted by the flexibilities provided under the Prudential Code.

16.5 PFI assets

These assets form part of the Property category within Note 16. There are two PFI contracts which together constitute the Group's PFI assets. One is for the provision of a firearms training facility and public order training facility, including the provision of all necessary structures, accommodation, support services and equipment. The Agreement is for a period of 25 years commencing January 2003 and includes for a price review of defined services every 5 years. At the end of the 25 year period the facility will be handed to the Group with the obligation of the Contractor to leave the training facility in 'working order'.

The other PFI contract is for the provision of four police stations across south east London including the provision of all necessary structures, office accommodation, support services and equipment. The Agreement is for a period of 25 years commencing January 2004 and provides for a price review of defined services every 5 years. At the end of the 25 year period the facility will be handed back to the Group or new leases could be negotiated.

The table below shows the value of training establishment and police station PFIs which are included in MOPAC Balance Sheet broken down by movements in year.

£000	2014/15	2013/14
Balance as at 1 April 2014	146,128	140,979
Additions	30	89
Depreciation for year	(10,663)	(10,380)
Redundant depreciation	9,725	8,669
Transfer from work in progress	95	77
Revaluation movement	(15,903)	6,694
Balance as at 31 March 2015	129,412	146,128

16.6 Payment analysis

The PFI agreements impose 25 year commitments on the Group from occupation and use of the facilities from 2003 and 2004. The unitary payments to be made under the PFI contracts as at 31 March 2015 are shown below. PFI liabilities are shown in Note 27.

Payment Analysis 2014/15				
£000	Liability	Interest	Service charge	Total
Within 1 year	4,641	11,061	9,236	24,938
2 to 5 years	16,038	40,030	46,743	102,811
6 to 10 years	30,030	50,791	67,007	147,828
11 to 15 years	36,180	41,509	43,906	121,595
Total	86,889	143,391	166,892	397,172

Notes to the Accounts

Payment Analysis 2013/14				
£000	Liability	Interest	Service charge	Total
Within 1 year	4,517	11,199	9,364	25,080
2 to 5 years	15,665	42,445	48,633	106,743
6 to 10 years	27,611	53,069	68,466	149,146
11 to 15 years	43,054	52,796	56,279	152,129
16 to 20 years	559	608	867	2,034
Total	91,406	160,117	183,609	435,132

16.7 Leases

MOPAC as lessee

Operating leases

The Group has acquired a large and diverse portfolio of property leases, for example, office accommodation, police stations and patrol bases. In addition the Group leases include many safer neighbourhood offices, most of which have 10 year lives. In the year to 31 March 2015, the Group spent £37 million on operating leases for property and £1.2 million on operating leases for vehicles, most of which have 3 year lives. The lease payments due under non-cancellable leases in future years are:

£000	31 March 2015		31 March 2014	
	Property	Vehicles	Property	Vehicles
Operating leases				
Not later than 1 year	31,689	718	32,598	1,422
Later than 1 year and not later than 5 years	100,909	849	118,718	4,022
Later than 5 years	38,120	0	49,743	11
Total	170,718	1,567	201,059	5,455

Finance leases

The Group does not have any finance leases for vehicles, plant, or equipment. Following the adoption of IAS 17 the Group reviewed all existing property leases to evaluate the leases as at 31 March 2015 in order to determine whether they are a finance lease or an operating lease for land and/or for building. There are, in total, five property leases for which the building element is classified as a finance lease. There are also one long-term ground leases of land of more than 125 years included as finance leases. The movements for the current year are shown below:

£000	2014/15	2013/14
Opening value 1 April 2014	84,301	53,950
Additions	200	24,118
Revaluations	(6,358)	5,119
Disposal	(12,681)	2,792
Impairment	(2,728)	0
Depreciation	(2,263)	(1,678)
Net carrying value 31 March 2015	60,471	84,301

Notes to the Accounts

The Group is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability remains outstanding.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £1.2 million contingent rents were paid by the Group.

The minimum lease payments are made up of the following amounts:

£000	31 March 2015	31 March 2014
Current liability	148	134
Long term liability	5,527	5,675
Finance costs payable in future years	17,149	17,873
Total of minimum lease payments (Net Present Value)	22,824	23,682

The minimum lease payments payable over the following periods are:

£000	Minimum lease payments		Finance lease liabilities	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Not later than 1 year	859	859	148	134
Later than 1 year and not later than 5 years	3,434	3,434	760	689
Later than 5 years	18,531	19,389	4,767	4,986
Total	22,824	23,682	5,675	5,809

Group as lessor

Operating leases

The Group leases out various interests in properties, including office space and short term leases for several blocks of flats classified as investment properties. The Group received rents amounting to £6.8 million (£8.8 million in 2013/14). The current lease payments receivable under non-cancellable leases in future years are:

£000	2014/15	2013/14
Not later than 1 year	5,152	5,958
Later than 1 year and not later than 5 years	8,973	14,171
Later than 5 years	1,810	2,451
Total	15,935	22,580

The Group has not granted any finance leases.

16.8 Component assets

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

16.9 Heritage assets

The Group looks after heritage assets which are recognised on the Balance Sheet (see note 16). Heritage Assets were donated or purchased and are held at valuation as a proxy for historical cost. In applying the accounting policy, the Group has identified that the assets have a value of £1.3 million.

The Group maintains a large museum collection including paintings, police clothing, helmets, medals, and records, a selection of which are on display to the public at the Met Collection, Empress State Building. All of these items were valued in 2008/09 by an independent valuer and are currently held on the Balance Sheet at a value of £1.25 million. MOPAC also has a collection of exhibits from high profile/noteworthy crimes held in the Crime Museum at New Scotland Yard. As this collection is unique and will not be disposed of a valuation is not available and has therefore not been recognised in the Balance Sheet.

The Group owns an historic vehicle fleet consisting of 15 vehicles, currently housed at a secure garage at Hendon. They are not operational but are used in public events and maintained as part of MOPAC fleet. They are currently held on the Balance Sheet at a value of £58,000.

16.10 Future capital expenditure commitments

Capital expenditure where there is a commitment to future costs;

£000	2015/16 and later years	2014/15 and later years
Digital policing	45,837	32,094
Building works	127,664	88,383
Vehicles, plant and equipment	4,248	4,577
Total	177,749	125,054

17. Long term debtors

Long Term Debtors in 2014/15 of £3.0 million (£5.0 million in 2013/14) represent income which is receivable more than twelve months from the balance sheet date relating to the disposal of non current assets as part of MOPAC's estates rationalisation programme and the transfer of the Air Support Unit to the National Police Air Service.

18. Assets held for sale

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

£000	2014/15	2013/14
Opening balance	66,873	14,547
Additional assets identified for disposal	78,428	66,850
Revaluation gains (losses)	805	518
Assets which are no longer being actively marketed	(10,511)	0
Assets disposed in year	(57,178)	(15,042)
Total	78,417	66,873

19. Short term debtors

£000	2014/15	2013/14
Central Government bodies (see note below)	365,583	241,459
Local authorities	36,426	49,062
Public corporations	7	29
Health bodies	4	6
Other debtors	50,029	35,164
Total before bad debt provision	452,049	325,720
Less bad debt provision	(160)	(105)
Balance per balance sheet	451,889	325,615

'Short term debtors' represent assets which are expected to be realised within 12 months after the reporting date. The 'Central Government bodies' category includes the following significant items:

- an amount due from the Home Office in respect of police pensions fund top up grant of £68.8 million (£11.4 million in 2013/14);
- an amount due for reimbursement of claims to be settled under the Riot (Damages) Act 1866 totalling £145.1 million (£188.3 million in 2013/14), and
- an additional police pensions top up grant from the Home Office of £67 million to compensate eligible retired police officers for revised lump sum pension payments following a recent decision by the Pensions Ombudsman

20. Short term investments

Short term investments are investments that mature in over 3 months and up to one year from the date of acquisition.

£000	2014/15	2013/14
Banks and financial Institutions	58,318	125,389

21. Cash and cash equivalents

'Cash and cash equivalents' consist of cash in hand, balances with banks, and investments that mature in less than three months from the date of acquisition. Cash and cash equivalents in the cash flow statement comprise the following:

£000	2014/15	2013/14
Banks and financial Institutions	101,183	144,013

22. Short term creditors

£000	2014/15	2013/14
Central Government bodies	(91,490)	(98,169)
Local authorities	(19,380)	(18,971)

Notes to the Accounts

Public corporations	(227)	(314)
Health bodies	(656)	(293)
Other creditors	(267,175)	(268,176)
Balance	(378,928)	(385,923)

The category named 'Other creditors' in the table above is comprised of 3,459 individual external creditors.

23. Short term borrowing

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

Due for repayment in 12 months or less (£000)	2014/15	2013/14
Public Works Loan Board	(14,457)	(19,457)
Local authorities	0	(60,000)
PFI liabilities	(4,641)	(4,517)
Finance lease liabilities	(148)	(134)
Balance	(19,246)	(84,108)

24. Third party monies

Fund Name £000s	Income	Expenditure	Assets	Liabilities
MOPAC Police Property Act Fund	2,757	2,735	7,056	0
MOPAC Detained Monies Account	6,158	2,539	9,616	22
Metropolitan Police Benevolent Fund	1,978	2,060	4,062	21
Metropolitan Police Commissioner's Fund	19	15	499	4
Metropolitan Police Sports Fund	619	625	330	12
Metropolitan Police Staff Welfare Fund	6	31	239	3
Metropolitan Police Athletic Association	2,357	3,239	1,765	281
Metropolitan Police Sports Club	370	373	130	13
COMETS	83	81	527	192
Total	14,347	11,698	24,224	548

The MOPAC Group administers funds on behalf of third parties. Money held by the funds is not owned by the Group and is not included in the Balance Sheet. The principal funds are described below. Group staff administer the MOPAC Police Property Act Fund and the MOPAC Detained Monies Account on behalf of the Group 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 12 months to 31 March 2015 and values at their financial year-end dates, are given above. Not all of the figures have been audited.

MOPAC Police Property Act Fund (MOPAC PPAF)

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 Deputy Mayor for Policing and Crime. The MOPAC PPAF is used for this purpose.

MOPAC Detained Monies Account (MOPAC DMA)

As stated above, until 31 March 2004 the MOPAC PPAF 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 MOPAC DMA.

Metropolitan Police Benevolent Fund (MPBF)

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

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

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

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

Metropolitan Police Commissioner's Fund (MPCF)

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

Metropolitan Police Sports Fund (MPSF)

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. Financial assistance is also given to various sports and social clubs.

Metropolitan Police Staff Welfare Fund (MPSWF)

This registered charity provides financial assistance to members and past members of police staff, their families and dependants who are in need. Financial assistance may be provided by grant or interest-free loan.

Metropolitan Police Athletic Association (MPAA)

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

Metropolitan Police Sports Clubs (MPSC)

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

Metropolitan Police Sports and Social Association (COMETS)

The Comets (Metropolitan Police Sports and Social Association) have several sporting and social sections. All funds for the Comets are generated from Membership Subscriptions and a Lottery. Membership is open to all Metropolitan Police employees.

Operational responsibilities

MOPAC 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:

£000	2014/15	2013/14
Proceeds Of Crime Act monies	34,496	25,304
Prisoners' property and lost cash	920	1,013
Other	530	853
Total	35,946	27,170

In addition, MOPAC 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 2015 and has therefore been stated separately from the Police Property Act Fund value.

25. Provisions

25.1 Short term provisions

£000	Third party liabilities	Riot damage claims	Police Pensions	Other provisions	Total
Balance at 1 April 2013	(6,291)	(44,088)	0	(748)	(51,127)
Additional provisions made in 2013/14	(19,427)	(137,396)	0	(10,465)	(167,288)
Amounts used in 2013/14	19,429	9,556	0	150	29,135
Transfer from long term	0	(9,237)	0	(2,400)	(11,637)
Balance at 31 March 2014	(6,289)	(181,165)	0	(13,463)	(200,917)
Additional provisions made in 2014/15	(22,934)	0	(67,000)	(16,869)	(106,803)
Amounts used in 2014/15	22,327	13,705	0	12,257	48,289
Reduction in provisions made in 2014/15	0	22,969	0	0	22,969
Transfer to/(from) long term	(9,193)	0	0	(279)	(9,472)
Balance at 31 March 2015	(16,089)	(144,491)	(67,000)	(18,354)	(245,934)

25.2 Long term provisions

£000	Third party liabilities	Riot damage claims	Police Pensions	Other provisions	Total
Balance at 1 April 2013	(19,309)	(20,787)	0	(8,670)	(48,766)
Additional provisions made in 2013/14	(660)	0	0	0	(660)
Reduction in provisions made in 2013/14	0	6,061	0	0	6,061
Amounts used in 2013/14	0	5,489	0	1,524	7,013
Transfer to short term	0	9,237	0	2,400	11,637
Balance at 31 March 2014	(19,969)	0	0	(4,746)	(24,715)
Additional provisions made in 2014/15	(404)	0	0	(117)	(521)
Reduction in provisions made in 2014/15	0	0	0	0	0
Amounts used in 2014/15	0	0	0	0	0
Transfer to/(from) short term	9,193	0	0	279	9,472
Balance at 31 March 2015	(11,180)	0	0	(4,584)	(15,764)

MOPAC 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 increased from £26.3 million (of which £19.9 million is long term) at 31 March 2014 to £27.3 million (of which £11.2 million is long term) at 31 March 2015. Over the course of the year agreed claims have been paid from this account amounting to £22.3 million.

There will be additional costs in relation to the Riot (Damages) Act 1886 arising from the public disturbances in London in August 2011. Under the Act the Group is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City). A provision for third party claims, in respect of both material damage and business interruption arising from the public disturbances in August 2011, under the Riot Damages Act has been made for £144.5 million as at 31 March 2015. This does not necessarily reflect the final cost of settling the claims. The Home Office is committed to fund MOPAC for 100% of all claims paid under the Riot Damages Act.

Other provisions total £22.9 million and consist of:

- A provision for officer injury awards of £4.6 million;
- A provision of £12.1 million to reflect a recent EAT decision which has held that employers must include all elements of 'normal' pay within the calculation of working time directive holiday pay. The MPS is working to assess which pay elements will fall within WTD holiday pay and this provision reflects an initial assessment of liability based on the EAT findings;
- A provision for Termination Benefits of £5.8 million, arising from the implementation of the MetChange Programme;
- A provision for a backdated tax liability £0.4 million.

26. Long term borrowing

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

£000	2014/15	2013/14
Loans	(175,922)	(190,379)
Analysis of loans by maturity:		
Between 1 and 2 years	(16,457)	(14,457)
Between 2 and 5 years	(56,515)	(59,372)
Between 5 and 10 years	(30,000)	(37,000)
Over 10 years	(72,950)	(79,550)

27. Long term contractor liability

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

£000	2014/15	2013/14
PFI liability	(82,248)	(86,889)
Finance lease liability	(5,527)	(5,675)
Balance at 31 March 2015	(87,775)	(92,564)

27.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

£000	2014/15 PFI liability	2013/14 PFI liability	2014/15 Finance lease liability	2013/14 Finance lease liability
Balance as at 1 April	(91,406)	(94,248)	(5,809)	(5,931)
Net movement in year	4,517	2,842	134	122
Total liability	(86,889)	(91,406)	(5,675)	(5,809)
Classified as:				
Short term liability	(4,641)	(4,517)	(148)	(134)
Long term liability	(82,248)	(86,889)	(5,527)	(5,675)

28. Reserves

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

28.1 Unusable reserves

Movements on unusable reserves 2014/15						
£000	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Deferred capital receipts	Total
Balance as at 1 April 2014	(216,907)	(1,022,222)	108,822	24,852,500	(12,593)	23,709,600
Upward revaluation of assets	(201,570)	0	0	0	0	(201,570)
Difference between fair value and historic cost depreciation	11,652	(11,652)	0	0	0	0
Accumulated gains on assets disposed	68,395	(68,395)	0	0	0	0
Other capital adjustments	55,396	0	0	0	0	55,396
Statutory provision for financing capital investment charged against CIES (MRP)	0	(30,208)	0	0	0	(30,208)
Revaluation losses on L&B	0	2,152	0	0	0	2,152
Depreciation and impairment	0	161,277	0	0	0	161,277
Amortisation of intangible assets	0	2,203	0	0	0	2,203
Movements in market value of investment property	0	(5,218)	0	0	0	(5,218)
Amounts written out on disposal	0	152,154	0	0	0	152,154
Capital grants and contributions credited to CIES applied to capital finance	0	(10,544)	0	0	0	(10,544)
Application of grants from capital grants unapplied account	0	(31,474)	0	0	0	(31,474)
Use of capital receipts reserve	0	(159,790)	0	0	0	(159,790)
Capital expenditure charged against CIES	0	(2,471)	0	0	0	(2,471)
Movement of reserves	0	0	(6,036)	5,205,600	7,590	5,207,154
Donated assets	0	(5)	0	0	0	(5)
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES	0	0	0	0	(3,801)	(3,801)
Balance as at 31 March 2015	(283,034)	(1,024,193)	102,786	30,058,100	(8,804)	28,844,855

Notes to the Accounts

Movements on unusable reserves 2013/14						
£000	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Deferred capital receipts	Total
Balance as at 1 April 2013	(174,737)	(1,040,821)	114,524	22,245,800	0	21,144,766
Upward revaluation of assets	(116,987)	0	0	0	0	(116,987)
Difference between fair value and historic cost depreciation	10,175	(10,175)	0	0	0	0
Accumulated gains on assets disposed	40,214	(40,214)	0	0	0	0
Downward revaluation of assets and impairment losses	24,428	0	0	0	0	24,428
Statutory provision for financing capital investment charged against CIES (MRP)	0	(29,079)	0	0	0	(29,079)
Gains on Land and Buildings (reversal of previous losses)	0	(10,611)	0	0	0	(10,611)
Depreciation and impairment	0	159,878	0	0	0	159,878
Amortisation of intangible assets	0	3,220	0	0	0	3,220
Movements in market value of investment property	0	(11,366)	0	0	0	(11,366)
Amounts written out on disposal	0	107,326	0	0	0	107,326
Capital grants and contributions credited to CIES applied to capital finance	0	(11,232)	0	0	0	(11,232)
Application of grants from capital grants unapplied account	0	(37,416)	0	0	0	(37,416)
Use of capital receipts reserve	0	(97,363)	0	0	0	(97,363)
Capital expenditure charged against CIES	0	(4,331)	0	0	0	(4,331)
Movement of reserves	0	0	(5,702)	2,606,700	0	2,600,998
Donated assets	0	(38)	0	0	0	(38)
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES	0	0	0	0	(12,593)	(12,593)
Balance as at 31 March 2014	(216,907)	(1,022,222)	108,822	24,852,500	(12,593)	23,709,600

Revaluation Reserve

The Revaluation Reserve was created on 1 April 2007 and records the unrealised revaluation gains on land and buildings arising in the year ended 31 March 2015. This amount is also used for accumulated gains which 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 2015.

Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed by capital sources. This account shows that during 2014/15 MOPAC has applied more capital financing to the capital programme at a faster rate as compared to the previous year resulting in a higher balance at year end.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for unused accumulated absences as at 31 March 2015. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

These short term accumulated absences are initially recognised in the CPM Accounts for police staff and officers under the direction of the Commissioner. Equivalent liabilities are however recognised in the MOPAC Balance Sheet offsetting the liabilities in the CPM accounts, to reflect the continuing requirement of MOPAC to provide funds from the Police Fund to meet those liabilities as they fall due.

Police Officer Pension Reserve

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

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, these gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

28.2 Usable capital reserves

£000	Capital Receipts Reserve	Capital Grants Unapplied Account	Total
Balance at 1 April 2013	(2,872)	(14,121)	(16,993)
Proceeds of disposals	(111,761)	0	(111,761)
Financing of fixed assets	97,363	37,416	134,779
Capital grants	0	(29,213)	(29,213)
Balance at 31 March 2014	(17,270)	(5,918)	(23,188)
Proceeds of disposals	(174,040)	0	(174,040)
Financing of fixed assets	159,790	31,474	191,264
Capital grants	0	(31,226)	(31,226)
Balance at 31 March 2015	(31,520)	(5,670)	(37,190)
Net movement for 2013/14	(14,398)	8,203	(6,195)
Net movement for 2014/15	(14,250)	248	(14,002)

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.

Capital Grants Unapplied

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

28.3 Usable earmarked revenue reserves

£000	Balance at 1 April 2013	Transfer To	Transfer from	Balance at 31 March 2014	Transfer To	Transfer from	Balance at 31 March 2015
Accommodation strategy/property related costs							
Dilapidations	(19,552)	0	1,246	(18,306)	(1,850)	0	(20,156)
Property related costs	(15,887)	0	506	(15,381)	(463)	0	(15,844)
Total accommodation strategy /property related	(35,439)	0	1,752	(33,687)	(2,313)	0	(36,000)
Operational costs							
Communications project	(2,572)	0	627	(1,945)	0	763	(1,182)
Airwave	(1,145)	0	0	(1,145)	0	46	(1,099)
Insurance Indemnity Fund	(2,000)	0	0	(2,000)	0	0	(2,000)
ICT contract issues	(733)	0	0	(733)	0	0	(733)
Kickz	(574)	0	237	(337)	0	0	(337)
National Domestic Extremism Unit	(623)	0	0	(623)	0	0	(623)
Motor insurance	(5,000)	0	0	(5,000)	0	0	(5,000)
Operational costs	(29,007)	(1,205)	1,604	(28,608)	(3,394)	977	(31,025)
Proceeds of Crime Act	(3,712)	0	180	(3,532)	(110)	361	(3,281)
Protective clothing	(211)	0	0	(211)	0	0	(211)
Systems	(192)	0	0	(192)	0	0	(192)
Vehicle recovery services	(1,850)	0	0	(1,850)	0	1,850	0
Total of operational costs	(47,619)	(1,205)	2,648	(46,176)	(3,504)	3,997	(45,683)
Budget pressures							
Budget pressures	(146,119)	(90,001)	14,297	(221,823)	(58,598)	64,836	(215,585)
Emergencies Contingency Fund	(23,093)	0	0	(23,093)	0	0	(23,093)
Total of budget pressures	(169,212)	(90,001)	14,297	(244,916)	(58,598)	64,836	(238,678)
Major change programmes							
Modernisation programmes	(39,617)	(14,662)	9,117	(45,162)	(15,381)	1,097	(59,446)
Total of major change programmes	(39,617)	(14,662)	9,117	(45,162)	(15,381)	1,097	(59,446)
MOPAC initiatives	(6,536)	(4,175)	753	(9,958)	(6,125)	0	(16,083)
Total of MOPAC Initiatives	(6,536)	(4,175)	753	(9,958)	(6,125)	0	(16,083)
Total earmarked revenue reserves	(298,423)	(110,043)	28,567	(379,899)	(85,921)	69,930	(395,890)
Net Movement in Earmarked Reserves			(81,476)			(15,991)	
General revenue reserve	(23,483)	0	0	(23,483)	0	0	(23,483)
Total revenue reserves	(321,906)	(110,043)	28,567	(403,382)	(85,921)	69,930	(419,373)

Accommodation strategy/property related costs

Under this heading there are two reserves including a reserve for dilapidations to fund future expenditure on properties where the leases have been terminated and a reserve for property related costs which reflect the requirement to provide for the cost of various building related projects.

Operational costs

The following reserves exist to fund a number of specific operational requirements. Reserves are held for:

- A communications project which provides for the development of an integrated communications system for the CPM;
- An Airwave initiative which provides for the implementation, enhancement and development of radio communication;
- An Insurance Indemnity Fund for the cost of Personal Insurance Indemnity for police officers and staff;
- ICT contract issues to cover delays in the delivery of a standard operating environment as part of the ICT contract;
- The Kickz initiative to provide for crime reduction projects jointly funded with the Football Association, within London Boroughs;
- The National Domestic Extremism Unit to provide future support to police forces in England and Wales in relation to public order. Other police forces contribute to this Unit;
- Motor insurance to provide for CPM approved insurance strategy, which allows for savings on motor insurance premiums;
- Operational costs to provide for a number of operational activities planned in year;
- Following the Proceeds Of Crime Act (POCA), to provide for certain categories of operational activities funded from proceeds of crime;
- Protective clothing for officers including research and development costs;
- The cost of developing financial systems;
- Vehicle recovery services to fund operations targeting clamping of uninsured vehicles.

Budget pressures

MOPAC holds specific reserves to meet budgetary pressures and other unforeseen events. The budget pressures reserve is held to meet specific unbudgeted pressures, including cover for early departures. The Emergencies Contingency Fund is an earmarked reserve available to assist in exceptional circumstances, to support operational requirements, which will normally not have been budgeted for.

Other reserves

The Major Change Programmes Reserve is set aside to fund various modernisation programmes. MOPAC hold a reserve to fund and support initiatives and projects that MOPAC expects to undertake in future years.

28.4 General revenue reserve

MOPAC holds a General Reserve and an Emergency Contingency Fund to:

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

There is no statutory guidance on the level of reserves. MOPAC's policy, based on CIPFA guidance, is to hold the General Reserve and the Emergency Contingency Fund at a level of 1.5% of net expenditure, to meet unforeseen or emergency expenditure which cannot be contained within the approved budget. The General Reserve is £23.5 million at 31 March 2015 and the Emergency Contingency Fund is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.9% of the 2014/15 budget requirements.

29. Adjustments between accounting basis and funding basis under regulation.

This note identifies the adjustments that are made to the CIES recognised by the Group in the year in accordance with accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

The following adjustments are for 2014/15:

Group and MOPAC £000	General fund	Capital receipts reserve	Capital Grants Unapplied Account	Unusable reserves	Total
Capital Adjustment Account Adjustments					
<i>Reversal of items adjusted in CIES</i>					
Depreciation of non current assets	(161,260)	0	0	161,260	0
Amortised costs	(2,203)	0	0	2,203	0
Impairments	(17)	0	0	17	0
Investment properties	5,218	0	0	(5,218)	0
Revaluation gains(rev previous losses)	(2,152)	0	0	2,152	0
Net book value of disposals	(152,117)	0	0	152,155	38
Donated assets	5	0	0	(5)	0
Capital grants applied	0	0	31,475	(31,475)	0
<i>Addition of items not in CIES</i>					
Minimum revenue provision	30,208	0	0	(30,208)	0
Capital expenditure charged against General Fund	2,471	0	0	(2,471)	0
<i>Capital Grants Adjustment</i>					
Capital grants	41,769	0	(31,227)	(10,542)	0
<i>Other Adjustments</i>					
Cash sale proceeds	166,450	(166,450)	0	0	0
Deferred sale proceeds	3,801	0	0	(3,801)	0
Transfer of deferred sale proceeds upon receipt of cash	0	(7,590)	0	7,590	0
Usable capital receipts applied	0	159,790	0	(159,790)	0
Accumulated absences movement	6,036	0	0	(6,036)	0
IAS 19 reversal adjustment	(2,054,800)	0	0	2,054,800	0
Pension costs charged to the General Fund	295,345	0	0	(295,345)	0
Home Office Pension top up	282,555	0	0	(282,555)	0
Total - MOPAC Group	(1,538,691)	(14,250)	248	1,552,731	38
Police pensions	(3,728,700)	0	0	3,728,700	0
Total - MOPAC	(5,267,391)	(14,250)	248	5,281,431	38

Notes to the Accounts

The following adjustments were made in 2013/14:

Group and MOPAC £000	General fund	Capital receipts reserve	Capital Grants Unapplied Account	Unusable reserves	Total
Capital Adjustment Account					
Adjustments					
<i>Reversal of items adjusted in CIES</i>					
Depreciation of non current assets	(156,206)	0	0	156,206	0
Amortised costs	(3,220)	0	0	3,220	0
Impairments	(3,672)	0	0	3,672	0
Investment properties	11,366	0	0	(11,366)	0
Revaluation gains(rev previous losses)	10,611	0	0	(10,611)	0
Net book value of disposals	(107,363)	0	0	107,326	(37)
Donated assets	38	0	0	(38)	0
Capital grants applied	0	0	37,416	(37,416)	0
<i>Addition of items not in CIES</i>					
Minimum revenue provision	29,080	0	0	(29,080)	0
Capital expenditure charged against General Fund	4,331	0	0	(4,331)	0
<i>Capital Grants Adjustment</i>					
Capital grants	40,445	0	(29,213)	(11,232)	0
<i>Other Adjustments</i>					
Cash sale proceeds (including deferred)	124,353	(111,761)	0	(12,592)	0
Usable capital receipts applied	0	97,363	0	(97,363)	0
Accumulated absences movement	5,702	0	0	(5,702)	0
IAS 19 reversal adjustment	(1,719,300)	0	0	1,719,300	0
Pension costs charged to the General Fund	311,342	0	0	(311,342)	0
Home Office Pension top up	261,758	0	0	(261,758)	0
Total - MOPAC Group	(1,190,735)	(14,398)	8,203	1,196,893	(37)
Police pensions	(1,460,500)	0	0	1,460,500	0
Total - MOPAC	(2,651,235)	(14,398)	8,203	2,657,393	(37)

30. Notes to the cash flow statement

30.1 The cash flow for operating activities included interest cash flows:

£000	31 March 2015	31 March 2014
Operating activities		
Interest received	(1,827)	(1,947)
Interest paid	7,772	8,569
Interest element of finance lease and PFI rental payments	13,136	12,455
	19,081	19,077

30.2 Adjustments to net surplus or deficit on the provision of services for non-cash movements (Group and MOPAC)

£000	31 March 2015 Group	31 March 2014 Group	31 March 2015 MOPAC	31 March 2014 MOPAC
Depreciation of non current assets	(161,259)	(156,206)	(161,259)	(156,206)
Impairment and revaluations of non current assets	(2,169)	6,940	(2,169)	6,940
Amortisation of intangible assets	(2,203)	(3,220)	(2,203)	(3,220)
Reversal of pension service costs and interest	(1,476,900)	(1,146,200)	(5,205,600)	(2,606,700)
(Increase)/decrease in impairment for provision for bad debts	(56)	31	(56)	31
(Increase)/decrease in creditors	6,995	42,175	6,995	42,175
Increase/(decrease) in debtors	124,337	29,899	124,337	29,899
Increase/(decrease) in inventories	(1,004)	(2,713)	(1,004)	(2,713)
Carrying amount of property, plant and equipment, investment property and intangible assets sold	(152,117)	(107,363)	(152,117)	(107,363)
Other non-cash items	(30,843)	(110,703)	(30,843)	(110,703)
	(1,695,219)	(1,447,360)	(5,423,919)	(2,907,860)

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

£000	31 March 2015	31 March 2014
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	170,251	124,802
Capital grants adjustment	41,770	40,445
Proceeds from short term and long term investments	0	13,461
	212,021	178,708

30.4 Cash flows from investing activities

£000	31 March 2015	31 March 2014
Investing activities		
Purchase of non current assets	199,358	145,624
Purchase of short term and long term investments	58,318	125,389
Proceeds from short term and long term investments	(125,389)	(240)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(170,251)	(124,802)
Other receipts from investing activities	(42,816)	(40,694)
	(80,780)	105,277

30.5 Cash flows from financing activities

£000	31 March 2015	31 March 2014
Financing activities		
Cash receipts of short and long-term borrowing	0	(50,000)
Other receipts from financing activities	0	(12,413)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,651	2,965
Repayments of short and long-term borrowing	79,457	74,457
	84,108	15,009

31. Contingent liabilities and assets

During 2014/15 there were a number of legal developments in employment law that potentially may have financial consequences for police forces in England and Wales. These concern legal challenges in respect of backdated and future payments of overtime and allowances. A provision of £12 million has been made for the most prominent of these cases being the ruling of the Employment Appeal Tribunal (EAT) in November 2014 (on the treatment of regular overtime in payments for holiday pay purposes) which may impact on all forces. MOPAC plans to cover any further backdated payments in respect of these legal developments from an existing earmarked reserve established to cover future unbudgeted pressures.

Following exchange of contracts on New Scotland Yard (Broadway), a deposit of £37 million has been received by MOPAC's solicitors from the purchasers. The deposit is not recognised in the 2014/15 Accounts as there is no contractual right to receive the deposit, until either the sale is completed in 2016 or in the event of the purchaser defaulting on the contractual obligations. Consequently the deposit is treated as a contingent asset.

32. Financial instruments

The financial instruments recognised by the Group include creditors and debtors, borrowings, bank deposits, loans and investments. The Group 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:

£000	Long term		Current (within 12 months)	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Investments				
Investments	0	0	58,318	125,389
Debtors				
Loans and receivables	3,010	5,003	186,124	189,912
Total investments & debtors	3,010	5,003	244,442	315,301
Borrowings				
Financial liabilities	(175,922)	(190,379)	(14,457)	(79,457)
Other long term liabilities				
PFI and finance lease liabilities	(87,775)	(92,564)	(4,789)	(4,651)
Creditors				
Financial liabilities	0	0	(290,218)	(289,523)
Total borrowings & liabilities	(263,697)	(282,943)	(309,464)	(373,631)

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

£000	2014/15	2013/14
Expenses		
Interest expense	20,908	20,900
Total expense in surplus on the provision of services	20,908	20,900
Income		
Interest income	(1,827)	(1,906)
Gain on de-recognition (Landsbanki)	0	(807)
Total income in surplus on the provision of services	(1,827)	(2,713)
Net (gain)/loss for the year	19,081	18,187

Financial liabilities and financial assets (represented by investments, loans and receivables) are carried in the Balance Sheet for the Group 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 fair value of borrowing from the Public Works Loan Board (PWLB) has been determined by applying the PWLB premature repayment rates as at 31 March 2015;

Notes to the Accounts

- The fair value of PFI liabilities has been determined by applying the PWLB new loan rates as at 31 March 2015;
- 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 fair value of trade creditors and debtors is taken to be the invoiced or billed amount.

The fair values calculated for financial liabilities and assets are as follows:

£000	2014/15 Carrying amount	Fair value	2013/14 Carrying amount	Fair value
<u>Financial liabilities</u>				
Borrowings				
Financial liabilities-(Public Works Loan Board)	190,379	241,047	209,836	239,095
Financial liabilities-(other)	0	0	60,000	60,000
Other long term liabilities				
PFI and finance lease liabilities	92,564	122,829	97,215	121,046
Creditors				
Financial liabilities	290,218	290,218	289,523	289,523
<u>Financial assets</u>				
Investments				
Short term investments	58,318	58,318	125,389	125,389
Debtors				
Loans and receivables	222,534	222,534	194,915	194,915

The fair value of the PWLB borrowing is more than the carrying amount because the Group'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 Group would have to pay if the PWLB requested or agreed to early repayment of the loans.

The fair value of the PFI liabilities is more than the carrying amount because the Group's liabilities are based on interest rates which are higher than the PWLB new loan rates at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Group would have to pay if the lender requested or agreed to early repayment of the liabilities.

32.1 Nature and extent of risks arising from financial instruments

Risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Day to day risk management is carried out under a shared service arrangement by the GLA Group Treasury Team, under the policy approved by the MOPAC Group and set out in the annual MOPAC Treasury Management Strategy. The Group'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 Group;
- **Liquidity risk** - the possibility that the Group might not have funds available to meet its commitments to make payments to its suppliers and creditors;

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- **Interest rates risk** - Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- **Foreign exchange risk** - Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group does not have any such instruments.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. MOPAC's Treasury Management Strategy is administered and managed by the GLA Group Treasury Team. Credit ratings form the backbone of the investment policy for selecting institutions with which the GLA Group Treasury Team invests surplus funds on MOPAC's behalf, based on knowledge and understanding of the risks involved. Although no combination of ratings can be viewed as fail-safe, the credit criteria for 2014/15 were based on Fitch, Moody's and Standard and Poor's suite of ratings, supported by broader market information. Relevant changes in counterparties' credit standing are reviewed daily, with updates provided by the GLA Group Treasury Team's treasury advisors. Where counterparties' credit standings are downgraded, the relevant investment limits are reduced with immediate effect or, where minimum criteria fail to be met, further investment is suspended. Maximum limits for principal invested with each counterparty are reviewed regularly with reference to relative risk and cash flow requirements. All the Group's investments are sterling denominated.

At 31 March 2015, 30% of the Group's money market investments and cash were placed with other public bodies or institutions substantially owned by the United Kingdom's government, the remaining 70% were placed with institutions with at least an A credit rating.

The following analysis summarises the Group'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 2015 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2015 % C	Estimated maximum exposure to default and un-collectability £000 (A X C)
Deposits with banks and financial institutions	166,864	0.00%	0.00%	0
Customers (general debtors)	86,466	0.12%	0.19%	160

	Amount at 31 March 2014 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2014 % C	Estimated maximum exposure to default and un-collectability £000 (A X C)
Deposits with banks and financial institutions	269,402	9.85%	0.000%	0
Customers (general debtors)	84,261	0.23%	0.125%	105

Liquidity risk

As the Group has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Group can also

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access short term funding from within the GLA Group. There has been no new borrowing during 2014/15. The maturity analysis of all the PWLB borrowings is as per Notes 23 and 26.

Additionally, to cover short-term commitments, the Group maintains three instant access accounts. All trade creditors and other payables are due to be paid by the Group in less than one year.

The Group does not generally allow credit for general debtors beyond 30 days, such that of the debtors balance, £0.6 million is past its due date for payment, and can be analysed by age in the table below as follows:

£000	2014/15	2013/14
Less than three months	456	207
Three to six months	111	0
Six months to one year	0	0
More than one year	24	24
Total	591	231

Interest rate risk

The Group is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments, however in the short term extreme movements are deemed unlikely. Movements in interest rates have a complex effect on the Group. For instance, a rise in interest rates would have the following effects:

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

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

The Group has set, for the net position of borrowings and investments, an upper limit on fixed interest rate and variable interest rate exposures giving ranges that will limit exposure to interest rate movement. Fixed interest rate exposure can be managed within a 0% to 100% range and variable interest rate exposures within a 0% to 30% range. Furthermore upper limits for variable rate exposure are set for gross borrowings at 50% and for investments at 100%.

Police officer pension fund

1. Police officer pension fund revenue account

The Police Officer Pension Fund is administered by the Commissioner in accordance with the Police Reform and Social Responsibility Act 2011. Further information can be found in the Statement of Accounts for the Commissioner of Police of the Metropolis.

Glossary of terms

Accruals

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

Balance Sheet

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

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

Budget

An estimate of costs, revenues and resources over a specified period, reflecting a reading of future financial conditions and priorities.

Capital expenditure

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

Cash equivalent

A financial deposit placed with a bank, building society or other local authority for a term of no longer than three months.

Capital receipts

Money obtained on the sale of a capital asset. Capital receipts can only be used for capital purposes, such as funding capital expenditure or repaying debt.

Comprehensive Income and Expenditure Statement (CIES)

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

Corporate costs

This consists of those activities and costs that provide the infrastructure that allows services to be provided, whether by the CPM or MOPAC, and the information that is required for public

accountability. Activities that relate to the provision of services, even indirectly, are overheads on those services and include bank charges, auditors' fees and the cost of the Group as well as the corporate activities of Head Office departments.

Commissioner of Police of the Metropolis (CPM)

The CPM is a separate corporation sole which was established on 16 January 2012 under the Police Reform and Social Responsibility Act 2011.

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 PFI agreements and finance leases of buildings, land and equipment.

Creditors

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

Debtors

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

Democratic core costs

This includes all aspects of MOPAC activities in a democratic capacity, including corporate, program and service policy making and more general activities relating to governance and the representation of local interests. To give MOPAC maximum flexibility in reflecting its own constitutional arrangements, there are no recommended subdivisions of service.

Employee costs

The salaries and wages of police officers, police staff and MOPAC staff together with National Insurance, pension and all other pay-related allowances. Training expenses and professional fees are also included.

Finance lease

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

Government grants

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

Group

The term Group refers to Mayor's Office for Policing and Crime (MOPAC) and Commissioner of Police of the Metropolis (CPM).

Long term debtors

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

Mayor's Office for Policing and Crime (MOPAC)

MOPAC is a separate corporation sole, which was established on 16 January 2012 under the Police Reform and Social Responsibility Act 2011.

Minimum Revenue Provision

The prudent amount that the Group 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

The operating costs incurred by the organisation during the financial year in providing its day to day services. Distinct from *capital expenditure* on projects which benefit the organisation over a period of more than one financial year.

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, Houses of Lords and Commons, Palace of Westminster are the main items included under this heading.