Mayor's Office For Policing And Crime and Group

Statement of Accounts 2015/16

MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

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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). The Mayor has several key roles in the capacity of Police and Crime Commissioner - 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.

The Policing and Crime Plan sets out how the Mayor plans to 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.

This Statement of Accounts reflects the final year of the Boris Johnson mayoralty and the choices made by that administration to meet the objectives within MOPAC's published Policing and Crime Plan for 2013-16.

All the financial transactions incurred during 2015/16 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 2016. 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 narrative report provides an overview of the accounting arrangements and outlines the financial performance of MOPAC and the MOPAC Group during 2015/16.

Highlights of 2015/16

During 2015/16, MOPAC and the MPS worked to deliver the Mayor's Police and Crime Plan, tackling crimes of high concern to Londoners and preparing the Metropolitan Police Service (MPS) to face the challenges of policing in the future. The 2013-16 Plan challenged the MPS to reduce crime in 7 key neighbourhood crime types (known as the MOPAC 7) by 20%, increase confidence in the police by 20% and reduce costs by 20%. The plan also included a further set of goals for London's criminal justice system. These were to improve compliance with community orders, reduce delays in the court process, and reduce reoffending.

Metropolitan Police Service statistics for the end of financial year April to March 2015/16 compared to April to the same period in 2014/15 show total robbery offences fell to their lowest level for the last 18 years (1998). Personal robbery fell 2.1 per cent over the last 12 months (427 fewer offences) with mobile phone robbery seeing a larger reduction at 9.3 per cent (773 fewer offences).

Burglary continued a downward trend with offences at their lowest level since at least 1973/74. There were 4,000 fewer offences in total for the financial year 2015/16 compared to 2014/15. Also at its lowest level since 1973/74 was theft from motor vehicles, down by 0.4 per cent (nearly 200 fewer crimes).

Overall, neighbourhood crime in London fell by 18.6% (76,406 fewer offences) across the capital since 2011/12.

During 2015/16 there was a 1.47 per cent increase in some neighbourhood crime categories (4,838 offences) over the comparison period. There were increases in theft from persons at 8.3%

(more than 2,600 offences), criminal damage at 4.4 per cent (2,700 offences), theft of motor vehicle at 0.9 per cent (203 offences) and violence with injury at 5.4 per cent (3,700 offences), which the MPS is committed to robustly addressing.

A range of policing activities and crime prevention initiatives were put in place to address these issues, such as targeted activity at locations where violence disproportionately occurs, through high visibility patrols and enforcing no drinking zones, to new licensing initiatives such as breathalyser machines, aimed at preventing violence at late night venues.

Officers continue to use 'super cocooning' to support victims and prevent offences in the surrounding neighbourhood. Safer Neighbourhood Teams pay a home visit to victims and their neighbours, as soon as possible after an offence is reported, to give crime prevention advice and gather local intelligence, while patrols are stepped up in the area.

A range of crime prevention advice given by officers is a key element to personal security and officers continue to spend time engaging with the public on how to keep themselves and their valuables safe.

Close attention was given by MOPAC and the MPS to the increase in violent crime (violence against the person is up 5.4 per cent - more than 3,700 offences). The Office for National Statistics has assessed this national increase in violent crimes and concluded that this is due significantly to improvements in crime recording, rather than levels of crime, following a Her Majesty's Inspectorate of Constabulary (HMIC) inspection which found there were significant issues with the quality of crime recording in police forces across England and Wales.

However, not all of the increase can be attributed to changes in recording and MOPAC and the MPS prioritised activities to reduce violence in 2015/16.

Gun crime showed an increase of 0.2 per cent (3 offences) over the comparison period. Although there was an increase of six homicides in 2015/16 (there were 109 during the year) compared to 2014/15 (103), the number of homicides remain lower than in 2003/04 when there were 211 cases. Knife crime offences increased by 0.5 per cent (46 offences). Knife injuries increased by 2.2 per cent (77 offences).

Focusing on firearms 30 arrests were made and 14 firearms were seized under Operation Kestrel, a pro-active crackdown on gun crime and gun criminals. Arrests were made for a variety of offences including attempted murder, grievous bodily harm (GBH) and possession with intent to supply class A drugs.

Work continued with partners, charities, parents and schools to address violent crimes involving weapons. Proactive operations took place across the capital to target known violent offenders and detect and deter the carrying of weapons.

Trident and local police gang crime units launched Operation Teal in summer 2015, proactively targeting gang and knife crime. Nearly 13,000 arrests have been made, 2,500 knives taken off the street and both the volume and variety of firearms recovered has increased.

The issue of gangs cannot be tackled solely by police enforcement action. Just as important are prevention and diversion tactics. Parents are key and positive voices and MOPAC and the MPS continued to focus on community engagement and schools programmes.

In respect of overall crime, the Total Notifiable Offences or TNOs (excludes fraud) increased by 4.1 per cent (29,192 offences) over the last year. The majority of this rise can be attributed to the improvements in the recording of violent crime, along with increased confidence of victims to report crime, such as sexual offences, hate crime and domestic abuse.

Recorded domestic abuse rose by 10.6 per cent, while recorded racist and religious hate crime increased by 17.9 per cent in 2015/16. The MPS believes these increases are down to a range of factors, including improvements in crime recording, willingness of victims to report hate crime, world events, improved awareness of MPS staff to identify these offences, support provided by more than 900 specialist hate crime investigators and our work with partners to support victims.

The total number of all recorded sexual offences increased by 9.3 per cent over the comparison period. Within this, rape offences increased by 8.8 per cent and other serious sexual offences increased by 9.5 per cent.

The number of recorded sexual offences has been increasing gradually since 2009/10, but saw a significant rise after October 2012, coinciding with publicity around historic sexual offences.

The financial statements

Like all public services, policing has faced a challenging financial environment over the last few years. These financial statements reflect increased investment over the previous year 2015/16 in 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 £1,569 million, a decrease of £101 million from last year (£1,670 million). Finally, general reserves have been maintained and earmarked reserves have decreased.

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 £693 million, after taking accounting adjustments into consideration there is a balanced position after transfers from earmarked reserves of £123 million;

- The Movement in Reserves Statement (MIRS) for the Group and MOPAC – this shows how the £693 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 decreased from £457 million to £302 million during 2015/16 which reflects the amount which MOPAC has decreased its earmarked reserves by £123 million and decreased its usable capital reserves by £32 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 £24,855 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 £1,569 million;

- The Cash Flow Statement for the Group and MOPAC – this shows the inflows and outflows of cash to and from MOPAC. During 2015/16 there was a net cash outflow from MOPAC of £95 million. This was mainly due to financing the capital investment programme and use of earmarked reserves whilst at the same time reducing external borrowing by £14 million to £176 million (excluding PFI and finance lease liabilities). This outflow of cash was partly offset by sale proceeds from asset disposals during the year, reduced debtors, short-term investments 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 2015/16.

Financial performance of the Group

Setting the budget

The Deputy Mayor For Policing And Crime (DMPC) recommends an annual budget to the Mayor, following consultation with the Commissioner. The approved budget for 2015/16 provided for gross expenditure of £3,189 million. The net budget, after taking into account income, specific grant and reserve usage, was £2,480 million. Within this amount £36 million was attributable to MOPAC, and included some £24 million relating to London Initiatives such as crime prevention, rape crisis centres, 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 2015/16 revenue outturn shows the financial impact of savings and growth which were planned for and agreed by MOPAC (and the Mayor) in the 2015/16 budget.

The financial year 2015/16 presented a number of key challenges with savings and efficiencies of £205 million required to balance the budget. This was part of a programme of savings totalling c£600 million between 2013/14 and 2015/16.

Against this balanced budget, MOPAC has incurred a small overspend of £10 million. MOPAC has made transfers from the budget pressures reserve (£5 million) and the major change reserve (£5 million) to cover this overspend. Table 1 overleaf provides a summary of the final MOPAC outturn position for 2015/16 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.

There were circa 32,000 police officers in post at 31 March 2016. The profile of recruitment during the year varied slightly from the original planning assumption resulting in a small underspend against the budget at year-end. This was due to delays in recruitment during the year compared to the original plan and a decrease in the average pay of officers (due to the relatively high number of new recruits).

Police Community Support Officers (PCSOs) were also below target, in part due to a number being successfully recruited to become police officers. Police staff numbers (including agency and interim staff) were very close to the budgeted level throughout the year and the outturn position reflects this.

Whilst there was an overspend of c£10 million on the police overtime budget, additional funding of £7 million was received meaning that the overall net overspend was circa £3 million. There were a number of drivers of increased overtime during the year. For example, there were significant resources invested in tackling gang activity and gun/knife crime through Operation Teal and Operation Kestrel as well as a number of counter terrorism operations.

A significant amount of resources have been invested in the investigation of rape and sexual offences. The total number of all recorded sexual offences increased by 9.3% over the comparison period. Within this figure, rape offences have increased by 8.8% and other serious sexual offences have increased by 9.5%.

Supplies and Services were higher by £3 million than budgeted principally due to higher than planned expenditure on legal claims.

As a result of higher than anticipated capital receipts and lower capital expenditure (see below) MOPAC capital financing costs were lower than budgeted.

Table 1 MOPAC Group - Final outturn position for 2015/16 compared with 2014/15 and the revised budget

Outturn 2014/15	£000	Approved annual budget 2015/16	Revised annual budget 2015/16	Outturn 2015/16	Variance Overspend / (underspend) 2015/16	Variance % 2015/16
	Pay					
1,843,622	Police officer pay and overtime	1,859,064	1,862,472	1,858,345	(4,127)	(0.22)
631,913	MOPAC and police staff pay and overtime	602,202	600,155	598,426	(1,729)	(0.29)
2,475,535	**Total pay**	**2,461,266**	**2,462,627**	**2,456,771**	**(5,856)**	**(0.24)**
	Running expenses					
24,403	Employee related expenditure	19,809	35,948	37,740	1,792	4.98
170,440	Premises costs	171,625	182,865	181,854	(1,011)	(0.55)
62,088	Transport costs	60,263	60,557	61,987	1,430	2.36
390,829	Supplies & services	389,391	443,899	446,966	3,067	0.69
51,093	Capital financing costs	50,599	50,599	48,777	(1,822)	(3.6)
33,785	Discretionary pension costs	35,875	35,875	34,020	(1,855)	(5.17)
732,638	Total running expenses	727,562	809,743	811,344	1,601	0.19
3,208,173	Total gross expenditure	3,188,828	3,272,370	3,268,115	(4,255)	(0.13)
(776,014)	Total income and grants	(645,958)	(661,109)	(664,946)	(3,837)	(0.58)
2,432,159	**Net expenditure**	**2,542,870**	**2,611,261**	**2,603,169**	**(8,092)**	**(0.31)**
15,991	Transfer to/(from) earmarked reserve	(62,494)	(130,885)	(122,793)	8,092	6.18
0	Transfer to/(from) general reserve		0	0	0	
2,448,150	**Budget requirement**	**2,480,376**	**2,480,376**	**2,480,376**	**0**	**0.0**
(2,448,150)	Total Funding	(2,480,376)	(2,480,376)	(2,480,376)	0	0.0
0	**Total MOPAC Group**	**0**	**0**	**0**	**0**	**0.0**

The net movement on earmarked and general reserves during 2015/16 is a reduction of £123 million.

Table 2 Net movement on earmarked and general reserves 2015/16

Description	**£ million**
Opening reserves balance 1 April 2015	419.4
Transfers from reserves	(160.2)
Transfers to reserves	38.7
Closing reserves balance 31 March 2016	**297.9**

The £123 million net reduction to the earmarked reserves is principally as a result of the following:

- £58 million – agreed support to the 2015/16 original budget from the Budget Pressures Reserve (agreed as part of the formal budget process);
- £33 million to fund redundancy costs linked to the delivery of the modernisation programme;
- £15 million to cover the costs of transition programmes linked to the delivery of the modernisation programme;
- £10 million to cover the revenue budget overspend in 2015/16;
- £7 million other operational pressures.

As part of the upcoming budget process, consideration will be given to the organisation's reserve strategy over the medium-term. In particular, consideration will be given as to whether reserves need to be built back up in the medium-term to provide cover for the further investment in modernisation and transformation.

Performance against the 2015/16 capital programme

Capital expenditure 2015/16

Capital expenditure for 2015/16 was financed by grants, third party contributions, capital receipts and revenue contributions. Capital expenditure for 2015/16 was £238 million. This compares with the revised annual budget of £266 million. It should be noted that the approved annual budget was adjusted in year to take account of 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 2015/16 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 unless there are conditions not yet met in which case the amounts are credited to capital receipts in advance.

Table 3 Capital Outturn position 2015/16

Actual expenditure 2014/15	Summary by programme £000	Approved budget 2015/16	Revised approved programme as at November 2015	Actual expenditure 2015/16	Actual v revised approved programme
99,612	Property Services	187,100	150,178	139,224	92.7%
83,475	Digital Policing	140,108	112,204	81,366	72.5%
16,201	Transport Services	25,500	20,347	17,004	83.6%
70	Other Plant & Equipment	60			
	Over programming	(88,192)	(16,726)		
199,358	**Total**	**264,576**	**266,003**	**237,594**	**89.3%**

Property based programme – During the year significant modernisation of the estate continued through the ongoing refurbishment of the 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 £139 million was delivered, representing 93% of the revised property programme of £150 million.

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.

In 2015/16 MOPAC continued to rationalise its property assets at a time when the London property market is yielding high returns generating suitable income to support the forward capital programme. The rationalisation of the estate will also produce significant revenue efficiency savings. This year market appreciation of £19 million and capital investment in the MOPAC estate of £139 million offset disposals with a carrying value of £103 million and depreciation costs of £23 million for the year leading to a small increase in the value of MOPAC's property assets for the financial year of £32 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. This review will inform the emerging strategy for Estates Transformation 2016-2020. The agreed sale of New Scotland Yard in 2014/15, 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 with the receipt being reinvested in front line policing.

Digital Policing based programmes - In 2015/16 a total of £81 million (72.5% of the revised budget) was spent on digital policing programmes in year towards the Met's stated objectives of reducing crime and improving public confidence. This will provide the appropriate Information Technology Infrastructure to support digital policing in London during a period of significant transformation.

- The Total Technology Infrastructure Modernisation Programme. The MOPAC Group has successfully awarded five contracts in a little over a year and has already transitioned four of the new suppliers (Data Centre Management Services, Service Integration & Management (SIAM), End User Services and Hosting) into live service on time and under budget. The forecast savings to the MPS over the next ten years are approximately £250 million;

- The new SIAM and Towers Programme will deliver a modernised IT infrastructure that the Met can rely on to deliver and support new capabilities such as Body Worn Video, Mobile devices etc. in addition to delivering significant cost savings in support of the One Met Model 2020 programme.

- Investment in tablets and other mobile devices - to increase the efficiency and effectiveness of police officers. Initial studies show that the tablets are saving officers approximately 1 hour a day of time. This also includes the pilot rollout of Body Worn Video (BWV) which has shown potential for increased accountability with other partner agencies and to calm volatile situations more effectively. The full roll out will achieve a saving (to be realised in later years) of circa £10 million on the originally estimated cost. Initial feedback from police officers has been positive.

- A secure, resilient and fully accredited IT platform, which will host and deliver services across the Met has gone live. The new platform supports over 2,000 users at 60 Met sites and replaces a range of 'stand-alone' systems and applications, which will be migrated onto the new system as appropriate. This will provide the familiar standard Microsoft office and email facilities plus intelligence and tasking applications, including specialist databases and GIS mapping capabilities and has the ability to provide secure external links to similarly accredited national services. This system will support a range of 'Secure' services within the Met and has robust capability of linking nationally through the National Secure Network.

Expenditure on digital policing in 2015/16 was however lower than expected in year. This was due to:

- A review of the portfolio which enabled a re-prioritisation of the programmes and cost savings;
- Slippage in the delivery of the Total Technology Platform Infrastructure programme of £12 million and £3 million reclassified as revenue expenditure rather than capital, and
- Slippage in the delivery of the Body Worn Video project in year resulting in less expenditure than originally planned.

Fleet Services based programme – Investment in transport for 2015/16 was £17 million (84% of the revised budget). The transport programme includes the purchase and conversion of the standard MOPAC fleet, as well as vehicles purchased using funds provided by third parties e.g. counter terrorism vehicles and vehicles purchased from funds provided by Transport for London. The main transport programme was not fully delivered due to delays in the completion of tenders to enable the purchase of vehicles and has been requested as re-programming for the 17/18 Vehicle Replacement Programme.

Capital financing

During 2015/16 MOPAC was able to reduce borrowing by £14 million as maturing debt was settled and the outstanding debt fell from £190 million at 31 March 2015 to £176 million at 31 March 2016.

Capital receipts of £207 million were generated from the disposal of assets during the year against the set target of £196 million. Capital expenditure on non-current assets in 2015/16 was financed in accordance with the Prudential Code, from borrowing of £6m, capital grants and other third party contributions of £37 million, capital receipts applied of £194 million, and a revenue contribution of £1 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 calculating the CFR, the amount required to be borrowed reflects both external and internal borrowing (applying our own cash balances).

Under the Framework MOPAC is legally obliged to set aside an amount called the Minimum Revenue Position (MRP). For 2015/16 the MRP was £28 million. 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. In 2015/16 MOPAC’s capital expenditure for the year was fully funded by capital receipts, government grants and revenue contributions and the 2015/16 CFR simply reduced by the same amount as the MRP (£28 million).

MOPAC sets an annual treasury management policy. 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) decreased by £101 million (from £1,670 million to £1,569 million) during 2015/16. MOPAC considers that the Balance Sheet remains 'robust' as evidenced by earmarked reserves 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 2016. The Emergencies Contingency Reserve which is an earmarked reserve is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.9% of the 2015/16 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 2015/16 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 a decrease 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 21.3% 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 2015/16.

Outlook for 2016/17

The 2016/17 gross revenue budget has been set at £3,334 million, an increase of 3.9% over the 2015/16 budgeted figure of £3,206 million. The budget is funded by a general government grant of £1,932 million and council tax income of £567 million. Additionally, MOPAC is budgeting to receive £690 million in specific grants and income and is planning to utilise £145 million of reserves. The policing element of the Band D council tax precept for 2016/17 is £202.11 (2015/16 £208.87).

The Mayor approved a balanced budget for 2016/17 including additional savings of £127 million. In line with the principle of protecting the front line, these savings principally relate to reductions in police staff numbers, and savings in property, technology and supplies and services budgets.

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

Whilst the revenue budget is balanced in 2016/17, there remain significant savings requirements from 2017/18 to 2019/20. 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. Whilst the majority of these savings have already been identified, there are further savings that will need to be identified in order that the 15% target is reached. 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 budget process will begin in the early summer 2016 that will examine all aspects of the budget and identify further savings that will balance the budget in the medium-term.

There are two post balance sheet events which may impact on our accounting assumptions and estimates in future years. These are:

- On the 23rd June the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. This decision may impact on the future basis of assumptions and estimates and MOPAC will need to ensure this is considered in future years.

- On 5 May 2016 Sadiq Khan was elected as Mayor for London and so also as the occupant of the Mayor's Office for Police and Crime for the metropolitan police district. Subsequently, in June 2016 Sophie Linton was appointed as the Deputy Mayor for Policing and Crime. A budget process will begin in the early summer 2016 that will examine all aspects of the budget, reflect the new administrations priorities and identify further savings that will balance the budget in the medium-term.

The Statement of Accounts

The 2015/16 MOPAC Group Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015/16.

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 Consent and Delegation;
- MOPAC Financial Regulations;
- MOPAC Contract Regulations.

Under the legislative framework and local arrangements, MOPAC is responsible for the finances of the whole Group and controls the assets, liabilities and reserves. MOPAC has responsibility for entering into contracts and establishing the contractual framework under which the Commissioner's officers and staff operate. MOPAC receives all income and funding and makes all the payments for the Group from the MOPAC Police Fund.

In turn the Commissioner fulfils his statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the DMPC in consultation with the Commissioner. The Commissioner ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over his police officers and police staff. It is recognised that in exercising day-to-day direction and control the Commissioner will undertake activities, incur expenditure and generate income to allow the police service to operate effectively.

It is appropriate that a distinction is made between the financial impact of this day-to-day direction and control of the force and the overarching strategic control exercised by the DMPC.

Therefore the expenditure in respect of operational policing, police officer and staff costs is shown in the CPM Accounts, with the main sources of funding (i.e. central government grants and Council Tax) and the vast majority of balances being recognised in the MOPAC Accounts. The MOPAC Group Accounts shows the overall cost of policing London and includes both the cost of administering MOPAC and MOPAC expenditure on community safety and crime prevention and the Commissioner's expenditure on operational policing.

The accounting arrangements between MOPAC and the CPM are detailed more fully in Note 6 to the Accounts on page 22

Accounting Changes for 2015/16

There were no changes in the CIPFA Code 2015/16 which materially affected the MOPAC Statement of Accounts.

Annual Governance Statement

The Accounts and Audit Regulations 2015 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 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the Mayor's Office for Policing and Crime, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Mayor's Office for Policing and Crime those matters we are required to state to the Mayor's Office for Policing and Crime 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 Mayor's Office for Policing and Crime 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 the 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 2015/16, which 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 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 Mayor's Office for Policing and Crime'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 Narrative Report and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Mayor's Office for Policing and Crime as at 31 March 2016 and of its expenditure and income for the year then ended;
- present a true and fair view of the financial position of the Group as at 31 March 2016 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed our work to give our conclusion on the Mayor's Office for Policing and Crime's arrangements for securing value for money through economic, efficient and effective use of its resources. We are unable to issue our conclusion until we have completed our consideration of matters arising to assess their impact on the value for money of service delivery. We are satisfied that these matters do not have a material effect on the financial statements.

We can also not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Mayor's Office for Policing and Crime for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Mayor's Office for Policing and Crime's arrangements for securing value for money through economic, efficient and effective use of its resources.

Signed

Paul Grady
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Euston Square
London, NW1 2EP

Dated: 21 July 2016

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 Statements of Accounts on behalf of the Mayor's Office for Policing and Crime and Group.

Signed

Sophie Linden
Deputy Mayor for Policing and Crime
Dated: 20 July 2016

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 2016.

Signed

Alex Anderson
Acting Chief Financial Officer
Dated: 20 July 2016

MOPAC Group Comprehensive Income and Expenditure Statement (CIES) for 2015/16

£000	Notes	Year ending 31 March 2016 Gross exp	Year ending 31 March 2016 Income	Year ending 31 March 2016 Net exp	Year ending 31 March 2015 Restated Gross exp	Year ending 31 March 2015 Restated Income	Year ending 31 March 2015 Restated Net exp
Local policing		999,363	(131,290)	**868,073**	1,292,669	(140,932)	1,151,737
Dealing with the public		163,924	(2,417)	**161,507**	216,926	(2,752)	214,174
Criminal justice arrangements		214,325	(17,014)	**197,311**	250,409	(14,131)	236,278
Road policing		68,032	(14,838)	**53,194**	74,865	(12,665)	62,200
Operational support		210,053	(49,327)	**160,726**	256,098	(54,654)	201,444
Intelligence		155,224	(16,830)	**138,394**	187,070	(11,654)	175,416
Investigations		583,359	(25,298)	**558,061**	754,356	(26,974)	727,382
Investigative support		100,342	(5,545)	**94,797**	104,985	(2,160)	102,825
National policing		436,311	(391,894)	**44,417**	532,469	(375,222)	157,247
Community safety & crime prevention		40,878	(10,861)	**30,017**	32,613	(10,350)	22,263
Corporate and democratic core		10,970	(820)	**10,150**	9,951	(920)	9,031
Non distributed costs		2,200	0	**2,200**	2,000	0	2,000
Net cost of policing services before impairment/funding	7.1	**2,984,981**	**(666,134)**	**2,318,847**	3,714,411	(652,414)	3,061,997
Revaluation loss (gain to reverse previous losses) not charged to CPM		4,013	0	4,013	2,225	0	2,225
Net cost of policing services	7.6	**2,988,994**	**(666,134)**	**2,322,860**	3,716,636	(652,414)	3,064,222
Other operating expenditure							
Net gains on disposal of fixed assets	14.1			**(99,711)**			**(18,135)**
Riot Damages Act claims	26			**(101,307)**			**(22,586)**
Financing and investment							
Interest payable and similar charges	12			**20,330**			**20,908**
Interest on Police Officer Pension Defined Benefit Liability	6.2 13.1			**963,400**			**1,072,500**
Interest and investment income				**(1,946)**			**(1,827)**
Investment properties revaluation	17			**4,481**			**(5,218)**
Grants							
Non Specific Grants	15			**(2,480,376)**			**(2,567,826)**
Capital grants				**(35,795)**			**(41,769)**
Funding of Riot Damages Act claims				**101,100**			**22,431**
Deficit on provision of services				**693,036**			**1,522,700**
Other comprehensive income and expenditure							
(Surplus) on revaluation of non current assets				**(70,997)**			**(146,176)**
Re-measurements of the defined benefit liability	6.2 13.1			**(4,155,200)**			**3,728,700**
Total other comprehensive income and expenditure				**(4,226,197)**			3,582,524
Total comprehensive income and expenditure				**(3,533,161)**			**5,105,224**

The statement above shows the accounting cost for the period 1 April 2015 to 31 March 2016 (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. Please see Note 8.1 for a reconciliation between the 'Net Cost of Policing Services' figure in the CIES above and the Revenue Outturn Statements in the Narrative Report (page vi) and Segmental Note (8.2) which are prepared using internal management reporting methodologies and which in some cases are different from the accounting policies in the financial statements.

MOPAC Comprehensive Income and Expenditure Statement (CIES) For Policing And Crime for 2015/16

£000	Notes	Year ending 31 March 2016 Gross exp	Year ending 31 March 2016 Income	Year ending 31 March 2016 Net exp	Year ending 31 March 2015 Gross exp	Year ending 31 March 2015 Income	Year ending 31 March 2015 Net exp
Intra-group funding -policing		2,936,614	(656,554)	**2,280,060**	3,675,264	(643,244)	3,032,020
Community safety & crime prevention		40,878	(10,861)	**30,017**	32,614	(10,350)	22,264
Corporate and democratic core		9,589	(819)	**8,770**	8,633	(920)	7,713
Revaluation loss (gain to reverse previous losses) not charged to CPM		4,013		**4,013**	2,225	0	2,225
Net cost of policing services	7.6	**2,991,094**	**(668,234)**	**2,322,860**	**3,718,736**	**(654,514)**	**3,064,222**
Other operating expenditure							
Net gains on disposal of fixed assets	14.1			**(99,711)**			(18,135)
Riot Damages Act claims	26			**(101,307)**			(22,586)
Interest on Police Officer Pension Defined Benefit Liability - intra-group funding	6.2, 13.1			**963,400**			1,072,500
Re-measurements of the defined benefit liability - intra-group funding	6.2, 13.1			**(4,155,200)**			3,728,700
Financing and investment							
Interest payable and similar charges	12			**20,330**			20,908
Interest and investment income				**(1,946)**			(1,827)
Investment properties revaluation	17			**4,481**			(5,218)
Grants							
Non Specific Grants	15			**(2,480,376)**			(2,567,826)
Capital grants	15			**(35,795)**			(41,769)
Funding of Riot Damages Act claims				**101,100**			22,431
Deficit on provision of services				**(3,462,164)**			**5,251,400**
Other comprehensive income and expenditure							
(Surplus) on revaluation of non current assets				**(70,997)**			(146,176)
Total comprehensive income and expenditure				**(3,533,161)**			**5,105,224**

The statement above shows the accounting cost for the period 1 April 2015 to 31 March 2016 (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 2016 is shown on the page before.

MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2016

£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 2015	**(23,483)**	**(395,890)**	**(31,520)**	**(5,670)**	**(456,563)**	**28,844,855**	**28,388,292**
Deficit on provision of services	693,036	0	0	0	**693,036**	0	**693,036**
Other comprehensive income and expenditure	0	0	0	0	**0**	(4,226,197)	**(4,226,197)**
Total comprehensive income and expenditure	**693,036**	**0**	**0**	**0**	**693,036**	**(4,226,197)**	**(3,533,161)**
Adjustments between accounting basis & funding basis under regulations (note 30)	(571,581)	0	31,520	1,167	**(538,894)**	538,850	**(44)**
Net (increase) / decrease before transfers to earmarked reserves	**121,455**	**0**	**31,520**	**1,167**	**154,142**	**(3,687,347)**	**(3,533,205)**
Transfers (to) / from earmarked reserves (note 29.3)	(121,455)	121,455	0	0	**0**	0	**0**
(Increase) / decrease in year	**0**	**121,455**	**31,520**	**1,167**	**154,142**	**(3,687,347)**	**(3,533,205)**
Balance at 31 March 2016	**(23,483)**	**(274,435)**	**0**	**(4,503)**	**(302,421)**	**25,157,508**	**24,855,087**

This statement shows the movement in the year to 31 March 2016 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 30). 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 2016

£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 2015	**(23,483)**	**(395,890)**	**(31,520)**	**(5,670)**	**(456,563)**	**28,844,855**	**28,388,292**
Deficit on provision of services	(3,462,164)	0	0	0	(3,462,164)	0	**(3,462,164)**
Other comprehensive income and expenditure	0	0	0	0	**0**	(70,997)	**(70,997)**
Total comprehensive income and expenditure	**(3,462,164)**	**0**	**0**	**0**	**(3,462,164)**	**(70,997)**	**(3,533,161)**
Adjustments between accounting basis & funding basis under regulations (note 30)	3,583,619	0	31,520	1,167	**3,616,306**	(3,616,350)	(44)
Net (increase) / decrease before transfers to earmarked reserves	**121,455**	**0**	**31,520**	**1,167**	**154,142**	**(3,687,347)**	**(3,533,205)**
Transfers (to) / from earmarked reserves (note 29.3)	(121,455)	121,455	0	0	**0**	0	**0**
(Increase) / decrease in year	**0**	**121,455**	**31,520**	**1,167**	**154,142**	**(3,687,347)**	**(3,533,205)**
Balance at 31 March 2016	**(23,483)**	**(274,435)**	**0**	**(4,503)**	**(302,421)**	25,157,508	**24,855,087**

This statement shows the movement in the year to 31 March 2016 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 30). 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 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 30)	(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 29.3)	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 30). 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 30)	(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 29.3)	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 30). 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 2016	31 March 2015
Non current assets			
Property, plant and equipment	17	1,596,806	1,625,334
Heritage assets	17	1,308	1,308
Investment properties	17	38,637	52,756
Intangible assets	17	2,359	2,500
Assets under construction	17	322,849	217,523
Total non current assets		**1,961,959**	**1,899,421**
Long term debtors	18	2,218	3,010
Total long term assets		**1,964,177**	**1,902,431**
Current assets			
Assets held for sale	19	81	78,417
Inventories		8,143	8,072
Short term debtors	20	284,833	451,889
Short term investments	21	24,050	58,318
Cash & cash equivalents	22	5,732	101,183
Total current assets		**322,839**	**697,879**
Current liabilities			
Short term creditors	23	(384,027)	(378,928)
Short term borrowing	24	(20,923)	(19,246)
Provisions	26.1	(47,627)	(245,934)
Total current liabilities		**(452,577)**	**(644,108)**
Long term liabilities			
Provisions	26.2	(15,202)	(15,764)
Long term borrowing	27	(159,464)	(175,922)
Capital grants receipts in advance		(7,151)	(6,933)
Long term contractor liability	28	(83,309)	(87,775)
Police officer pension liability	29.1	(26,424,400)	(30,058,100)
Total long term liabilities		**(26,689,526)**	**(30,344,494)**
Net assets		**(24,855,087)**	**(28,388,292)**
Financed by:			
Unusable Reserves	29.1	(25,157,508)	(28,844,855)
Usable reserves	29.2-3	302,421	456,563
Total reserves		**(24,855,087)**	**(28,388,292)**

The Balance Sheet shows the value as at 31 March 2016 (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 2016	31 March 2015
Non current assets			
Property, plant and equipment	17	1,596,806	1,625,334
Heritage assets	17	1,308	1,308
Investment properties	17	38,637	52,756
Intangible assets	17	2,359	2,500
Assets under construction	17	322,849	217,523
Total non current assets		**1,961,959**	**1,899,421**
Long term debtors	18	2,218	3,010
Total long term assets		**1,964,177**	**1,902,431**
Current assets			
Assets held for sale	19	81	78,417
Inventories		8,143	8,072
Short term debtors	20	284,833	451,889
Short term investments	21	24,050	58,318
Cash & cash equivalents	22	5,732	101,183
Total current assets		**322,839**	**697,879**
Current liabilities			
Short term creditors	23	(286,502)	(276,142)
Short term borrowing	24	(20,923)	(19,246)
Provisions	26.1	(47,627)	(245,934)
Intra-group Creditor	6.2	(97,525)	(102,786)
Total current liabilities		**(452,577)**	**(644,108)**
Long term liabilities			
Provisions	26.2	(15,202)	(15,764)
Long term borrowing	27	(159,464)	(175,922)
Capital grants receipts in advance		(7,151)	(6,933)
Long term contractor liability	28	(83,309)	(87,775)
Police officer pension liability - Intra-group liability	29.1	(26,424,400)	(30,058,100)
Total long term liabilities		**(26,689,526)**	**(30,344,494)**
Net assets		**(24,855,087)**	**(28,388,292)**
Financed by:			
Unusable Reserves	29.1	(25,157,508)	(28,844,855)
Usable reserves	29.2-3	302,421	456,563
Total reserves		**(24,855,087)**	**(28,388,292)**

The Balance Sheet shows the value as at 31 March 2016 (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 2016-Group	Year ending 31 March 2015-Group	Year ending 31 March 2016-MOPAC	Year ending 31 March 2015-MOPAC
Net (surplus) or deficit on the provision of services		693,036	1,522,700	(3,462,164)	5,251,400
Adjustments to net (surplus)or deficit on the provision of services for non-cash movements	31.2	(814,143)	(1,695,219)	3,341,057	(5,423,919)
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	31.3	192,458	212,021	192,458	212,021
Net cash flows from operating activities		**71,351**	**39,502**	**71,351**	**39,502**
Investing activities	31.4	4,854	(80,780)	4,854	(80,780)
Financing activities	31.5	19,246	84,108	19,246	84,108
Net (increase)/decrease in cash and cash equivalents		**95,451**	**42,830**	**95,451**	**42,830**
Cash and cash equivalents at the beginning of the period		101,183	144,013	101,183	144,013
Cash and cash equivalents at the end of the period		**5,732**	**101,183**	**5,732**	**101,183**

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 (e.g. 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 2015/16 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 2015/16 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Accounts and Audit Regulations 2015 and the Service Reporting Code of Practice for Local Authorities 2015/16 (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 Narrative Report which accompanies 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 2016 (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 2016. 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.

There is an exception to this principle which does not have a material effect on the accounts:

- Exit Packages are accounted for on a cash basis as twelve cash payments are made each financial year.

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.

Legal challenges around employment law - During 2014/15 there were a number of legal challenges in other forces around employment law that have financial consequences for all police forces in England and Wales. These mainly concern backdated and future payments of overtime and allowances. Provisions have been recognised in both 2014/15 and 2015/16 for retrospective claims.

Riot (Damages) Act 1886 claims - to make provision for claims due in relation to material damages which are expected to be reimbursed to third parties who submitted claims arising from the public disturbances in August 2011.

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 that 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 three 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 36. MOPAC provides funds from the Police Fund to meet the pension payments as they fall due.

Police officers

The Police Pension Schemes are contributory occupational pension schemes which are guaranteed and backed by law. A new Career Average Revalued Earnings (CARE) Scheme was introduced on the 1st April 2015, which was a change from the previous Final Salary Schemes. Officers starting after the 1st April 2015 join the new 2015 Scheme and members of the 1987 and 2006 Final Salary

Schemes will move into the new 2015 Scheme, unless they are covered by the transitional protection arrangements. Members of the new 2015 Scheme make contributions of between 12.44% and 13.78% of pensionable pay. Protected members of the 1987 and 2006 arrangements contribute at rates of between either 14.25% and 15.05% of pensionable pay for the 1987 police pension scheme or 11% and 12.75% for the 2006 police pension scheme. The employees' contribution rate 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 the schemes.

The police pension schemes 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 3.5% for all schemes.

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 or credited 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 all the 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 the 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 historical 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 – current value, but because of their specialist nature are measured at depreciated replacement cost which is used as an estimate of current value;
- Non-specialised operational properties –current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV);
- Residential properties and investment properties – fair value estimated at highest and best use from a market participant's perspective;
- Vehicles, plant and equipment – In such cases where non property assets have short useful lives or low values (or both), depreciated historic cost is used as a proxy for current value.
- Assets held for sale - current or fair value as appropriate

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 2015/16 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
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. Depreciation is not charged on Assets Held for Sale.

1.11 Investment properties

These are properties held solely by MOPAC for the purpose of generating rental income or for capital appreciation and are occupied by third parties. These properties are not used in any way to facilitate the delivery of services or held for sale.

Investment properties are measured initially at cost and subsequently at ‘fair value’ (as defined in the Section below). Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.12 Fair value measurement

The Group measures some of its non-financial assets such as investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Group takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Group’s financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly:
Level 3 – unobservable inputs for the asset or liability.

1.13 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 plant 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. where there is a premium paid at the commencement of the lease).

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

1.14 Value Added Tax (VAT)

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

1.15 Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and 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.

1.16 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 effective 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.

1.17 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 may also recognise 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'.

1.18 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.

1.19 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.

1.20 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.

1.21 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 2015/16. Support service costs identified as CDC costs and Non Distributed Costs are not charged to services but are shown separately in the CIES (Note 7).

1.22 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.

1.23 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 amendments to accounting standards that have been issued but not yet adopted:

- Amendments to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- An Amendment to IFRS11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- An Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- An Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative)

- The Annual Improvements to IFRS (2010-12 Cycle) which are applicable to the Group cover the following issues:

  IFRS 3: Accounting for a contingent consideration in a business combination;
  IFRS 8: Disclosing factors behind the aggregation of operating segments;
  IFRS 13: Treatment of short-term receivables and payables;
  IAS 16: Treatment of restatement of accumulated depreciation;
  IAS 24: Disclosure of amounts incurred by an authority for key management personnel services;

IAS 38: Treatment of restatement of accumulated amortisation

- The Annual Improvements to IFRS (2012-14 Cycle) which are applicable to the Group cover the following issues:

  IFRS 7: Clarification of treatment of servicing contracts in disclosure requirements
  IAS 19: Clarification of the requirements to determine the discount rate in a regional market sharing the same currency

It is not expected that any of the amendments above will have a significant impact on the Group's 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 17 and 17.1 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 6 in more detail;

- The provision for compensation payments to third parties and ex-personnel in Note 26 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 6;

- Previously it has been unclear whether the MOPAC Group would be liable to pay damages for consequential loss in relation to the Riot (Damages) Act 1886. To reflect the uncertainty the MOPAC Group had recognised a provision in the 2014/15 statutory accounts for claims worth £78 million. This was offset by a corresponding income accrual in the ongoing recognition that the Home Office would have reimbursed claims up to £78 million. On 20 April 2016 the Supreme Court published a ruling which determined that a claimant under the Riot Damages Act 1886 cannot in principle recover consequential losses (including loss of profit and rent) arising from the August 2011 disturbances. Following this judgement the £78 million provision and corresponding Home Office accrual has been derecognised in the 2015/16 MOPAC Group Accounts. Earlier in 2015 MOPAC had been refused leave to appeal by the Supreme Court in respect of 'material damages'. The majority of the claims for material damages have now been processed and compensation paid out;

- 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;

- Exit Packages are recognised on a cash basis as twelve cash payments are made each financial year and this basis does not have a material effect on the accounts. However the disclosure note on Exit Packages has been produced on an accruals basis and therefore reflects the actual relevant cost for the financial year.

  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.

4. Material items of income and expense

In March 2016 the DMPC terminated a contract with a key supplier. The contract was terminated on the basis of the supplier's failure to deliver the command and control solution in accordance with the contract, including its failure to deliver in time for the originally planned October 2015 go-live date. There was no prospect of a finished product being delivered before the expiry of the contract term on 18 March 2016. Consequently £43 million of prior year construction costs have been written off and recognised in the Group's Comprehensive Income and Expenditure Account. A further £13 million has been written off in 2015/16. MOPAC is now considering a claim against the supplier for costs and damages arising from the supplier's failure to deliver a command and control solution in accordance with the contract.

In line with the Capital Financing Regulations the costs relating to this contract have been treated as an impairment in 2015/16 and fully reversed in the Movement in Reserves Statement to the Capital Adjustment Account. The total amount impaired for 2015/16 is shown in the Property, Plant and Equipment note 17.

5. 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 13 for more details of the impact of discount rate changes.

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

6.1 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). These financial statements for 2015/16 show the financial positions of the MOPAC and MOPAC Group together with comparative figures for 2014/15.

6.2 Accounting principles

The accounting recognition of assets, liabilities and reserves in 2015/16, 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 2015/16 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.

With effect from 1 April 2014, under 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. For accounting purposes, the costs of police staff and officers under the direct control of the Commissioner are recognised in the CPM Accounts and the costs of staff under the direct control of MOPAC are recognised in the MOPAC CIES. 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 2015/16. 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 2015/16 £million	MOPAC	CPM	Group
IAS19 pension costs within net cost of services	0	213	213
Accumulated absences	0	5	5
Other costs within net cost of services	0	2,062	2,062
Intra-group adjustment (MOPAC funding)	2,280	(2,280)	0
Pension interest cost	0	963	963
Intra-group adjustment (MOPAC funding pension)	963	(963)	0
Actuarial losses on police fund	0	(4,155)	(4,155)
Intra-group adjustment (MOPAC funding pension)	(4,155)	4,155	0
Total transactions for the year	**(912)**	**0**	**(912)**

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**

Accounting entries reflected in the respective Balance Sheet at year end

Intra-group - total transactions for 2015/16 £million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	26,424	0
CPM - Short term Intra-group Debtor	0	98	0
CPM - Police Officer pension liability	0	(26,424)	(26,424)
CPM - Creditor - accumulated absences	0	(98)	(98)
MOPAC - Long term Intra-group Creditor	(26,424)	0	0
MOPAC - Short term Intra-group Creditor	(98)	0	0
MOPAC - Unusable Reserves	26,424	0	26,424
MOPAC - Unusable Reserves	98	0	98

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

The 2015/16 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 2015/16 as the 'resources consumed at the request of the CPM' are completely offset by the intra-group adjustment.

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

7.1 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 2015/16 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 (including contact management units)
- Dealing with the public command team and support overheads

Criminal justice arrangements
- Custody
- Police doctors/nurses and surgeons
- Other custody costs
- Criminal justice arrangements
- Police National Computer (PNC)
- Civil disclosure/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 officer traffic
- Vehicle recovery
- Casualty reduction partnership
- Road policing command team and support overheads

Operational support
- Air operations
- Mounted police
- Specialist terrain
- Dogs section
- Advanced public order
- Airport and ports policing unit
- Firearms unit
- Civil contingencies
- Events
- Operational support team and support overheads

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

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

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/NPCC projects/initiatives
- Hosting national services
- Other national policing requirements

In addition there are two separate headings defined in SeRCOP (defined in 7.3 and 7.4). 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.

7.2 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 £545.70 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.

7.3 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.

7.4 Non-distributed costs

The cost of discretionary benefits awarded to employees retiring early. In other years, this cost may include specific impairment losses relating to assets under construction and surplus assets held for disposal as well as any revenue expenditure involved in holding surplus assets.

7.5 Income

Income received by MOPAC includes fees and charges, specific grants and other income. A breakdown under these headings for 2015/16 is shown in the table in Section 7.6 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 16). General grants not directly attributable to specific operational activities are recognised below the Net Cost of Service.

7.6 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 2015 to 31 March 2016, 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 2015/16	CPM 2015/16	Group 2015/16	Group 2014/15
Expenditure				
Employee costs				
Police officer salaries	0	1,592,145	1,592,145	1,580,118
MOPAC and Police staff wages and salaries	6,313	500,857	507,170	536,118
Employee related expenditure	612	7,710	8,322	6,750
Net police officer pensions	0	(138,003)	(138,003)	709,044
Net MOPAC police staff pensions	1,019	109,176	110,195	97,682
Premises related	1,415	176,257	177,672	171,066
Transport related	21	61,976	61,997	62,068
Supplies and services*	41,089	413,439	452,428	388,102
Capital charges (revaluation gain)	4,011	213,057	217,068	165,688
Total gross expenditure	**54,480**	**2,936,614**	**2,988,994**	**3,716,636**
Funded by				
Fees and charges	(31)	(181,009)	(181,040)	(179,067)
Other income	(752)	(78,410)	(77,062)	(77,301)
Specific grants (note 16)	(10,897)	(397,135)	(408,032)	(396,046)
Total income	**(11,680)**	**(656,554)**	**(666,134)**	**(652,414)**
Intra group adjustment **	2,280,060	(2,280,060)	0	0
Net cost of policing services	**2,322,860**	**0**	**2,322,860**	**3,064,222**

** £41 million 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 Narrative Report. 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.

8. 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 2015/16 (1 April 2015 to 31 March 2016) and 2014/15. The first table (see Note 8.1) shows a reconciliation between the management accounts and the Statement of Accounts for those years.

8.1 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	2015/16	2014/15
Cost of service per management accounts	**2,603,169**	**2,432,159**
Amounts in the CIES not in the segmental note:		
• Depreciation	154,606	163,463
• Impairment/revaluation	61,139	2,169
• IAS19 Pension	(441,900)	404,400
• Accumulated Absences	(5,262)	(6,036)
Amounts in the segmental note not in the CIES:		
• Minimum Revenue Provision	(28,467)	(30,208)
• Revenue contribution to capital outlay	(864)	(2,471)
• Council Tax Support grant	0	119,676
• Other	(19,561)	(18,930)
Cost of service per Statement of Accounts	**2,322,860**	**3,064,222**

8.2 Segmental note for group financial statements 2015/16

£000	Territorial Policing	Specialist Crime and Operations	Specialist Operations	Met HQ	Property Services	Digital Policing	Shared support services	Centrally held	CPM 2015/16	MOPAC 2015/16	GROUP 2015/16
Fees, charges and other income	(124,708)	(18,807)	(66,610)	(25,779)	(9,308)	(1,836)	(1,041)	(27,149)	**(275,238)**	(2,501)	**(277,739)**
Specific grants	(11,097)	(48,274)	(289,955)	(7,543)	(9,213)	(5,935)	(410)	(5,597)	**(378,024)**	(9,183)	**(387,207)**
Total Income	**(135,805)**	**(67,081)**	**(356,565)**	**(33,322)**	**(18,521)**	**(7,771)**	**(1,451)**	**(32,746)**	**(653,262)**	**(11,684)**	**(664,946)**
Employee costs	1,263,205	645,940	310,572	179,344	15,097	34,816	5,188	31,823	**2,485,985**	8,528	**2,494,513**
Premises-related	317	1,720	2,929	2,165	169,458	4,172	0	(323)	**180,438**	1,415	**181,853**
Transport-related	8,077	14,362	16,397	23,088	69	196	(44)	(181)	**61,964**	23	**61,987**
Supplies and services*	24,269	51,009	27,378	58,127	9,425	157,054	160	78,548	**405,970**	40,995	**446,965**
Capital charges	0	0	0	0	17,879	0	0	30,898	**48,777**	0	**48,777**
Discretionary pension costs	0	0	0	34,038	0	0	0	(18)	**34,020**	0	**34,020**
Total operating expenses	**1,295,868**	**713,031**	**357,276**	**296,762**	**211,928**	**196,238**	**5,304**	**140,747**	**3,217,154**	**50,961**	**3,268,115**
Cost of service	**1,160,063**	**645,950**	**711**	**263,440**	**193,407**	**188,467**	**3,853**	**108,001**	**2,563,892**	**39,277**	**2,603,169**

** £41 million supplies and services incurred by MOPAC includes costs of working with local communities, victims support and payments by MOPAC of crime prevention grants*

8.3 Segmental note for group financial statements 2014/15 (restated to assist comparison)

£000	Territorial Policing	Specialist Crime and Operations	Specialist Operations	Met HQ	Property Services	Digital Policing	Shared support services	Centrally held	CPM 2014/15	MOPAC 2014/15	GROUP 2014/15
Fees, charges and other income	(120,744)	(28,302)	(63,115)	(591)	(9,580)	(2,001)	(2,394)	(50,101)	(276,828)	(1,221)	(278,049)
Specific grants	(18,797)	(46,446)	(273,959)	(7,362)	(9,502)	(6,418)	(971)	(124,463)	(487,918)	(10,049)	(497,967)
Total Income	**(139,541)**	**(74,748)**	**(337,074)**	**(7,953)**	**(19,082)**	**(8,419)**	**(3,365)**	**(174,564)**	**(764,746)**	**(11,270)**	**(776,016)**
Employee costs	1,263,111	650,494	294,889	195,563	16,646	31,887	9,458	30,508	2,492,556	7,384	2,499,940
Premises-related	1,268	1,992	2,927	703	159,109	3,106	(1)	7	169,111	1,329	170,440
Transport-related	3,094	8,272	15,232	34,983	74	204	104	81	62,044	44	62,088
Supplies and services	20,996	48,844	25,827	14,398	1,153	161,929	114	84,525	357,786	33,042	390,828
Capital charges	0	0	0	0	17,788	0	0	33,306	51,094	0	51,094
Discretionary pension costs	0	0	0	33,785	0	0	0	0	33,785	0	33,785
Total operating expenses	**1,288,469**	**709,602**	**338,875**	**279,432**	**194,770**	**197,126**	**9,675**	**148,427**	**3,166,376**	**41,799**	**3,208,175**
Cost of service	**1,148,928**	**634,854**	**1,801**	**271,479**	**175,688**	**188,707**	**6,310**	**(26,137)**	**2,401,630**	**30,529**	**2,432,159**

9. Police officers and police staff remuneration

9.1 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	2015/16		2014/15	
	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	4,549	4,557	4,468	4,476
55,000 - 59,999	2,189	2,205	2,015	2,021
60,000 - 64,999	1,584	1,597	1,524	1,535
65,000 - 69,999	672	677	536	550
70,000 - 74,999	345	356	308	313
75,000 - 79,999	193	223	145	151
80,000 - 84,999	104	115	87	92
85,000 - 89,999	71	90	65	77
90,000 - 94,999	78	88	43	48
95,000 - 99,999	14	26	9	15
100,000 - 104,999	9	16	4	7
105,000 - 109,999	2	9	8	10
110,000 - 114,999	6	13	2	6
115,000 - 119,999	7	18	2	7
120,000 - 124,999	3	21	2	11
125,000 -129,999	3	6	3	5
130,000 -134,999	2	7	2	5
135,000 -139,999	0	6	0	4
140,000 -144,999	1	6	1	2
145,000 - 149,999	0	10	0	0
150,000 - 154,999	0	4	0	1
155,000 - 159,999	0	0	0	2
160,000 - 164,999	0	1	0	0
165,000 - 169,999	0	2	0	0
170,000 - 174,999	0	1	0	1
175,000 - 179,999	0	1	0	0
180,000 - 184,999	0	1	0	0
185,000 - 189,999	0	1	0	0
190,000 - 194,999	0	2	0	0
195,000 - 199,999	0	0	0	0
200,000 - 204,999	0	3	0	1
205,000 - 209,999	0	0	0	0
210,000 - 214,999	0	2	0	1
215,000 - 224,999	0	0	0	0
225,000 +	0	3	0	0

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 9.2. In these particular cases, a more detailed analysis of remuneration for 2015/16 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 (£)	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	2	4	98	22	100	26	1,423,546	371,342
£20,001 - £40,000	6	8	153	44	159	52	4,658,616	1,539,858
£40,001 - £60,000	5	3	99	43	104	46	5,181,558	2,316,475
£60,001 - £80,000	1	3	47	21	48	24	3,484,755	1,732,662
£80,001 - £100,000	1	0	37	14	38	14	3,430,492	1,218,993
£100,001 - £150,000	0	0	12	3	12	3	1,416,782	389,636
£150,001 - £200,000	0	0	5	2	5	2	814,287	347,675
£200,001+	0		2	0	2	0	493,966	0
	15	18	453	149	468	167	20,904,002	7,916,641

The numbers in the table above exclude senior staff as defined below in Note 9.2. In these particular cases, compensation for loss of office is shown in Sections 9.3. - 9.6.

9.2 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.

9.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2016

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Benefits in kind (£)	Total remuneration excluding pension contributions 2015/16 (£)	Pension contributions (£)	Total remuneration including pension contributions 2015/16 (£)
CPM							
Commissioner	B Hogan-Howe		278,563	11,051	289,614	0	289,614
Deputy Commissioner	C Mackey		239,058	8,353	247,411	0	247,411
Assistant Commissioner	C Dick	1	106,758	0	106,758	21,699	128,457
Assistant Commissioner	P Gallan		196,458	5,027	201,485	40,156	241,641
Assistant Commissioner	M Hewitt		196,458	7,107	203,565	40,156	243,721
Assistant Commissioner	H King		214,521	3,244	217,765	40,156	257,921
Assistant Commissioner	M Rowley		204,805	5,232	210,037	40,156	250,193
Deputy Assistant Commissioner	H Ball		162,591	4,365	166,956	30,903	197,859
Deputy Assistant Commissioner	M De Brunner		153,274	6,531	159,805	30,903	190,708
Deputy Assistant Commissioner	M Simmons		153,018	7,842	160,860	30,903	191,763
Deputy Assistant Commissioner	A Basu		153,271	6,166	159,437	30,957	190,394
Deputy Assistant Commissioner	S Rodhouse		153,018	7,924	160,942	30,903	191,845
Deputy Assistant Commissioner	F Taylor		163,518	3,244	166,762	30,903	197,665
Deputy Assistant Commissioner	P Terry		171,742	3,244	174,986	30,957	205,943
Director of Commercial & Finance	L McMullan		157,350	0	157,350	38,465	195,815
Director of Digital Policing	A McCallum	2	45,968	0	45,968	0	45,968
MOPAC							
Chief Operating Officer	H Bailey		165,000	0	165,000	40,425	205,425
NPCC							
Assistant Commissioner	S Thornton	3	200,996	3,244	204,240	44,717	248,957

9.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2016

Notes

1. C Dick was seconded to the Foreign and Commonwealth Office from 19/1/15 and left employment on 16/10/2015 with an annualized salary of £198,311

2. A McCallum was appointed Director of Digital Policing on 18/1/2016 with an annualised salary of £225,000. Prior to his appointment Eclecsys Ltd had been engaged to provide advice to the MPS on its technology strategy and operations. Eclecsys Ltd provided up to 3 consultants for the period 1/4/15 to 31/8/15 for £345,620.

3. S.Thornton is chair of the National Police Chiefs' Council which is funded by police forces in England, Wales and Northern Ireland as well as the armed services and some British overseas territories.

Additional information
Benefits in kind may include 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 Deputy Assistant Commissioner required in the effective execution of their duties.

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

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Benefits in kind (£)	Total remuneration excluding pension contributions 2014/15 (£)	Pension contributions (£)	Total remuneration including pension contributions 2014/15 (£)
CPM							
Commissioner	B Hogan-Howe		275,901	10,738	286,639	0	286,639
Deputy Commissioner	C Mackey		237,383	9,273	246,656	39,957	286,613
Assistant Commissioner	C Allison	1	19,652	1,462	21,114	4,533	25,647
Assistant Commissioner	C Dick	2	195,669	2,609	198,278	45,171	243,449
Assistant Commissioner	S Byrne	3	60,868	542	61,410	0	61,410
Assistant Commissioner	P Gallan	4	157,546	5,173	162,719	36,206	198,925
Assistant Commissioner	M Hewitt	5	189,806	6,178	195,984	44,013	239,997
Assistant Commissioner	H King	6	160,772	30,823	191,595	36,650	228,245
Assistant Commissioner	M Rowley		204,165	4,660	208,825	45,171	253,996
Deputy Assistant Commissioner	H Ball		155,660	3,836	159,496	34,763	194,259
Deputy Assistant Commissioner	M De Brunner	7	156,494	6,296	162,790	35,892	198,682
Deputy Assistant Commissioner	M Simmons	8	156,483	6,958	163,441	35,949	199,390
Deputy Assistant Commissioner	A Basu	9	105,496	5,984	111,480	23,610	135,090
Deputy Assistant Commissioner	S Rodhouse	10	146,796	7,471	154,267	33,605	187,872
Deputy Assistant Commissioner	F Taylor		159,456	2,494	161,950	34,763	196,713
Deputy Assistant Commissioner	P Terry	11	112,397	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	85,878	20,771	106,649
Director of Digital Policing	R Thwaite	14	87,373	0	87,373	21,134	108,507
MOPAC							
Chief Operating Officer	H Bailey		165,000	0	165,000	40,095	205,095

9.4 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.

9.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2016

Post	Note	Salary inc fees and allowances (£)	Benefits in kind (£)	Other payments (£)	Total remuneration (excl pension contributions) 2015/16 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2015/16 (£)
CPM							
Director of Media and Communication		131,385	0	0	131,385	32,104	163,489
Director of People and Change		135,550	0	0	135,550	33,124	168,674
Director of Legal Services		137,550	0	0	137,550	33,614	171,164
MOPAC							
Deputy Mayor for Policing And Crime		130,595	0	0	130,595	0	130,595
Interim Director of Police Resources and Performance	1	-	-	-	-	-	-
Acting Director of Police Resources and Performance	2	97,113	0	0	97,113	23,666	120,779
Acting Director of Police Resources and Performance	3	61,196	0	0	61,196	13,410	74,606
Director of Strategy	4	104,047	0	0	104,047	25,491	129,538
Director of Integrated Offender Management, Programmes & Neighbourhoods		115,607	0	0	115,607	24,824	140,431
Interim of Integrated Offender Management, Programmes & Neighbourhoods	5	-	-	-	-	-	-
Director of Audit, Risk and Assurance		116,124	0	0	116,124	28,324	144,448

9.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2016

Notes

1. An Interim Director of Police Resources and Performance is not salaried and received a total payment in the period 1/4/15 to 2/7/15 of £49,220 (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 £208,800.

2. The Acting Director of Police Resources and Performance covered the role from 3/7/15 to 31/12/15 at a annualised salary of £96,596

3. The Acting Director of Police Resources covered the role from 1/1/16 to 31/3/16 at a annualised salary of £60,679

4. Director of Strategy - annualised salary £104,047, 90% of FTE.

5. An Interim Director of Services was appointed to cover the maternity leave of the Director of Integrated Offender Management, Programmes and Neighborhoods for the period 30/11/15 to 31/3/16. The individual is not salaried and received a total payment for the period of £55,932 (unlike remuneration payments made to employees in the table above, interims do not receive pensions, benefits and holiday pay). If engaged for the full year the annualized total remuneration for the year would have been £148,680.

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

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

9.6 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 form £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.

10. 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 2016, 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 6.

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 15 and Note 16:

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 15.

The net receipts from Transport for London were £95.499 million in 2015/16 (£93.947 million in 2014/15). At 31 March 2016 £25.384 million was owed to the Group (£15.890 million at 31 March 2015).

Other bodies

The Safer London Foundation is included here as a related party as MOPAC provided £797,030 in 2015/16 and Sir Bernard 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 2015/16 and Commander P Spindler is a Member of the Board.

The London Digital Security Centre (LDSC) is included here as a related party as MOPAC provided a significant element of its funding in 2015/16 and the Chief Operating Officer of MOPAC is a board member. The new organisation 'Police Now' was established in January 2016 to run the National Graduate Leadership Development Programme. It received funding from MPS/MOPAC as part of the HO Police Innovation Fund. Two of its trustees are employed by the MPS. The DMPC is one of 10 Board members for the Police ICT Company to manage and deliver Home Office contracts. MOPAC pays a flat rate of £25,000 paid by each of the 45 PCCs. Last year MOPAC paid the company £358,000 for software licenses

From 1 December 2014 Eclecsys Ltd was engaged to provide advice to the MPS on its technology strategy and operations. John Lowry, who is a key shareholder of Eclecsys Ltd had a senior advisory role in respect of the MPS Management Board until 31 August 2015. The total value of the contract was £530,116 of which £345,620 related to the period ending 31 March 2016.

11. Auditors' remuneration

The audit fee payable to Grant Thornton UK LLP for audit fees during the year totalled £251,828 (£335,770 in 2014/15) for the Group. The actual amount charged to the accounts in year totalled £242,728, of which £131,828 related to MOPAC and £110,900 related to the CPM (£175,770 for MOPAC in 2014/15, £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 £67,850 (£84,750 in 2014/15).

12. Interest payable and similar charges

Interest paid in 2015/16 and 2014/15 is as follows:

£000	2015/16	2014/15
Public Work Loans Board	7,219	7,748
PFI and finance lease	13,090	13,136
Other interest cost	21	24
Total	**20,330**	**20,908**

13. Pension costs

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

13.1 Police officers

There are three pension schemes for police officers, the Police Pension Scheme 2015, the 2006 New Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS), all 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 2015/16. The Group pays employer contributions at a rate of 21.3% of pensionable salary into the Fund.

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	2015/16	2014/15
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service cost comprising:		
Current Service Cost	621,100	693,600
Past service cost	2,200	2,000
Transfers in/(out)	1,000	(3,300)
Actuarial loss/(gain) - injury pensions	(411,100)	290,000
Financing and Investment Income and Expenditure		
Interest Expense	963,400	1,072,500
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	**1,176,600**	**2,054,800**
Re-measurement of the defined benefit liability comprising:		
Actuarial loss/(gain) arising on changes in demographic assumptions - excluding injury pensions	(81,100)	0
Actuarial loss/ (gain) arising on changes in financial and other assumptions - excluding injury pensions	(4,074,100)	3,728,700
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(4,155,200)**	**3,728,700**
Movement in Reserves Statement (MIRS)		
Reversal of charges made to Surplus or Deficit on the Provision of Services for post employment benefits	1,176,600	2,054,800
Actual amount charged against the General Fund Balance for pensions in the year - Pension Costs	655,100	577,900

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 6. 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 the funds).

Police officers contributions to the schemes amounted to £154 million in the year ended 31 March 2016. In the year ended 31 March 2016, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £560 million.

In the year to 31 March 2016 the net costs of pensions and other benefits amounted to £594 million, representing 49.8% 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 2016 that have been included in the Balance Sheet:

£ million	2015/16	2014/15
Officer members	(11,125)	(17,316)
Deferred pensioners	(935)	(880)
Pensioners	(13,062)	(10,208)
Injury pensions	(1,302)	(1,654)
Total value of scheme liabilities	**(26,424)**	**(30,058)**

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 2016. The movement in the present value of the scheme liabilities for the year to 31 March 2016 can be reconciled as follows:

£ million	Excluding injury benefits 2015/16	Excluding injury benefits 2014/15	Injury benefits only 2015/16	Injury benefits Only 2014/15
Scheme liabilities at 1 April	**(28,404)**	**(23,555)**	**(1,654)**	**(1,298)**
Current service cost including Home Office contribution.	(584)	(653)	(36)	(40)
Officer contributions	(154)	(152)	0	0
Benefits paid	780	698	0	0
Injury award expenditure		0	30	31
Transfers from / to other authorities	(1)	3	0	0
Past service cost (injury benefits)	(2)	(2)	0	0
Interest cost on pension liabilities.	(912)	(1,014)	(53)	(57)
Re-measurement gains and losses:				
Actuarial (loss)/gain arising on changes in demographic assumptions	81	0	2	0
Actuarial (loss)/(gain arising on changes in financial assumptions	2,933	(3,729)	167	(223)
Other Experience	1,141	0	242	(67)
Scheme liabilities at 31 March	**(25,122)**	**(28,404)**	**(1,302)**	**(1,654)**

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	All Schemes 2015/16	PPS 2014/15	NPPS 2014/15
Rate of inflation	3.2%	3.3%	3.4%
Rate of increase of salary (note i)	3.2%	3.4%	3.5%
Rate of increase in pensions	2.2%	2.4%	2.5%
Rate for discounting scheme liabilities (note ii)	3.5%	3.2%	3.3%

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 2015/16	Males 2014/15	Females 2015/16	Females 2014/15
Current pensioners	29.7 years	29.5 years	31.6 years	31.7 years
Future pensioners*	31.2 years	31.1 years	33.2 years	33.2 years

*Future pensioners are assumed to be aged 45 at 31 March 2016.

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 to 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)	
	2015/16	2014/15	2015/16	2014/15
0.5% decrease in real discount rate	10%	10%	2,588,600	3,225,000
1 year increase in member life expectancy	3%	3%	783,500	901,700
0.5% increase in the salary increase rate	2%	2%	432,300	718,000
0.5% increase in the pension increase rate (CPI)	8%	9%	2,114,600	2,591,100

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

£ million	2015/16	2014/15
Projected current service cost	588	631
Interest on obligation	924	966
Total	**1,512**	**1,597**

The weighted average duration of the defined benefit obligation is:

Weighted average duration	2015/16	2014/15
Officer members	26.6 years	26.5 years
Deferred pensioners	25.7 years	25.0 years
Pensioners	12.2 years	12.1 years
Injury pensions	19.3 years	20.9 years

13.2 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 2016 can be found in the Resource Accounts of the Cabinet Office, who administer the fund. For the year ended 31 March 2016, employer's contributions of £88.9 million were payable to the PCSPS at one of four rates in the range 20.0 to 24.5 percent of pensionable pay, based on salary bands. In the year to 31 March 2016, the net cost of pensions amounted to £108 million, representing 25% of pensionable pay. The Group is not liable for any other entities obligations under the plan.

14. Other operating expenditure

14.1 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:

	2015/16			2014/15		
£000	Property	Vehicles	Total	Property	Vehicles	Total
Losses	7,978	874	8,852	51,221	3,039	54,260
Gains	(108,510)	(53)	(108,563)	(72,275)	(120)	(72,395)
Net gain	**(100,532)**	**821**	**(99,711)**	**(21,054)**	**2,919**	**(18,135)**

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.

15. 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 2016 was:

£000	2015/16	2014/15
Formula Grant	(754,096)	(782,903)
Police precept	(566,527)	(564,166)
Police Revenue Grant	(1,040,077)	(1,101,081)
Council Tax Support	(119,676)	(119,676)
Total	**(2,480,376)**	**(2,567,826)**

15.1 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	2015/16	2014/15
Capital grants	**(35,795)**	**(41,769)**

16. Specific grants

The Group received the following grants for specific operational activities:

£000	2015/16	2014/15
Home Office - Counter Terrorism	(264,246)	(253,379)
Home Office - CT Protective Security Grant	(107,489)	(101,647)
Association of Chief Police Officers	0	156
Ministry of Justice - Victim Services	(9,183)	(10,048)
Home Office - Other	(6,580)	(7,978)
Miscellaneous grants	(20,534)	(23,150)
Total	**(408,032)**	**(396,046)**

17. Group and MOPAC non current assets at 31 March 2016

£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 2015	**1,593,672**	**746,145**	**2,339,817**	**1,319**	**53,044**	**36,127**	**217,523**	**0**	**2,647,830**
Reclassifications (transfers)	7,215	27,368	34,583	0	5,392	1,536	(41,511)	0	**0**
Transfer assets held for sale	3,026	(991)	2,035	0	0	0	0	0	**2,035**
Additions	9,396	24,031	33,427	0	0	248	203,919	0	**237,594**
Donated assets/ other	0	95	95	0	0	0	0	0	**95**
Disposals	(19,575)	(16,155)	(35,730)	0	(15,105)	(136)	0	0	**(50,971)**
Impairment	0	0	0	0	0	0	(57,082)	0	**(57,082)**
Revaluation movements through CIES	(3,343)	0	(3,343)	0	(4,481)	0	0	0	**(7,824)**
Revaluation movements in reserves	27,023	0	27,023	0	0	0	0	0	**27,023**
Cost or valuation at 31 March 2016	**1,617,414**	**780,493**	**2,397,907**	**1,319**	**38,850**	**37,775**	**322,849**	**0**	**2,798,700**
Depreciation at 1 April 2015	**(108,395)**	**(606,088)**	**(714,483)**	**(11)**	**(288)**	**(33,627)**	**0**	**0**	**(748,409)**
Depreciation/amortisation for the year	(66,008)	(86,673)	(152,681)	0	0	(1925)	0	0	**(154,606)**
Redundant depreciation	43,973	0	43,973	0	0	0	0	0	**43,973**
Depreciation on assets sold	5,877	15,299	21,176	0	110	136	0	0	**21,422**
Depreciation on transferred assets	4	910	914	0	(35)	0	0	0	**879**
Depreciation at 31 March 2016	**(124,549)**	**(676,552)**	**(801,101)**	**(11)**	**(213)**	**(35,416)**	**0**	**0**	**(836,741)**
Net Book Value at 31 March 2016	**1,492,865**	**103,941**	**1,596,806**	**1,308**	**38,637**	**2,359**	**322,849**	**0**	**1,961,959**
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**

The Group's Property portfolio which is located throughout London's 32 boroughs includes operational and residential properties. The portfolio consists of 91 (93 in 2014/15) police stations, 148 (207 in 2014/15) residential properties, and 359 (367 in 2014/15) other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. There are also 108 (154 in 2014/15) investment properties. The Group also operates 5,329 (5,375 in 2014/15) patrol cars, motorbikes and other vehicles, 27 (27 in 2014/15) boats including inflatables and dinghies. All helicopters were transferred to the National Police Air Service on 31 March 2015.

17. 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**

17.1 Basis of valuation

MOPAC's operational property was revalued as at 30 September 2015 as a 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. The remaining 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.

The residential and investment property portfolios were also revalued as at 30 September 2015 as a part of the revaluation programme. Again 20% of the assets are physically inspected each year whilst 80% are revalued on a desktop basis. This rolling programme of residential revaluations is performed by Drivers Jonas Deloitte (also a member of the Royal Institute of Chartered Surveyors) guaranteeing that all of the residential properties and the investment properties are subject to inspection and revaluation at least once every five years.

To reflect price movements and other adjustments between 1 October 2015 and the 31 March 2016, both valuers also provided a valuation as at 31 March 2016 based on a desktop exercise. Valuations are always carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The information provided by MOPAC to the valuers and the assumptions and valuations made by the valuers are reviewed by the Property Services Team throughout the valuation process.

The residential and investment property portfolios were revalued as at 30 September 2015 using the IFRS 13 Fair Value market approach. The IFRS 13 Fair Value market approach uses prices and other relevant information (inputs) generated by market transactions involving similar properties and applies the valuer's professional judgment in accordance with the RICS Valuation - Professional Standards 2014 published by the Royal Institution of Chartered Surveyors.

The IFRS 13 on Fair Value includes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three (input) levels:

Level 1: Observable quoted prices, in active markets;

Level 2: Quoted prices are not available but fair value is based on observable market data;

Level 3: Unobservable inputs.

London property market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant; hence we have categorised the valuations of our residential and investment portfolio as Level 2 inputs in the fair value hierarchy.

At 31 March 2016 the group carrying value of investment properties was £39 million, (2015 £53 million).

At 31 March 2016 the group carrying value of residential properties was £52 million, (2015 £54 million).

The Group's policy is to recognise transfers within fair value hierarchy levels at the valuation date or the date of event or change in circumstance that caused the transfer. There have been no transfers during the period.

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 2016.

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 £41.5 million were made for those assets under construction, which were completed and became operating assets.

17.2 Redundant depreciation

Accumulated depreciation is eliminated when an asset is re-valued. This is because depreciation is an estimate of changes in value relating to the consumption of assets whose cumulative effect is confirmed or overwritten by a formal valuation reflecting the actual condition of the property at the valuation date.

The estimates of depreciation are therefore made redundant by the valuation, and offset against the Revaluation Reserve. Redundant depreciation of £43.9 million is shown in Note 17.

17.3 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.

17.4 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	2015/16	2014/15
Opening Capital Financing Requirement	**670,610**	**705,739**
Capital Investment		
Property	9,396	5,451
Plant and equipment	24,031	29,432
Intangible assets	248	72
Assets under construction	203,919	164,395
Investment properties	0	8
Sources of finance		
Capital receipts	(193,977)	(159,790)
Government grants and other contributions	(36,962)	(42,018)
Sums set aside from revenue:		
Direct revenue contributions	(864)	(2,471)
Minimum Revenue Provision	(28,467)	(30,208)
Closing Capital Financing Requirement	**647,934**	**670,610**

Explanation of movements in year

Decrease in underlying need to borrow (supported by government financial assistance)	(12,819)	(13,353)
Increase in underlying need to borrow (unsupported by government financial assistance)	5,791	0
Decrease in underlying need to borrow (unsupported by government financial assistance)	(10,859)	(17,125)
Decrease in underlying need to borrow for PFI and Finance Lease assets	(4,789)	(4,651)
Increase/(decrease) in Capital Financing Requirement	**(22,676)**	**(35,129)**

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 2016 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.

17.5 PFI assets

These assets form part of the Property category within Note 17. 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	2015/16	2014/15
Balance as at 1 April	**129,412**	**146,128**
Additions	394	30
Depreciation for year	(11,015)	(10,663)
Redundant depreciation	9,228	9,725
Transfer from work in progress	30	95
Revaluation movement	5,617	(15,903)
Balance as at 31 March	**133,666**	**129,412**

17.6 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 2016 are shown below. PFI liabilities are shown in Note 28.

Payment Analysis 2015/16				
£000	Liability	Interest	Service charge	Total
Within 1 year	4,303	10,875	14,172	29,350
2 to 5 years	17,520	42,564	65,287	125,371
6 to 10 years	33,701	53,753	88,953	176,407
11 to 15 years	26,724	30,560	45,461	102,745
Total	**82,248**	**137,752**	**213,873**	**433,873**

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	58,885	114,953
6 to 10 years	30,030	50,791	84,835	165,656
11 to 15 years	36,180	41,509	60,240	137,929
Total	**86,889**	**143,391**	**213,196**	**443,476**

17.7 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 2016, the Group spent £39 million on operating leases for property and £0.9 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:

	31 March 2016		31 March 2015	
£000	Property	Vehicles	Property	Vehicles
Operating leases				
Not later than 1 year	32,884	683	31,689	718
Later than 1 year and not later than 5 years	82,371	587	100,909	849
Later than 5 years	36,665	0	38,120	0
Total	**151,920**	**1270**	**170,718**	**1,567**

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 2016 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	2015/16	2014/15
Opening value 1 April	**60,471**	**84,301**
Additions	111	200
Revaluations	3,240	(6,358)
Disposal	2,737	(12,681)
Impairment	0	(2,728)
Depreciation	(2,267)	(2,263)
Net carrying value 31 March	**64,292**	**60,471**

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 2015/16 £1.2 million contingent rents were paid by the Group.

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

£000	31 March 2016	31 March 2015
Current liability	163	148
Long term liability	5,364	5,527
Finance costs payable in future years	16,438	17,149
Total of minimum lease payments (Net Present Value)	**21,965**	**22,824**

The minimum lease payments payable over the following periods are:

	Minimum lease payments		Finance lease liabilities	
£000	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Not later than 1 year	859	859	163	148
Later than 1 year and not later than 5 years	3,434	3,434	837	760
Later than 5 years	17,672	18,531	4,526	4,767
Total	**21,965**	**22,824**	**5,526**	**5,675**

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 £6.3 million (£6.8 million in 2014/15). The current lease payments receivable under non-cancellable leases in future years are:

£000	2015/16	2014/15
Not later than 1 year	4,822	5,152
Later than 1 year and not later than 5 years	4,612	8,973
Later than 5 years	2,264	1,810
Total	**11,698**	**15,935**

The Group has not granted any finance leases.

17.8 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.

17.9 Heritage assets

The Group looks after heritage assets which are recognised on the Balance Sheet (see note 17). 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. 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.

17.10 Future capital expenditure commitments

Capital expenditure where there is a commitment to future costs;

£000	2016/17 and later years	2015/16 and later years
Digital policing	40,771	45,837
Building works	13,092	127,664
Vehicles, plant and equipment	1,433	4,248
Total	**55,296**	**177,749**

18. Long term debtors

Long Term Debtors in 2015/16 of £2.2 million (£3.0 million in 2014/15) 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.

19. 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	2015/16	2014/15
Opening balance	78,417	66,873
Additional assets identified for disposal	559	78,428

Revaluation gains (losses)	(714)	805
Assets which are no longer being actively marketed	(3,473)	(10,511)
Assets disposed in year	(74,708)	(57,178)
Total	**81**	**78,417**

20. Short term debtors

£000	2015/16	2014/15
Central Government bodies (see note below)	157,358	365,583
Local authorities	35,665	36,426
Public corporations	27	7
Health bodies	3	4
Other debtors	91,896	50,029
Total before bad debt provision	**284,949**	**452,049**
Less bad debt provision	(116)	(160)
Balance per balance sheet	**284,833**	**451,889**

'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 £68.7 million (£68.8 million in 2014/15);
- an amount due for reimbursement of claims to be settled under the Riot (Damages) Act 1866 totalling £5.0 million (£145.1 million in 2014/15).
- Part of the significant reduction in the debtor balance owing from Central Government bodies in 2015/16 compared with 2014/15 is due to the settlement of a debtor from the Home Office in respect of backdated pension commutation payments for retired police officers which was measured in the 2014/15 accounts at £67 million.

21. 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	2015/16	2014/15
Banks and financial Institutions	**24,050**	58,318

22. 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	2015/16	2014/15
Banks and financial Institutions	**5,732**	101,183

23. Short term creditors

£000	2015/16	2014/15
Central Government bodies	(75,698)	(91,490)
Local authorities	(32,438)	(19,380)
Public corporations	(211)	(227)
Health bodies	(2,406)	(656)
Other creditors	(273,274)	(267,175)
Balance	**(384,027)**	**(378,928)**

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

24. 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)	2015/16	2014/15
Public Works Loan Board	(16,457)	(14,457)
Local authorities	0	0
PFI liabilities	(4,303)	(4,641)
Finance lease liabilities	(163)	(148)
Balance	**(20,923)**	**(19,246)**

25. Third party monies

Fund Name £000s	Income	Expenditure	Assets	Liabilities
MOPAC Police Property Act Fund	4,379	4,588	13,016	0
MOPAC Detained Monies Account	10,026	9,455	4,791	0
Metropolitan Police Benevolent Fund	1,903	2,168	3,765	5
Metropolitan Police Commissioner's Fund	18	23	496	3
Metropolitan Police Sports Fund	518	523	305	4
Metropolitan Police Staff Welfare Fund	24	16	248	2
Metropolitan Police Athletic Association	2,159	2,300	1,625	216
COMETS	138	127	133	0
Total	**19,165**	**19,200**	**24,379**	**230**

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 2016 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 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	2015/16	2014/15
Proceeds Of Crime Act monies	37,241	34,496
Prisoners' property and lost cash	1,123	920
Other	773	530
Total	**39,137**	**35,946**

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 2016 and has therefore been stated separately from the Police Property Act Fund value.

26. Provisions

26.1 Short term provisions

£000	Third party liabilities	Riot damage claims	Police Pensions	Other provisions	Total
Balance at 1 April 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 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)**
Additional provisions made in 2015/16	(14,310)	0	0	(26,215)	(40,525)
Amounts used in 2015/16	15,092	38,292	60,877	9,925	124,186
Reduction in provisions made in 2015/16	0	101,715	6,123	6,808	114,646
Transfer to/(from) long term	0	0	0	0	0
Balance at 31 March 2016	**(15,307)**	**(4,484)**	**0**	**(27,836)**	**(47,627)**

26.2 Long term provisions

£000	Third party liabilities	Riot damage claims	Police Pensions	Other provisions	Total
Balance at 1 April 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 short term	**9,193**	**0**	0	279	9,472
Balance at 31 March 2015	**(11,180)**	**0**	**0**	**(4,584)**	**(15,764)**

Additional provisions made in 2015/16	(9,945)	0	0	(64)	(10,009)
Reduction in provisions made in 2015/16	0	0	0	0	0
Amounts used in 2015/16	10,488	0	0	83	10,571
Transfer to/(from) short term	**0**	**0**	0	0	0
Balance at 31 March 2016	**(10,637)**	**0**	**0**	**(4,565)**	**(15,202)**

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 created for £25.9 million (of which £10.6m is long term). At 31 March 2015 the value of this provision was £27.2 million (of which £11.2m was long term). Over the course of the year agreed claims have been paid from this account totalling £25.8 million.

At the start of the financial year MOPAC had provided for £144.5 million 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. By the end of the 2015/16 year the majority of the claims for material damages had been processed and compensation paid out. The provision was reduced further by £78 million following a verdict by the Supreme Court on 20 April 2016 which ruled that MOPAC was not liable for consequential losses including loss of profits and loss of rent under section 2 of the Riot (Damages) Act 1886. At the 31 March 2016 the provision had reduced to £4.5 million reflecting the material damages claims at year end awaiting processing.

Other provisions total £32.4 million and consist of:

- A provision for the costs associated with organisation transition of £15.4 million
- A provision for officer injury awards of £4.6 million;
- A provision for termination benefits of £6.8 million, arising from the implementation of the MetChange Programme;
- A provision of £2.7 million in respect of other legal claims;
- A provision of £2.5 million in respect of disputed contract costs;
- A provision for a backdated tax liability of £0.4 million.

27. 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	2015/16	2014/15
Loans	**(159,464)**	**(175,922)**
Analysis of loans by maturity:		
Between 1 and 2 years	(16,457)	(16,457)
Between 2 and 5 years	(53,657)	(56,515)
Between 5 and 10 years	(22,000)	(30,000)
Over 10 years	(67,350)	(72,950)

28. Long term contractor liability

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

£000	2015/16	2014/15
PFI liability	(77,945)	(82,248)
Finance lease liability	(5,364)	(5,527)
Balance at 31 March 2016	**(83,309)**	**(87,775)**

28.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

£000	2015/16 PFI liability	2014/15 PFI liability	2015/16 Finance lease liability	2014/15 Finance lease liability
Balance as at 1 April	(86,889)	(91,406)	(5,675)	(5,809)
Net movement in year	4,641	4,517	148	134
Total liability	**(82,248)**	**(86,889)**	**(5,527)**	**(5,675)**
Classified as:				
Short term liability	(4,303)	(4,641)	(163)	(148)
Long term liability	(77,945)	(82,248)	(5,364)	(5,527)

29. 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.

29.1 Unusable reserves

Movements on unusable reserves 2015/16

£000	Revaluation reserve	Capital adjustment account	Accumulated absences account	Police officer pension	Deferred capital receipts	Total
Balance as at 1 April 2015	**(283,034)**	**(1,024,193)**	**102,786**	**30,058,100**	**(8,804)**	**28,844,855**
Upward revaluation of assets	(93,046)	0	0	0	0	**(93,046)**
Difference between fair value and historic cost depreciation	17,473	(17,473)	0	0	0	**0**
Accumulated gains on assets disposed	35,995	(35,995)	0	0	0	**0**
Other capital adjustments	0	0	0	0	0	**0**
Downward revaluation of assets and impairment losses not charged to the CIES	22,049	0	0	0	0	**22,049**
Statutory provision for financing capital investment charged against CIES (MRP)	0	(28,467)	0	0	0	**(28,467)**
Revaluation losses on L&B	0	4,057	0	0	0	**4,057**
Depreciation and impairment	0	209,763	0	0	0	**209,763**
Amortisation of intangible assets	0	1,925	0	0	0	**1,925**
Movements in market value of investment property	0	4,481	0	0	0	**4,481**
Amounts written out on disposal	0	104,208	0	0	0	**104,208**
Capital grants and contributions credited to CIES applied to capital finance	0	(10,001)	0	0	0	**(10,001)**
Application of grants from capital grants unapplied account	0	(26,961)	0	0	0	**(26,961)**
Use of capital receipts reserve	0	(193,977)	0	0	0	**(193,977)**
Capital expenditure charged against CIES	0	(864)	0	0	0	**(864)**
Movement of reserves	0	0	(5,263)	(3,633,700)	(47,301)	**(3,686,264)**
Donated assets	0	(45)	0	0	0	**(45)**
Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES	0	0	0	0	5,795	**5,795**
Balance as at 31 March 2016	**(300,563)**	**(1,013,542)**	**97,523**	**26,424,400**	**(50,310)**	**25,157,508**

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**

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 2016. 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 2016.

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 2015/16 MOPAC has applied capital financing to the capital programme at a slower rate as compared to the previous year resulting in a lower 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 2016. 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.

29.2 Usable capital reserves

£000	Capital Receipts Reserve	Capital Grants Unapplied Account	Total
Balance at 1 April 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)**
Proceeds of disposals	(162,457)	0	**(162,457)**
Financing of fixed assets	193,977	26,961	**220,938**
Capital grants	0	(25,794)	**(25,794)**
Balance at 31 March 2016	**0**	**(4,503)**	**(4,503)**
Net movement for 2014/15	**(14,250)**	**248**	**(14,002)**
Net movement for 2015/16	**31,520**	**1,167**	**32,687**

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.

29.3 Usable earmarked revenue reserves

£000	Balance at 31 March 2014	Transfer To	Transfer from	Balance at 31 March 2015	Transfer To	Transfer from	Balance at 31 March 2016
Accommodation strategy/property related costs							
Dilapidations	(18,306)	(1,850)	0	(20,156)	(19,663)	10,832	(28,987)
Property related costs	(15,381)	(463)	0	(15,844)	0	13,399	(2,445)
Total accommodation strategy /property related	**(33,687)**	**(2,313)**	**0**	**(36,000)**	**(19,663)**	**24,231**	**(31,432)**
Operational costs							
Communications project	(1,945)	0	763	(1,182)	0	120	(1,062)
Airwave	(1,145)	0	46	(1,099)	0	0	(1,099)
Insurance Indemnity Fund	(2,000)	0	0	(2,000)	0	2,000	0
ICT contract issues	(733)	0	0	(733)	0	133	(600)
Kickz	(337)	0	0	(337)	0	0	(337)
National Domestic Extremism Unit	(623)	0	0	(623)	0	623	0
Motor insurance	(5,000)	0	0	(5,000)	0	0	(5,000)
Operational costs	(28,608)	(3,394)	977	(31,025)	(8,590)	6,896	(32,719)
Proceeds of Crime Act	(3,532)	(110)	361	(3,281)	0	337	(2,944)
Protective clothing/uniform	(211)	0	0	(211)	(1,200)	0	(1,411)
Systems	(192)	0	0	(192)	0	0	(192)
Vehicle recovery services	(1,850)	0	1,850	0	0	0	0
National functions - NPCC	0	0	0	0	(440)	0	(440)
National functions - NPoCC	0	0	0	0	(183)	0	(183)
National functions - Police Reform	0	0	0	0	(697)	0	(697)
Total of operational costs	**(46,176)**	**(3,504)**	**3,997**	**(45,683)**	**(11,110)**	**10,109**	**(46,684)**
Budget pressures							
Budget pressures	(221,823)	(58,598)	64,836	(215,585)	0	107,477	(108,108)
Emergencies Contingency Fund	(23,093)	0	0	(23,093)	0	0	(23,093)
Total of budget pressures	**(244,916)**	**(58,598)**	**64,836**	**(238,678)**	**0**	**107,477**	**(131,201)**
Major change programmes							
Modernisation programmes	(45,162)	(15,381)	1,097	(59,446)	(7,920)	15,494	(51,872)
Total of major change programmes	**(45,162)**	**(15,381)**	**1,097**	**(59,446)**	**(7,920)**	**15,494**	**(51,872)**
MOPAC Initiatives	**(9,958)**	**(6,125)**	**0**	**(16,083)**	**(60)**	**2,897**	**(13,246)**
Total earmarked revenue reserves	**(379,899)**	**(85,921)**	**69,930**	**(395,890)**	**(38,753)**	**160,208**	**(274,435)**
Net Movement in Earmarked Reserves			(15,991)			121,455	
General revenue reserve	(23,483)	0	0	(23,483)	0	0	(23,483)
Total revenue reserves	**(403,382)**	**(85,921)**	**69,930**	**(419,373)**	**(38,753)**	**160,208**	**(297,918)**

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;
- Reserves held on behalf of the National police functions, National Police Chief's Council (NPCC) and National Police Coordination Centre (NPoCC).

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.

29.4 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 2016 and the Emergency Contingency Fund is £23.1 million. Together these uncommitted reserves total £46.6 million, 1.9% of the 2015/16 budget requirements.

30. 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 2015/16:

Group and MOPAC £000	General fund	Capital receipts reserve	Capital Grants Unapplied Account	Unusable reserves	Total
Capital Adjustment Account Adjustments					
Reversal of items adjusted in CIES					
Depreciation of non current assets	(152,681)	0	0	152,681	**0**
Amortised costs	(1,925)	0	0	1,925	**0**
Impairments	(57,082)	0	0	57,082	**0**
Investment properties	(4,481)	0	0	4,481	**0**
Revaluation gains(rev previous losses)	(4,057)	0	0	4,057	**0**
Net book value of disposals	(104,253)	0	0	104,209	**(44)**
Donated assets	45	0	0	(45)	**0**
Capital grants applied	0	0	26,961	(26,961)	**0**
Addition of items not in CIES					
Minimum revenue provision	28,467	0	0	(28,467)	**0**
Capital expenditure charged against General Fund	864	0	0	(864)	**0**
Capital Grants Adjustment					
Capital grants	35,795	0	(25,794)	(10,001)	**0**
Other Adjustments					
Cash sale proceeds	156,663	(156,663)	0	0	**0**
Deferred sale proceeds	47,301	0	0	(47,301)	**0**
Transfer of deferred sale proceeds upon receipt of cash	0	(5,794)	0	5,794	**0**
Usable capital receipts applied	0	193,977	0	(193,977)	**0**
Accumulated absences movement	5,263	0	0	(5,263)	**0**
IAS 19 reversal adjustment	(1,176,600)	0	0	1,176,600	**0**
Pension costs charged to the General Fund	364,300	0	0	(364,300)	**0**
Home Office Pension top up	290,800	0	0	(290,800)	**0**
Total - MOPAC Group	**(571,581)**	**31,520**	**1,167**	**538,850**	**(44)**
Police pensions	4,155,200	0	0	(4,155,200)	**0**
Total - MOPAC	**3,583,619**	**31,520**	**1,167**	**(3,616,350)**	**(44)**

The following adjustments were made in 2014/15:

Group and MOPAC £000	General fund	Capital receipts reserve	Capital Grants Unapplied Account	Unusable reserves	Total
Capital Adjustment Account Adjustments					
Reversal of items adjusted in CIES					
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**
Addition of items not in CIES					
Minimum revenue provision	30,208	0	0	(30,208)	**0**
Capital expenditure charged against General Fund	2,471	0	0	(2,471)	**0**
Capital Grants Adjustment					
Capital grants	41,769	0	(31,227)	(10,542)	**0**
Other Adjustments					
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**

31. Notes to the cash flow statement

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

£000	31 March 2016	31 March 2015
Operating activities		
Interest received	(1,946)	(1,827)
Interest paid	7,240	7,772
Interest element of finance lease and PFI rental payments	13,090	13,136
	18,384	**19,081**

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

£000	31 March 2016 Group	31 March 2015 Group	31 March 2016 MOPAC	31 March 2015 MOPAC
Depreciation of non current assets	(152,681)	(161,259)	(152,681)	(161,259)
Impairment and revaluations of non current assets	(61,139)	(2,169)	(61,139)	(2,169)
Amortisation of intangible assets	(1,925)	(2,203)	(1,925)	(2,203)
Reversal of pension service costs and interest	(521,500)	(1,476,900)	3,633,700	(5,205,600)
(Increase)/decrease in impairment for provision for bad debts	44	(56)	44	(56)
(Increase)/decrease in creditors	(5,099)	6,995	(5,099)	6,995
Increase/(decrease) in debtors	(162,099)	124,337	(162,099)	124,337
Increase/(decrease) in inventories	71	(1,004)	71	(1,004)
Carrying amount of property, plant and equipment, investment property and intangible assets sold	(104,253)	(152,117)	(104,253)	(152,117)
Other non-cash items	194,438	(30,843)	194,438	(30,843)
	(814,143)	**(1,695,219)**	3,341,057	**(5,423,919)**

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

£000	31 March 2016 Group	31 March 2015 MOPAC
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	156,663	170,251
Capital grants adjustment	35,795	41,770
Proceeds from short term and long term investments	0	0
	192,458	**212,021**

31.4 Cash flows from investing activities:

£000	31 March 2016 Group	31 March 2015 MOPAC
Investing activities		

Purchase of non current assets	237,594	199,358
Purchase of short term and long term investments	24,050	58,318
Proceeds from short term and long term investments	(58,318)	(125,389)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(162,457)	(170,251)
Other receipts from investing activities	(36,015)	(42,816)
	4,854	**(80,780)**

31.5 Cash flows from financing activities:

£000	31 March 2016	31 March 2015 MOPAC
Financing activities		
Cash receipts of short and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,789	4,651
Repayments of short and long-term borrowing	14,457	79,457
	19,246	**84,108**

32. Contingent liabilities

A new police pension scheme took effect on 1 April 2015 (called the Career Average Revalued Earnings (CARE) 2015 Police Pension Scheme). The new CARE scheme requires those officers (born more than 14 years away from retirement on 1 April 2012) to leave the two existing schemes (1987 and 2006) to become members of the 2015 scheme. Those officers born before this date will stay in the existing schemes. The solicitors working on behalf of "Pension Challenge" are Leigh Day and their argument is that these transitional arrangements discriminate against officers on the grounds of age, gender and ethnicity (on the basis that younger officers will generally be more affected by the changes and this group will contain more female officers as well as officers from an ethnic minority background). There is a financial risk in that if the case were successful, there could be a reversal of the pension changes plus a likely compensation award. Any such costs would in likelihood be funded through an increased top up payment from the Home Office. At this stage however it is impossible to determine the nature of the remedy and any associated costs. The Home Office have advised that Counsel's early assessment of the risk of the challenges being successful are low.

33. Post balance sheet events

- On the 23rd June the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. As this took place after the 31 March 2016 there was no impact on the figures contained within MOPAC's accounts. This decision may impact on the future basis of assumptions and estimates and MOPAC will need to ensure this is considered in future years.

- On 5 May 2016 Sadiq Khan was elected as Mayor for London and so also as the occupant of the Mayor's Office for Police and Crime for the metropolitan police district. Subsequently, in June 2016 Sophie Linton was appointed as the Deputy Mayor for Policing and Crime. A budget process will begin in the early summer 2016 that will examine all aspects of the budget, reflect the new administrations priorities and identify further savings that will balance the budget in the medium-term.

34. 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:

	Long term		Current (within 12 months)	
£000	**31 March 2016**	**31 March 2015**	**31 March 2016**	**31 March 2015 Restated**
Investments				
Investments	0	0	24,050	58,318
Debtors				
Loans and receivables	2,218	3,010	104,571	178,761
Total investments & debtors	**2,218**	**3,010**	**128,621**	**237,079**
Borrowings				
Financial liabilities	(159,464)	(175,922)	(16,457)	(14,457)
Other long term liabilities				
PFI and finance lease liabilities	(83,309)	(87,775)	(4,466)	(4,789)
Creditors				
Financial liabilities	0	0	(303,362)	(290,218)
Total borrowings & liabilities	**(242,773)**	**(263,697)**	**(324,285)**	**(309,464)**

Loans and Receivables have been restated to reflect the 2014/15 cash position.

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

£000	**2015/16**	**2014/15**
Expenses		
Interest expense	20,330	20,908
Total expense in surplus on the provision of services	**20,330**	**20,908**
Income		
Interest income	(1,946)	(1,827)
Total income in surplus on the provision of services	**(1,946)**	**(1,827)**
Net (gain)/loss for the year	**18,384**	**19,081**

Financial liabilities and financial assets (represented by investments, loans and receivables) are carried in the Balance Sheet for the Group at amortised cost.

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

£000	2015/16 Carrying amount	Fair value	2014/15 Carrying amount	Fair Value Restated
Financial liabilities				
Borrowings				
Financial liabilities-(Public Works Loan Board)	175,921	206,726	190,379	241,047
Other long term liabilities				
PFI and finance lease liabilities	87,775	116,621	92,564	122,829
Creditors				
Financial liabilities	303,362	303,362	290,218	290,218
Financial assets				
Investments				
Short term investments	24,050	24,050	58,318	58,318
Debtors				
Loans and receivables	106,789	106,789	181,771	181,771

Loans and Receivables have been restated to correct an error in the disclosure note for the 2014/15 statement of accounts.

The fair value of the PWLB borrowing is higher 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 shows a notional future loss as at 31 March 2016 arising from a commitment to pay interest above current market rates.

The fair value of the PFI liabilities is higher 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 shows a notional future loss as at 31 March 2016 arising from a commitment to pay interest above current market rates.

Short term creditors, investments and debtors are carried at cost as this is a fair approximation of their value.

The fair value hierarchy of financial liabilities that are not measured at fair value is set out below

Recurring Fair Value Measurements Using: £000	31 March 2016 Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Signifcant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial liabilities				
Borrowings				
Financial liabilities-(Public Works Loan Board)	0	206,726	0	**206,726**
Other long term liabilities				
PFI and finance lease liabilities	0	0	116,621	**116,621**
Total	**0**	**206,726**	**116,621**	**323,347**

The fair value for financial liabilities that are not measured at fair value included in levels 2 and 3 in the table below have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial assets and financial liabilities that are not measured at 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 assumptions

Financial Assets	Financial Liabilities
Where an instrument will mature in the next 12 months, the fair value is taken to be the carrying value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.	No early repayment is recognised Estimated ranges of interest rates at 31 March 2016 of 1.13% to 2.93% for PWLB loans payable based on PWLB new loan rates. Estimated ranges of interest rates at 31 March 2016 of 1.85% to 1.93% for PFI liabilities based on PWLB loan Rates. The fair value of trade and other payables is taken to be the invoiced or billed amount

34.1 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;
- **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 2015/16 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 the Group's cash flow requirements. All the Group's investments are sterling denominated.

At 31 March 2016, 4% 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 96% were placed with institutions with at least an A credit rating. The Group does not therefore expect any losses from any institutions in relation to investments placed.

	Amount at 31 March 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and un-collectability £000
	A	B	C	(A X C)
Deposits with banks and financial institutions	29,782	0.00%	0.00%	0
Customers (general debtors)	127,594	0.19%	0.09%	116

	Amount at 31 March 2015 Restated £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and un-collectability £000
	A	B	C	(A X C)
Deposits with banks and financial institutions	159,501	0.00%	0.00%	0
Customers (general debtors)	86,466	0.12%	0.19%	160

Deposits with banks and financial institutions have been restated to reflect the 2014/15 cash position

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 access short term funding from within the GLA Group. There has been no new borrowing during 2015/16. The maturity analysis of all the PWLB borrowings is as per Notes 24 and 27.

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, £2.6 million is past its due date for payment, and can be analysed by age in the table below as follows:

£000	2015/16	2014/15
Less than three months	2,307	456
Three to six months	7	111
Six months to one year	257	0
More than one year	24	24
Total	**2,595**	**591**

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 150% range and variable interest rate exposures within a 0% to 50% range.

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, programme 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.