# Mayor's Office For Policing And Crime and Group

Un-audited Statement of Accounts 2019/20

MOPAC | MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

# Contents

# Narrative report

## Introduction

The Police Reform and Social Responsibility Act 2011 established a Police and Crime Commissioner for each police force area across England and Wales. In London, the elected Mayor of London is the equivalent of the Police and Crime Commissioner and is responsible for the totality of policing in the capital (outside of the City of London).

The Mayor delivers the responsibilities given to him via the Act through the Mayor's Office for Policing and Crime (MOPAC), which was established as a Corporation Sole in January 2012. The Mayor has appointed a statutory Deputy Mayor for Policing and Crime – Sophie Linden – to lead MOPAC. A separate body of the Commissioner of Police of the Metropolis (CPM) remains, currently occupied by Cressida Dick.

The Mayor has several key roles in his 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.

On 5 May 2016, London elected Sadiq Khan as Mayor and therefore as the occupant of the Mayor's Office for Police and Crime for the metropolitan police district. The Policing and Crime Plan for his term – launched in March 2017 - 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 election as Police and Crime Commissioner for London.

These Accounts reflect the administration's priorities to meet the objectives within MOPAC's published Police and Crime Plan for 2017-2021 and savings that will balance the budget in the medium-term.

All the financial transactions incurred during 2019/20 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 2020. 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 and operational performance of MOPAC and the MOPAC Group during 2019/20.

## Delivering our priorities in 2019/20

In his Police and Crime Plan, published in 2017, the Mayor put forward an ambitious agenda for policing and community safety in London. The Plan set out five key strategic ambitions – delivering a better police service for London; a better criminal justice service for London; making the city safer for children and young people, tackling violence against women and girls; and standing together against hatred, violence and extremism.

Over its first three years, the Plan has been delivered within a context of national increases in crime and significant cuts to Government funding both for the police service and for other services playing a vital role in keeping the public safe.

Throughout his time in office the Mayor has taken tough decisions – not only increasing the policing element of council tax by the maximum amount permissible in every year of his term,

but also by moving additional funding from business rates to support his ambition for making London a safer city. Because of those decisions, today City Hall provides more police funding than at any time in its history.

In 2019, we welcomed the Government's change of course on police funding, which enables the recruitment of more officers over and above the 1,000 which the Mayor's additional funding has already provided for. However, we continue to press for greater clarity from Government on the long-term funding for these additional officers.

We have continued to forge ahead with delivering the Police and Crime Plan priorities during 2019/20. MPS officer numbers have risen to 31,745 by the end of the year. Its officers and staff are now better equipped than ever before with the latest bodyworn cameras, mobile data tablets and innovative technologies such as INK mobile fingerprinting devices. This has facilitated greater proactivity throughout the year, bearing down on violence and protecting the most vulnerable people in our city. While Total Notifiable Offences during 2019/20 continued to increase across the country and in London, figures from the Office for National Statistics for the rolling year to December 2019 show that violence with injury in London had begun to fall, with a small reduction of 0.1% when compared to the previous year. More detailed commentary on operational performance is included later in this document.

We have continued to make progress in improving the justice service, through innovative projects to reduce reoffending, such as an expanded GPS tagging pilot for knife crime offenders across 20 London boroughs, non-custodial interventions with women convicted of low level offences to tackle the underlying issues behind their offending, and a new Prison Pathfinder project to reduce violence inside and outside the secure estate.

Claire Waxman, London's Victims' Commissioner, has taken forward work to improve service to victims of crime, continuing to drive the implementation of the recommendations of her review into Compliance with the Victims Code of Practice. In 2019/20, Claire also published her comprehensive review into the handling of rape cases by the criminal justice service, making recommendations to improve the victim experience and ultimately bring about more convictions for these devastating crimes.

During 2019/20 work continued to make London safer for children and young people. The London Violence Reduction Unit (VRU) – the first such Unit in England - is now fully operational, leading a public health approach to address the underlying causes of violent crime. During 2019/20, the VRU has led interventions around issues including school exclusions, domestic abuse and outreach with vulnerable young people. The Mayor's Young Londoners Fund has also now benefitted more than 110,000 young people in our city. The City Hall-funded Violent Crime Task Force is working around the clock to tackle the most dangerous individuals and groups in our city, taking thousands of deadly weapons and dangerous individuals off the streets. MPS data for the calendar year 2019 showed that knife crime involving victims under the age 25 had reduced by 8%.

Through the Mayor's Violence Against Women and Girls Strategy, we have invested £44m in services and programmes to make our city a safe place for every girl and woman. Innovative projects such as Drive and the Multi-Agency Stalking Interventions Project have continued to address the perpetrators of serious offences during 2019/20. Moreover, through the Mayor's £15m VAWG fund, we have helped vital services for victims of VAWG to keep their doors open in the face of ongoing funding challenges, and we have made new investments and forged new partnerships to tackle the scourge of modern slavery and harmful practices.

We have also maintained our commitment to standing together against hatred, intolerance and extremism in London. We have doubled funding for the CATCH service supporting victims of Hate Crime. The Mayor's Countering Violent Extremism programme has produced an ambitious strategy, backed with the launch of the Shared Endeavour Fund, together with Google.org and the Institute for Strategic Dialogue, supporting grassroots organisations in the fight against hatred, intolerance and extremism.

As we neared the end of 2019/20, London, like the rest of the country and the world, was confronted by the truly unprecedented challenge of the Covid 19 outbreak, which will have significant impacts on our work in the year ahead. Throughout this period, the Mayor, MOPAC, the MPS and all of the partners involved in tackling crime and protecting communities continue to work hard to ensure that the most vulnerable are protected and supported, that dangerous individuals are brought to justice, and that the vital services we provide are sustainable through these difficult times.

## The financial statements

Like all public services, policing has faced a challenging financial environment over the last few years. In spite of ongoing financial pressures we have continued our investment in projects and programmes to deliver transformation. These include investment in estates and equipment to support a modern police force. Much of the investment to date has been funded from receipts from the disposal of surplus property. Whilst future investment will still include some disposal proceeds, we have already had to look to long term borrowing to fund this necessary investment. 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 £2,018 million, an increase of £155 million from last year (£1,863 million). The increase is driven by an uplift in the value of land and property following the latest independent valuation.

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 £610 million, after taking accounting adjustments into consideration there is a balanced position after transfers to earmarked reserves of £206 million;

- The Movement in Reserves Statement (MIRS) for the Group and MOPAC – this shows how the £610 million deficit and other income and expenditure generated in the CIES is spread over the usable and unusable reserves in the Balance Sheet. Usable reserves increased from £251 million to £444 million during 2019/20 largely driven by business rates received in advance from GLA for 2020/21 and 2021/22.

- 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 £29,133 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 £2,018 million;

- The Cash Flow Statement for the Group and MOPAC – this shows the in- and out-flows of cash to and from MOPAC. During 2019/20 there was a net cash inflow to MOPAC of £71k.

In addition to the financial statements the Statement of Accounts include a Statement of Responsibilities for the Accounts and are published alongside MOPAC's Annual Governance Statement for 2019/20.

## Financial performance of the Group

**Setting the budget**
The Deputy Mayor for Policing and Crime recommends an annual budget to the Mayor, following consultation with the Commissioner. The approved budget for 2019/20 for the whole MOPAC Group provided for gross expenditure of £3,557 million. Within this amount, £84.9 million was attributable to MOPAC, and included some £70 million relating to London initiatives such as crime prevention, rape crisis centres, safer neighbourhood boards and for delivering victims services which became a MOPAC responsibility with effect from 1 October 2014. The MOPAC Group net budget, after taking into account income, specific grant before reserve usage, was £2,787 million.

During the year the Deputy Mayor for Policing and Crime approved amendments to the budget to reflect known changes.

**Performance against the Revenue Budget**

Table 1 provides a summary of the final MOPAC outturn position for 2019/20 compared with the revised budget. Figures in brackets in the variance column represent reduced expenditure or increased income against the revised budget.

**Table 1 MOPAC Group - Final outturn position for 2019/20 compared with 2018/19 and the revised budget**

| Outturn 2018/19 | £million | Approved annual budget 2019/20 | Revised annual budget 2019/20 | Outturn 2019/20 | Variance Overspend / (underspend) 2019/20 | Variance % 2019/20 |
|---|---|---|---|---|---|---|
| | **Pay** | | | | | |
| 1,895.1 | Police officer pay and overtime | 1,989.4 | 2,034.9 | 2,061.7 | 26.8 | 1.3 |
| 540.8 | MOPAC and police staff pay and overtime | 622.2 | 613.8 | 616.7 | 2.9 | 0.5 |
| **2,435.9** | **Total pay** | **2,611.6** | **2,648.7** | **2,678.4** | **29.7** | 1.1 |
| | **Running expenses** | | | | | |
| 17.8 | Employee related expenditure | 18.6 | 27.7 | 31.5 | 3.8 | 13.7 |
| 155.4 | Premises costs | 172.7 | 162.7 | 162.0 | (0.7) | (0.4) |
| 91.0 | Transport costs | 68.2 | 65.2 | 69.7 | 4.5 | 6.9 |
| 543.6 | Supplies & services | 592.3 | 610.2 | 574.3 | (35.9) | (5.9) |
| 99.9 | Capital financing costs | 58.9 | 73.6 | 66.7 | (6.9) | (9.4) |
| 34.8 | Discretionary pension costs | 34.4 | 34.4 | 35.3 | 0.9 | 2.6 |
| 942.5 | Total running expenses | 945.1 | 973.8 | 939.5 | (34.3) | (3.5) |
| 3,378.4 | Total gross expenditure | 3,556.7 | 3,622.5 | 3,617.9 | (4.6) | (0.1) |
| (792.1) | Total income and grants | (769.3) | (925.0) | (934.5) | (9.5) | 1.0 |
| **2,586.3** | **Net expenditure** | **2,787.4** | **2,697.5** | **2,683.4** | (14.1) | (0.5) |
| 29.6 | Transfer to/(from) earmarked reserve | 103.4 | 193.4 | 190.5 | (2.9) | (1.5) |
| 0 | Transfer to/(from) general reserve | 0 | 0 | 17.0 | 17.0 | 0 |
| **2,615.9** | **Budget requirement** | **2,890.8** | **2,890.9** | **2,890.9** | **0.0** | **0** |
| (2,615.9) | Total Funding | (2,890.8) | (2,890.9) | (2,890.9) | 0 | 0.0 |
| **0** | **Total MOPAC Group** | **0** | **0** | **0** | **0** | **0** |

In overall terms, expenditure was in line with budget. Achieving this position however meant managing some significant cost pressures and decisions on what level of reserves to transfer to future years. The greatest pressure was on pay budgets where we continue to see higher than anticipated levels of overtime required to service operational requirements. In previous years, this has been off-set in part by vacancies in both the police officer and police staff establishments. However, as part of the nationwide ambition to grow officer numbers by 20,000, we have increased officer numbers during the year to 31,745, slightly ahead of or budget plans but reflecting the huge success of our recruitment drive. We therefore enter 2020/21 in a strong position to meet our additional recruitment ambitions.

The overall pay budgets were overspent by £29.7 million, against a full year budget of £2.6 billion. As stated, this reflected the growth in officer numbers during the year and pressures on overtime offset by the holding of vacancies within MOPAC valued at £0.5 million.

The budget for running costs (excluding capital financing costs and discretionary pension costs) was underspent by £28.2 million. £15.9 million relates to the MPS and reflected small underspends across a range of areas driven by efficiencies and some small slippage of planned expenditure into 2020/21. Within MOPAC a large proportion of the underspend relates to £10.2m of re-profiling of projects into 2020/21. There was also lower than planned capital financing requirements resulting from underspends against the capital plan and lower than anticipated levels of external borrowing.

There is an overall surplus of income and grants against the budget. Income was higher than planned in a number of areas including increased demand on cost recovery activity and higher than planned court fees recovery. There was a small deficit in specific grant income for activity such as protests and visits/conferences.

The net movement on earmarked and general reserves during 2019/20 is an increase of £206 million as shown in Table 2 below.

**Table 2 Net movement on earmarked and general reserves 2019/20**

| Description | £ million |
|---|---|
| Opening reserves balance 1 April 2019 | 233 |
| Transfers to/(from) reserves | 207.5 |
| Transfers to/(from) reserves – NPCC/NPOC | (1.6) |
| **Closing reserves balance 31 March 2020** | **438.9** |

The most significant driver for the increase in reserves is a contribution of £118.6m from Business Rates to fund additional officers over two years.

## Performance against the 2019/20 Capital Programme

### Capital expenditure 2019/20

Capital expenditure for 2019/20 was financed in accordance with the prudential code from capital grants, third party contributions, capital receipts and borrowing. Capital expenditure for 2019/20 was £249.6 million. This compares with the revised annual budget of £274.3 million.

**Table 3 Capital Outturn position 2019/20**

| Actual expenditure 2018/19 | Summary by programme | Approved budget 2019/20 | Actual expenditure 2019/20 | Variance overspend/ (underspend) |
|---|---|---|---|---|
| | £million | | | |
| 88.6 | Property Services | 97.3 | 98.0 | 0.7 |
| 31.9 | NCTPHQ | 31.1 | 22.7 | (8.4) |
| 41.4 | Digital Policing | 54.2 | 46.7 | (7.5) |
| 39.0 | Transformation | 58.0 | 48.9 | (9.1) |
| 28.4 | Fleet Services | 33.7 | 33.3 | (0.4) |
| **229.3** | **Total** | **274.3** | **249.6** | **(24.7)** |

**Property based programmes -** Property Services capital expenditure was £98 million for the year against a similar budget. There was some slippage on programmes within the overall portfolio, but off-set by realignment of timelines in other programmes.

**Digital Policing based programmes -** Digital Policing spent £46.7 million on capital programmes in the year. The focus of capital expenditure has been on enabling smarter working, network transformation, building cloud capabilities, operational software and maintaining the existing IT infrastructure. There was some slippage in year on rollout of mobile devices and delays on some secure projects.

**Transformation programme** – Transformations spent £48.9 million in the year, which is £9.1 million below budget. This was a result of slippages and underspends across a range of programmes.

**Fleet Services based programme** – Investment in transport for 2019/20 was £33.3 million. The transport programme includes the purchase and conversion of the MOPAC fleet, vehicles purchased using funds provided by third parties (e.g. counter terrorism vehicles and vehicles purchased from funds provided by Transport for London) as well as vehicles and other armed uplift equipment. In total nearly 600 base vehicles were purchased within the financial year, and nearly 700 were brought into service following conversion.

**Capital financing**

Capital expenditure of £249.6 million on non-current assets in 2019/20 was financed in accordance with the Prudential Code, from capital grants and other third party contributions of £52.5 million, capital receipts applied of £11.8 million, and revenue contributions of £10.8 million.

This meant that borrowing was required to fund this investment. Borrowing increased significantly in 2018/19 with this in mind, so borrowing levels have remained broadly comparable between years, currently £309 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 required to set aside an amount called the Minimum Revenue Position (MRP). For 2019/20 the MRP was £33.2 million. The MRP is the prudent amount that the Group is required to set aside from revenue to meet the repayments of borrowing undertaken to support capital investment.

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.

## MPS Operational Performance

**End of Year Crime Figures – 2019/20**

Metropolitan Police Service statistics show that total offences have increased between April to March 2019/20 compared with April to March 2018/19. Whilst recorded crime continues to rise in the MPS area, increases in many crimes are more marked in other parts of the country. Tackling violent crime and homicides have been the priority for the Metropolitan Police Service over the last 12 months.

Figures show that overall crime - total notifiable offences - has increased by 5.5 per cent (912,760 from 864,892 offences). However, many groups of offences remain lower than they were in 2012. The full set of crime statistics can be found at: https://public.tableau.com/profile/metropolitan.police.service#!/vizhome/MPSFY201920CrimeStatistics/NOTES.

**1 Focusing on what matters most for Londoners**

Tackling violent crime has remained the number one priority for the Met and additional resources have been put towards the dedicated Violent Crime Taskforce (VCTF). Alongside additional officers, there has been investment in additional equipment (including vehicles and Taser units), to ensure officers were appropriately equipped and resourced. During periods of peak demand over the summer and autumn months, a series of targeted operations (Summer and Autumn Nights operational activity) were run, and the VCTF supported local Basic Command Units (BCUs) in pursuing high-harm offenders. In addition, through Operation Sceptre there were coordinated efforts towards tackling knife crime: by deterring and dealing with those who carry knives, conducting intelligence-led stop and searches, carrying out weapons sweeps and deploying knife arches in violence hot spots. Investigation capacity was also increased across Frontline Policing (including Homicide), with the use of police staff investigators. There was additional Mayoral funding of £15m to support these works.

Online Child Sexual Abuse & Exploitation (OCSAE) teams were established in every BCU dedicated to the investigation of Indecent Images Of Children (IIOC) and related offences. These teams went live in January 2020, providing a consistent operating model for the investigation of IIOC across London and better response to online offending.

Activity was ramped up to support safeguarding in response to domestic abuse. This included training and reinforcement of the positive action policy among response officers (whereby officers have a duty to take positive action when dealing with domestic abuse incidents and must be able to justify their decision not to arrest). The MPS worked to improve accurate recording and robust governance, increased use of 999 and BWV recordings to support victimless prosecutions, raising awareness of Clare's Law (the Domestic Violence Disclosure Scheme) and the analysis of repeat victim data, to identify, monitor and disrupt high-harm domestic abuse perpetrators who pose ongoing risk through their repeat offending behaviour.

The MPS ran Operation Limelight (a national multi-agency safeguarding operation which focused on harmful practices): a proactive operation at Heathrow airport to raise awareness of forced marriage. In collaboration with Border Force, specialist MPS officers carried out preventative and

detection work in relation to inbound flights coming from or via 'countries of prevalence' for forced marriage, female genital mutilation (FGM) and honour based abuse and breast ironing.

Moped-enabled crime in the Met has reduced by 42.5% over the period. This activity was supported by two media campaigns: Lock, Chain, Cover – prevention campaign aimed at promoting greater security for powered two-wheeler scooters and moped, and Look up. Look out – crime prevention campaign targeted at robbery utilising disruptive approaches such as mobile ads designed to pop up and encourage people distracted by their phones to be more aware of their surroundings and to keep valuables out of sight.

The Met provided counter terrorism training to frontline officers across all forces, through the ACT for Policing campaign that delivered Prevent training to educate on possible signs of radicalisation they may encounter, strengthening the ability of officers to safeguard people from radicalisation, alongside Project Servator engagement with businesses. Over last year the number of Prevent referrals decreased compared to the same time period last year whilst the number of cases progressed has remained consistent. This suggests the quality of referrals has improved as a result of the improved training delivered in schools and local policing. The MPS also ran practical training such as a large scale live multi-agency Chemical, Biological, Radiological & Nuclear (CBRN) exercises at key London locations including train stations, airports and shopping centres (Op. Autumn Falls). A range of Hydra exercises brought together local authorities, blue light partners and a diverse range of Met stakeholders to ensure a joined up response to CT incidents. In addition, the Protective Security Operations London SHIELD app was launched for senior members of the London business security community and currently has 1,100 users.

The policing of protests (such as Extinction Rebellion and EU-related) created many challenges, but the MPS were able to put in place a policing plan for each protest. The scale and duration tested operational resilience and the wellbeing of officers: dealing with this protest meant long tours of duty, quick changeovers and cancelled rest days and leave for many officers and staff, in order for the Met to deliver a policing operation of this scope.

The MPS continued to deliver policing for London as a capital and international city, and effectively policed a substantial number of regular events throughout the calendar year such as Notting Hill Carnival (in excess of two million people), in addition to policing protest activity. The Nato Summit took place with an effective policing operation by the MPS in partnership with Hertfordshire Police.

## 2 Mobilising partners and the public

Dedicated schools and youth officers and BCU-based partnership and prevention teams, collaborated with local authorities, Safer Neighbourhood Boards and schools. The MPS engage with industry, through licensing officers and others, on key crosscutting issues like alcohol and technology-enabled crime. The MPS also work in partnership with TfL to support the delivery of the Mayor's Vision Zero Action Plan, and supporting the National Roads Policing Strategy, to reduce fatal collisions and serious injuries on roads.

The MPS ran numerous community activism initiatives to support operational delivery. Street Watch was one of several existing community mobilisation schemes and has been established in multiple BCUs. This involves volunteers assisting on patrols, at events and with road closures, missing persons, weapons sweeps, days of action and leaflet drops. School Watch was a scheme initiated by Safer Schools Officers (SSOs) and run/coordinated by schools, with the aim to mobilise the school community (schools staff, parents, 6th formers, etc.) to promote safety and reassurance for children, providing visible support at key times during the school year. The initiative focuses on community resources to improve pupils' feelings of safety as they travel home from school and to prevent ASB and crime on that route.

This work is important to increase the level of trust and confidence there is between communities and the MPS. There has been a clearer focus on community engagement involving work with schools and youth engagement officers.

A Citysafe initiative was established within some secondary schools close to Stratford Shopping Centre. A community-led response to crime and the fear of crime developed by Citizens UK, funded by MOPAC and supported by the MPS, it addresses antisocial behaviour, includes safe havens and support for young people and relationship building with local businesses and communities. Similarly, the Government's Places of Worship Scheme concluded and all faith premises who registered received a site visit by Met Design Out Crime Officers. It is likely to re-launch next summer as it has been an annual scheme for the last few years, and the Mayor's CVE Team continue to promote access to such external funding schemes.

A number of initiatives have been implemented to improve confidence and satisfaction. The MPS launched the first cohort of LGBT+ Advisers who work proactively with partners and the public to increase community engagement, crime prevention and active citizenship in order to build trust and confidence. The Directorate of Professional Standards (DPS) set up an Independent Advisory Group which brings together a wide range of community members from across London to advise on a range of challenging issues as the manner in which the MPS responds to public complaints and officer misconduct directly impacts upon the trust and confidence of communities.

**3 Achieving the best outcomes in pursuit of justice and in support of the victims**

The MPS have completed the THRIVE+ (Assessment model based on Threat, Harm, Risk, Investigation, Vulnerability and Engagement) roll-out at all three Met CC centres. This resulted in a structured and consistent framework that empowers officers and staff to use their professional judgement and supports decision-making - from the initial call at the first point of contact. Other forces have implemented similar models to support officers to manage demands and reduce the pressure on frontline service whilst continuing to deliver high quality service to members of the public. It is acknowledged there are still challenges faced in relation to victim satisfaction and there is work being undertaken to make continuous improvement in relation to this.

The MPS are working to improve the quality of investigations at a local level through the *Mi Investigation* programme. The objective is to provide a better service to victims of crime by reducing the number of hand overs, promoting ownership from response officers. The MPS have put in place measures in three areas to give officers the best chances to successfully deliver their investigations: creating capacity, improving support and building capability. To further support this at a local level, in May 2019 the MPS invested additional staff as part of an enhanced Local Intelligence team (LIT) of analysts, researchers, officers and an intelligence manager.

The MPS introduced a Case Management Team (CMT) focused on improving the quality of files submitted to the Crown Prosecution Services (CPS). The teams are based on each BCU and are trained and dedicated to providing an evidential review and quality assurance function to officers who are completing case files. The number of files rejected by the CPS has decreased from the previous years, and this is a good indicator that our efforts have had the right impact. They will continue. The remit of the team has been widened and they now also deal with Child Abuse & Sexual Offences investigations from BCU safeguarding hubs.

The MPS launched a refreshed Drug Strategy. Activities to deliver this continue, and with the VCTF, support our fight against drugs and violence. The Rapid Drugs Service has been rolled-out, which can turn around evidential drugs packages within four hours for cases with suspects in custody. The MPS are increasing the numbers of Drug Expert Witnesses across the Met who can provide evidence to support investigations.

DIVERT is a custody intervention project running in six BCUs across the MPS, which is now supported by funding from the VRU in 2020/21 and was previously supported by MOPAC's Criminal Justice and Commissioning team. DIVERT supports young people who have been arrested, in

finding positive opportunities with training or employment, and avoid a future affected by violence and crime. To date, over 1,000 young people have engaged with the programme, and with nearly 500 finding employment, education and training the programme has achieved a reoffending rate of just 9%.

The MPS invested in innovation in Forensics, also widening access of tools for officers. For example, the INK Biometrics Team have, to date, deployed over 570 INK mobile fingerprint devices. The devices have had a positive impact with over 52,000 searches resulting in 23,186 positive matches across our fingerprint databases. An additional 250 devices are in the process of being readied for deployment.

**4 Seize the opportunities of data and digital tech**

To enhance operational activity, the MPS continued to adopt new advances in technology. The operational use of Live Facial Recognition (LFR) technology began after a series of pilots. The deployment of this technology took place in line with a series of recommendations from the independent London Policing Ethics Panel, to ensure a considered and transparent approach. New and improved Body Worn Video camera was also rolled out.

The MPS consolidated their data capability, with the soft launch of the Data Office - bringing together new and existing data services, investing in the manner in which data is goverened, driving compliance with legislation and regulatory advice as well as developing a framework for data ethics. The initial focus of this work delivered on mitigating compliance liabilities and supported operational effectiveness (through the development of new performance dashboards).

To meet a rise in demand for Data Protection Act requests (largely Right of Access requests), Freedom of Information requests and comply with statutory time frame, staff resources were increased. Substantial progress has been made to clear backlogs and improve the timeliness of new applications under the Data Protection Act (1998 & 2018).

**5 Care for each other, work as a team and be an attractive place to work**

The MPS increased officer recruitment activity as a result of additional Mayoral funding to support an additional 1,000 officers. This was followed by the Government's announcement of an extra 20,000 police officers nationally. This creates capacity to reinforce our focus on reducing violence and serious crime, bringing offenders to justice, and have extra officers on the streets to tackle the issues which matter most to Londoners. By the end of March 2020, the officer establishment was at 31,745 – the highest level for a number of years. This was supplemented by recruitment of police staff in key roles to support operational activity (such as Met Intel, Met CC, Designated Detention Officers, PCSOs and Public Access Officers) utilising their expert skills in these areas, and filling vacancies.

This year also marked the celebration of 100 Years of Met Police Women. Currently, nearly 8,000 women police officers occupy a huge range of roles across the MPS in every area of work. The MPS are focused on increasing representation at every level of the organisation to reflect better the London that is served. The MPS remain determined to ensure it is a fair and inclusive place to work, where all officers and staff can thrive.

In October 2019, the Met published its annual gender pay gap performance with the rest of GLA Group. The figures reveal a median pay gap of 0.39% for police officers, 9.82% for police staff and 0.95% for Police Community Support Officers. According to data from the ONS the Met's figures compare favourably to the national average. Following this in December 2019, annual figures on the pay gap between Black and Minority Ethnic (BAME) and white employees were published. The figures reveal a median pay gap of 2.11% for police officers, 3.28% for police staff and for Police Community Support Officers (PCSOs) the gap is -4.28%. Police officer and staff pay is determined by role, not gender nor ethnicity: employees who undertake the same role, have

the same length or service, and work the same hours, receive the same pay. Much of the gaps result from historical allowances which have now been removed.

Over the last year, substantial progress has been made in delivering the MPS Health and Wellbeing Strategy 2019 – 2021. Most notably there are increased and diversified support channels available to the workforce. Your Employee Assistance Programme was launched – a 24/7 confidential service - over the phone or online – where the workforce can access a range of emotional or practical support to help people stay well mentally, physically or financially. An Occupational Health Managers Advice Line was also launched – where managers can call for specialist advice – along with a mobile wellbeing service to take support out to MPS staff and officers.

**6 Learn from experience, and from others and constantly strive to improve**

The Leading for London (LfL) programme was completed by September 2019. The last phase was designed for all newly promoted leaders and completed by 930 MPS officers and staff who were recruited or promoted in the recent months. The programme evaluation shows people report feeling more confident, empathetic and innovative as a result. In addition, circa 10,500 frontline officers received mental health training during the 2019/20 financial year. The course was developed in collaboration with the College of Policing and contributed to greater officer confidence in applying legislation and dealing with mental health situations.

The MPS have delivered the first phase of '6 skills for 2020' (safeguarding, investigation, crime prevention, leadership, safety, and data and digital skills) to improve officers and staff skills across the Met – and move training from a physical to a multi-platform approach that includes digital.

The Career Development Service was initially launched to offer support and to engage the MPS female and BAME workforce, raise awareness of opportunities, and help remove barriers. Due to the success, the service was extended to include police staff. Additionally, LinkedIn Learning was rolled-out across the MPS and provides the workforce access to the right learning and development opportunities where and when they need them.

**7 A responsible, exemplary and ethical organisation**

The MPS have worked to ensure the estate is fit for purpose whilst providing flexibility and cost efficiency: improvements to Marlowe House and Hendon were completed in September and December 2019. The works have created modern, fit for purpose *Smarter Working* environments.

The MPS maintained the status as a London Living Wage employer and ensured outsourced contractors who work on MPS premises are also contracted to pay their employees at or above the London Living Wage, through a clause within contracts which applies to any staff and staff of sub-contractors engaged in the provision of services on MPS premises for two or more hours a week, for eight or more consecutive weeks per year. In addition, the MPS continued to promote the Mayor's Good Work Standard to the MPS supply chain in line with GLA guidance. All MPS key suppliers received a letter from the Mayor of London to promote sign up to the Good Work Standard.

Enhancing the efficiency of the estate will contribute towards the overall aim of a 60% reduction in climate change emissions by 2025. The MPS is committed to contributing to the sustainability of London. The MPS have switched to 100% recycled paper in line with many other public sector and government bodies, including TfL and central government departments. In May 2019, the MPS published the Environment and Sustainability Strategy 2019-21 and outlined a series of new initiatives to improve practices over the next three years that will deliver the commitment to being a more environmentally-friendly organisation. In addition, the MPS continue to fully support and comply with national standards. In April 2019, the Mayor of London introduced an Ultra-Low Emission Zone (ULEZ) in central London and the majority of the Met's existing fleet in

the ULEZ meet the new, tighter emission standards, and the remainder is being replaced to ensure total compliance.

**Covid**

The Covid-19 pandemic has impacted all public services - including the MPS. The additional powers announced by the government in March 2020 made it an offence for non-essential premises to remain open, and for people to gather in groups. The MPS role during this period was – and continues to be - to provide reassurance and encouragement, and remind people that everyone has a part to play in keeping everyone safe. Unfortunately there was continuation of criminality targeting people's vulnerability at a time when they may be distracted by concerns over the coronavirus. A fraud alert was put out by City of London Police, the national police lead for fraud and since February 2020, the National Fraud Intelligence Bureau (NFIB) has identified a number of Covid-19 related fraud reports. During these difficult times, the MPS began supporting health colleagues by deploying in multi-agency teams to respond to suspected Covid-19 deaths in London. The Pandemic Multi-Agency Response Teams (PMART) was established to help manage the anticipated rise in the number of deaths in the community. The MPS support Londoners during these unprecedented times, continuing to pursue criminals off the streets and bring them to justice, whilst protecting officers and staff, and assisting the nationwide response to Covid-19.

## The Balance Sheet

The net worth of MOPAC and the MOPAC Group (excluding the cost of Police Officer pensions liabilities which are subject to a separate funding arrangement agreed year on year with the Home Office) increased by £155 million (from £1,863 million to £2,018 million) during 2019/20. MOPAC considers that the Balance Sheet remains 'robust' as evidenced by earmarked reserves and the General Reserves Reserve maintained at prudent levels and high levels of income collection.

## Reserves

MOPAC's policy is to have a General Reserve of at least 1.5% of net revenue expenditure. The General Reserve has increased from £46.6m at 1 April 2019 to £63.6m at the end of March 2020 and this increase of £17m has primarily arisen as a result of MOPAC releasing some reserves which were previously earmarked for specific activities. The General Reserve balance represents 2.3% of the outturn Net Revenue Expenditure (NRE).

MOPAC is required by law to publish a Reserves Strategy and the latest published version indicated the General Reserves should be maintained at a level of not higher than 5% of NRE. The year end balance of £63.6m is therefore within the current Reserves Strategy.

MOPAC also hold Earmarked reserves, the balance of which was £375.4 million as at 31 March 2020. Earmarked reserves are being held for specific purposes, including facilitating the transformation programme, managing one-off impacts against the medium-term budget, and statutorily ring-fenced accounts (such as the Proceeds of Crime Act income).

## 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 2019/20 in line with IAS 19. Police pension costs are recognised in the Commissioner of Police of the Metropolis CIES in the first instance along with other employee costs but are ultimately funded by MOPAC. Recognition of the total liability has a substantial impact on the net worth of the MOPAC Group. The fund valuation shows an increase in liabilities due in the main to the change in actuarial assumptions used to calculate the pensions liability. Pension contributions of 31% 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 2020/21.

## Outlook for 2020/21

The 2020/21 gross revenue budget has been set at £3,885.3 million, an increase of £299.7 million from the revised 2019/20 budgeted figure of £3,585.6 million principally due to the planned increase in officer numbers. The budget is funded by a general government grant of £2,048.6 million, retained business rates of £118.7 million and council tax of £767.1 million. Additionally, MOPAC is budgeting to receive £619.1 million in specific grants, and is planning to draw down £51.9 million from reserves. More detail can be found in the Mayor's budget for 2020/21 (https://www.london.gov.uk/sites/default/files/finalbudget_march20.pdf).

For the years beyond 2020/21, detailed officer and funding allocations have not yet been made available to police forces by the Government. Therefore, the current budget is based on a net recruitment target of 6,000 officers for London over 3 years, set out by the Commissioner and supported by the Mayor. Whilst sufficient funding is assumed to enable a balanced budget in 2020-21, the costs of the additional officers are shown in later years without any offsetting funding, leading to a significant budget gap in those years.

The MOPAC five-year capital spending plan totals £1.5 billion, including £964 million on transformation activities and £578 million on other activities such as property lifecycle works, vehicle fleet, Core IT infrastructure and National Counter Terrorism Policing Headquarters. Capital expenditure of £405.6 million is planned for 2020/21. This expenditure will continue to focus on transforming the MPS estate, IT core infrastructure and transforming investigation and prosecution. As well as improving operational effectiveness, this investment will be required to deliver planned future revenue savings. Capital expenditure will be financed through a combination of receipts, grants and borrowing.

The MOPAC budget contains around £70 million for Commissioning works. These are delivered via the Criminal Justice and Commissioning teams and the Violence Reduction Unit.

## The Statement of Accounts

The 2019/20 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 2019/20.

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 2018;
- 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 their statutory responsibilities for delivering an efficient and effective police force within an annual budget, which is set by the Mayor 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 their 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 27.

## Accounting Changes for 2019/20

There were no changes in the CIPFA Code 2019/20 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

## To be completed in September after 2020 audit

# 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.

## 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 2020.

**Signed**
**Jo Moore**
**Chief Financial Officer**
Dated: 19 June 2020

# MOPAC Group Comprehensive Income and Expenditure Statement (CIES) for 2019/20

| £000 | Notes | Year ending 31 March 2020 Gross expenditure | Year ending 31 March 2020 Income | Year ending 31 March 2020 Net expenditure | Year ending 31 March 2019 Gross expenditure | Year ending 31 March 2019 Income | Year ending 31 March 2019 Net expenditure |
|---|---|---|---|---|---|---|---|
| Frontline Policing | | 1,318,542 | (53,078) | **1,265,464** | 1,292,513 | (31,741) | **1,260,772** |
| Specialist Operations | | 518,133 | (517,267) | **866** | 489,248 | (462,147) | **27,101** |
| Met Operations | | 956,263 | (202,768) | **753,495** | 927,247 | (185,593) | **741,654** |
| Professionalism | | 116,242 | (15,736) | **100,506** | 103,576 | (14,872) | **88,704** |
| Corporate Services | | 410,265 | (43,258) | **367,007** | 396,147 | (35,104) | **361,043** |
| Digital Policing | | 210,310 | (299) | **210,011** | 182,669 | (3,152) | **179,517** |
| Centrally Held | | 57,796 | (83,320) | **(25,524)** | 60,841 | (47,183) | **13,658** |
| MOPAC | | 71,997 | (30,416) | **41,581** | 61,076 | (23,338) | **37,738** |
| Past service costs – McCloud pension judgement | 12.1 | 0 | 0 | **0** | 1,344,000 | 0 | **1,344,000** |
| **Cost of services** | 1.1 | **3,659,548** | **(946,142)** | **2,713,406** | 4,857,317 | (803,130) | 4,054,187 |
| **Other operating expenditure** | | | | | | | |
| Net (gains)/losses on disposal of non-current assets | 13.1 | | | **1,125** | | | **572** |
| **Financing and investment** | | | | | | | |
| Interest payable and similar charges | 11 | | | **22,632** | | | **18,879** |
| Interest on Police Officer Pension Defined Benefit Liability | 6.2 12.1 | | | **803,500** | | | **877,700** |
| Interest and investment income | | | | **(2,382)** | | | **(1,180)** |
| Investment properties revaluation | 16 | | | **2,540** | | | **(3,085)** |
| **Grants** | | | | | | | |
| Non Specific Grants | 14 | | | **(2,890,786)** | | | **(2,615,940)** |
| Capital grants | 14.1 | | | **(39,729)** | | | **(54,539)** |
| **Deficit on provision of services** | | | | **610,306** | | | **2,276,594** |
| **Other comprehensive income and expenditure** | | | | | | | |
| (Surplus) on revaluation of non-current assets | | | | **(104,951)** | | | **(244,452)** |
| Re-measurements of the defined benefit liability | 6.2 12.1 | | | **(2,982,300)** | | | **(533,400)** |
| Other comprehensive income and expenditure | | | | **(3,087,251)** | | | **(777,852)** |
| **Total comprehensive income and expenditure** | | | | **(2,476,945)** | | | **1,498,742** |

The statement above shows the accounting cost for the period 1 April 2019 to 31 March 2020 (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.

# MOPAC Comprehensive Income and Expenditure Statement (CIES) For Policing And Crime for 2019/20

| | Notes | Year ending 31 March 2020 Gross expenditure | Year ending 31 March 2020 Income | Year ending 31 March 2020 Net expenditure | Year ending 31 March 2019 Gross expenditure | Year ending 31 March 2019 Income | Year ending 31 March 2019 Net |
|---|---|---|---|---|---|---|---|
| Intra-group funding -policing | | 3,555,639 | (915,726) | **2,639,913** | 4,739,952 | (780,160) | 3,959,792 |
| Other | | 71,997 | (30,416) | **41,581** | 61,076 | (23,338) | 37,738 |
| Revaluation loss (gain to reverse previous losses) not charged to CPM | | 31,912 | 0 | **31,912** | 56,657 | 0 | 56,657 |
| **Cost of services** | 1.2 | **3,659,548** | **(946,142)** | **2,713,406** | **4,857,685** | **(803,498)** | **4,054,187** |
| **Other operating expenditure** | | | | | | | |
| Net losses on disposal of non-current assets | 13.1 | | | **1,125** | | | **572** |
| Interest on Police Officer Pension Defined Benefit Liability - intra-group funding | 6.2, 12.1 | | | **803,500** | | | **877,700** |
| Re-measurements of the defined benefit liability - intra-group funding | 6.2, 12.1 | | | **(2,982,300)** | | | **(533,400)** |
| **Financing and investment** | | | | | | | |
| Interest payable and similar charges | 11 | | | **22,632** | | | **18,879** |
| Interest and investment income | | | | **(2,382)** | | | **(1,180)** |
| Investment properties revaluation | 16 | | | **2,540** | | | **(3,085)** |
| **Grants** | | | | | | | |
| Non Specific Grants | 14 | | | **(2,890,786)** | | | **(2,615,940)** |
| Capital grants | 14.1 | | | **(39,729)** | | | **(54,539)** |
| **(Surplus) or Deficit on provision of services** | | | | **(2,371,994)** | | | **1,743,194** |
| **Other income and expenditure** | | | | | | | |
| (Surplus)/deficit on revaluation of non current assets | | | | **(104,951)** | | | **(244,452)** |
| **Total comprehensive income and expenditure** | | | | **(2,476,945)** | | | **1,498,742** |

The statement above shows the accounting cost for the period 1 April 2019 to 31 March 2020 (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 2020 is shown on the page before.

# MOPAC Group Movement in Reserves Statement (MIRS) for the year ended 31 March 2020

| £000 | General Reserves Balance | Earmarked revenue reserves | Total General and Earmarked reserves | Capital receipts reserve | Other useable capital reserves | Total usable reserves | Unusable reserves | Total group reserves |
|---|---|---|---|---|---|---|---|---|
| **At 31 March 2019** | **(46,576)** | **(186,385)** | **(232,961)** | **0** | **(17,567)** | **(250,528)** | **31,860,149** | **31,609,621** |
| Movement in reserves during 2019/20 | | | | | | | | |
| Total comprehensive income and expenditure | **610,306** | **0** | **610,306** | **0** | **0** | **610,306** | (3,087,251) | **(2,476,945)** |
| Adjustments between accounting basis & funding basis under regulations (note 30) | (816,276) | 0 | **(816,276)** | | 12,812 | **(803,464)** | 803,464 | **0** |
| **Net (increase) / decrease before transfers to earmarked reserves** | **(205,970)** | **0** | **(205,970)** | **0** | **12,812** | **(193,158)** | **(2,283,787)** | **(2,476,945)** |
| Transfers (to) / from earmarked reserves (note 29.3) | 188,970 | (188,970) | 0 | 0 | 0 | **0** | 0 | **0** |
| **(Increase) / decrease in year** | **(17,000)** | **(188,970)** | **(205,970)** | **0** | **12,812** | **(193,158)** | **(2,283,787)** | **(2,476,945)** |
| **Balance at 31 March 2020** | **(63,576)** | **(375,355)** | **(438,931)** | **0** | **(4,755)** | **(443,686)** | **29,576,362** | **29,132,676** |

This statement shows the movement in the year to 31 March 2020 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. MOPAC is 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. The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Reserves 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 2020

| £000 | General Reserves Balance | Earmarked revenue reserves | Total General and Earmarked reserves | Capital receipts reserve | Other useable capital reserves | Total usable reserves | Unusable reserves | Total group reserves |
|---|---|---|---|---|---|---|---|---|
| **At 31 March 2019** | **(46,576)** | **(186,385)** | **(232,961)** | **0** | **(17,567)** | **(250,528)** | **31,860,149** | **31,609,621** |
| Movement in reserves during 2019/20 | | | | | | | | |
| Total comprehensive income and expenditure | **(2,371,994)** | **0** | **(2,371,994)** | **0** | **0** | **(2,371,994)** | (104,951) | **(2,476,945)** |
| Adjustments between accounting basis & funding basis under regulations (note 30) | 2,166,024 | 0 | **2,166,024** | | 12,812 | **2,178,836** | (2,178,836) | **0** |
| **Net (increase) / decrease before transfers to earmarked reserves** | **(205,970)** | **0** | **(205,970)** | **0** | **12,812** | (193,158) | **(2,283,787)** | **(2,476,945)** |
| Transfers (to) / from earmarked reserves (note 29.3) | 188,970 | (188,970) | 0 | 0 | 0 | **0** | 0 | **0** |
| **(Increase) / decrease in year** | **(17,000)** | **(188,970)** | **(205,970)** | **0** | **12,812** | **(193,158)** | **(2,283,787)** | **(2,476,945)** |
| **Balance at 31 March 2020** | **(63,576)** | **(375,355)** | **(438,931)** | **0** | **(4,755)** | **(443,686)** | **29,576,362** | **29,132,676** |

This statement shows the movement in the year to 31 March 2020 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Reserves 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 2019

| £000 | General Reserves Balance | Earmarked revenue reserves | Total General and Earmarked reserves | Capital receipts reserve | Other useable capital reserves | Total usable reserves | Unusable reserves | Total group reserves |
|---|---|---|---|---|---|---|---|---|
| **At 31 March 2018** | **(46,576)** | **(157,518)** | **(204,094)** | **0** | **(17,567)** | **(221,661)** | **30,332,505** | **30,110,844** |
| Movement in reserves during 2018/19 | | | | | | | | |
| Total comprehensive income and expenditure | **2,276,594** | **0** | **2,276,594** | **0** | **0** | **2,276,594** | (777,852) | **1,498,742** |
| Adjustments between accounting basis & funding basis under regulations (note 30) | (2,305,461) | 0 | **(2,305,461)** | | | **(2,305,461)** | 2,305,496 | **35** |
| **Net (increase) / decrease before transfers to earmarked reserves** | **(28,867)** | **0** | **(28,867)** | **0** | **0** | **(28,867)** | **1,527,644** | **1,498,777** |
| Transfers (to) / from earmarked reserves (note 29.3) | 28,867 | (28,867) | 0 | 0 | 0 | **0** | 0 | **0** |
| **(Increase) / decrease in year** | **0** | **(28,867)** | **(28,867)** | **0** | **0** | **(28,867)** | **1,527,644** | **1,498,777** |
| **Balance at 31 March 2019** | **(46,576)** | **(186,385)** | **(232,961)** | **0** | **(17,567)** | **(250,528)** | **31,860,149** | **31,609,621** |

This statement shows the movement in the year to 31 March 2019 on the different reserves held by the Group, analysed into usable reserves and unusable reserves. MOPAC is 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. The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Reserves 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 2019

| £000 | General Reserves Balance | Earmarked revenue reserves | Total General and Earmarked reserves | Capital receipts reserve | Other useable capital reserves | Total usable reserves | Unusable reserves | Total group reserves |
|---|---|---|---|---|---|---|---|---|
| **At 31 March 2018** | **(46,576)** | **(157,518)** | **(204,094)** | **0** | **(17,567)** | **(221,661)** | **30,332,505** | **30,110,844** |
| Movement in reserves during 2018/19 | | | | | | | | |
| Total comprehensive income and expenditure | **1,743,194** | **0** | **1,743,194** | **0** | **0** | **1,743,194** | **(244,452)** | **1,498,742** |
| Adjustments between accounting basis & funding basis under regulations (note 30) | (1,772,061) | 0 | **(1,772,061)** | | | **(1,772,061)** | 1,772,096 | **35** |
| **Net (increase) / decrease before transfers to earmarked reserves** | **(28,867)** | **0** | **(28,867)** | **0** | **0** | (28,867) | **1,527,644** | **1,498,777** |
| Transfers (to) / from earmarked reserves (note 29.3) | 28,867 | (28,867) | 0 | 0 | 0 | **0** | 0 | **0** |
| **(Increase) / decrease in year** | **0** | **(28,867)** | **(28,867)** | **0** | **0** | **(28,867)** | **1,527,644** | **1,498,777** |
| **Balance at 31 March 2019** | **(46,576)** | **(186,385)** | **(232,961)** | **0** | **(17,567)** | **(250,528)** | **31,860,149** | **31,609,621** |

This statement shows the movement in the year to 31 March 2019 on the different reserves held by MOPAC, analysed into usable reserves and unusable reserves. MOPAC is required to show the movement of resources on a statutory basis within the financial statements and adjustments are made to convert from an accounting basis to a statutory funding basis (note 29). The 'Net (Increase)/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Reserves 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 2020 | 31 March 2019 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 16 | 2,470,591 | 2,392,001 |
| Heritage assets | 16 | 1,310 | 1,310 |
| Investment properties | 16 | 6,475 | 9,015 |
| Intangible assets | 16 | 3,140 | 5,269 |
| **Total non current assets** | | **2,481,516** | **2,407,595** |
| Long term debtors | 18 | 0 | 158 |
| **Total long term assets** | | **2,481,516** | **2,407,753** |
| **Current assets** | | | |
| Assets held for sale | 19 | 57,017 | 8,026 |
| Inventories | | 3,915 | 5,283 |
| Short term debtors | 20 | 301,980 | 288,760 |
| Short term investments | 21 | 14,630 | 26,304 |
| Cash & cash equivalents | 22 | 13,189 | 13,118 |
| **Total current assets** | | **390,731** | **341,491** |
| **Current liabilities** | | | |
| Short term creditors | 23 | (438,915) | (457,644) |
| Short term borrowing | 24 | (19,643) | (18,851) |
| Provisions | 26.1 | (17,990) | (14,505) |
| **Total current liabilities** | | **(476,548)** | **(491,000)** |
| **Long term liabilities** | | | |
| Provisions | 26.2 | (16,239) | (13,986) |
| Long term borrowing | 27 | (289,350) | (302,950) |
| Capital grants receipts in advance | | (5,007) | (5,007) |
| Long term contractor liability | 28 | (67,279) | (73,322) |
| Police officer pension liability | 6.2 | (31,150,500) | (33,472,600) |
| **Total long term liabilities** | | **(31,528,375)** | **(33,867,865)** |
| **Net assets/(liabilities)** | | **(29,132,676)** | **(31,609,621)** |
| **Financed by:** | | | |
| Unusable Reserves | 29.1 | (29,576,362) | (31,860,149) |
| Usable reserves | 29.2-3 | 443,686 | 250,528 |
| **Total reserves** | | **(29,132,676)** | **(31,609,621)** |

The Balance Sheet shows the value as at 31 March 2020 (with prior year as a comparative year) of the assets and liabilities recognised by the Group. The net liabilities of the Group (assets less liabilities) are matched by the reserves held by the Group.

# MOPAC Balance Sheet

| £000 | Notes | 31 March 2020 | 31 March 2019 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 16 | 2,470,591 | 2,392,001 |
| Heritage assets | 16 | 1,310 | 1,310 |
| Investment properties | 16 | 6,475 | 9,015 |
| Intangible assets | 16 | 3,140 | 5,269 |
| **Total non current assets** | | **2,481,516** | **2,407,595** |
| Long term debtors | 18 | 0 | 158 |
| **Total long term assets** | | **2,481,516** | **2,407,753** |
| **Current assets** | | | |
| Assets held for sale | 19 | 57,017 | 8,026 |
| Inventories | | 3,915 | 5,283 |
| Short term debtors | 20 | 301,980 | 288,760 |
| Short term investments | 21 | 14,630 | 26,304 |
| Cash & cash equivalents | 22 | 13,189 | 13,118 |
| **Total current assets** | | **390,731** | **341,491** |
| **Current liabilities** | | | |
| Short term creditors | 23 | (311,027) | (349,505) |
| Short term borrowing | 24 | (19,643) | (18,851) |
| Provisions | 26.1 | (17,990) | (14,505) |
| Intra-group Creditor | 6.2 | (127,888) | (108,139) |
| **Total current liabilities** | | **(476,548)** | **(491,000)** |
| **Long term liabilities** | | | |
| Provisions | 26.2 | (16,239) | (13,986) |
| Long term borrowing | 27 | (289,350) | (302,950) |
| Capital grants receipts in advance | | (5,007) | (5,007) |
| Long term contractor liability | 28 | (67,279) | (73,322) |
| Police officer pension liability - Intra-group liability | 6.2 | (31,150,500) | (33,472,600) |
| **Total long term liabilities** | | **(31,528,375)** | **(33,867,865)** |
| **Net assets/(liabilities)** | | **(29,132,676)** | **(31,609,621)** |
| **Financed by:** | | | |
| Unusable Reserves | 29.1 | (29,576,362) | (31,860,149) |
| Usable reserves | 29.2-3 | 443,686 | 250,528 |
| **Total reserves** | | **(29,132,676)** | **(31,609,621)** |

The Balance Sheet shows the value as at 31 March 2020 (with prior year as a comparative year) of the assets and liabilities recognised by MOPAC. The net liabilities 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 2020-Group | Year ending 31 March 2019-Group | Year ending 31 March 2020-MOPAC | Year ending 31 March 2019-MOPAC |
|---|---|---|---|---|---|
| Net (surplus) or deficit on the provision of services | | 610,306 | 2,276,594 | (2,371,994) | 1,743,194 |
| Adjustments to net (surplus)or deficit on the provision of services for non-cash movements | 31.2 | (866,519) | (2,458,951) | 2,115,781 | (1,925,551) |
| Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities | 31.3 | 51,057 | 58,796 | 51,057 | 58,796 |
| **Net cash flows from operating activities** | | **(205,156)** | **(123,561)** | **(205,156)** | **(123,561)** |
| Investing activities | 31.4 | 186,235 | 197,266 | 186,235 | 197,266 |
| Financing activities | 31.5 | 18,850 | (70,507) | 18,850 | (70,507) |
| **Net (increase)/decrease in cash and cash equivalents** | | **(71)** | **3,198** | **(71)** | **3,198** |
| Cash and cash equivalents at the beginning of the period | | 13,118 | 16,316 | 13,118 | 16,316 |
| **Cash and cash equivalents at the end of the period** | | **13,189** | **13,118** | **13,189** | **13,118** |

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 2019/20 as presented in the preceding pages 1 to 9.

## 1. Expenditure and Funding Analysis

### 1.1 Group expenditure and funding analysis

| Group expenditure and funding analysis 2019/20 £000 | As reported for resource management | Adjustments to arrive at the amount chargeable to the General Reserves balance Note 1 | Net Expenditure chargeable to the General Reserves balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|
| Frontline policing | 1,241,490 | (2,983) | 1,238,507 | 26,957 | 1,265,464 |
| Specialist operations | (4,435) | (242) | (4,677) | 5,543 | 866 |
| Met operations | 722,495 | (1,790) | 720,705 | 32,790 | 753,495 |
| Professionalism | 100,089 | (3,719) | 96,370 | 4,136 | 100,506 |
| Corporate services | 401,046 | (40,862) | 360,184 | 6,823 | 367,007 |
| Digital policing | 209,427 | 0 | 209,427 | 584 | 210,011 |
| Centrally held | 152,691 | (150,221) | 2,470 | (27,994) | (25,524) |
| MOPAC | 67,983 | (26,402) | 41,581 | 0 | 41,581 |
| Past service cost – McCloud pension judgement | 0 | 0 | 0 | 0 | 0 |
| **Net cost of service** | **2,890,786** | **(226,219)** | **2,664,567** | **48,839** | **2,713,406** |
| Other income and expenditure | (2,890,786) | 20,249 | (2,870,537) | 767,437 | (2,103,100) |
| **Surplus or deficit on General Reserves** | **0** | **(205,970)** | **(205,970)** | **816,276** | **610,306** |
| Opening General Reserves balance at 31 March 2019 | | | (46,576) | | |
| Less deficit on General Reserves in year | | | (205,970) | | |
| Transfers to/from Earmarked Reserve | | | 188,970 | | |
| **Closing General Reserves balance at 31 March 2020** | | | **(63,576)** | | |

| Adjustments between the funding and accounting basis 2019/20 £000 | Adjustments for capital purposes Note 2 | Net change for the pensions adjustments Note 3 | Other differences Note 4 | Total Adjustments |
|---|---|---|---|---|
| Frontline policing | 106,437 | (91,788) | 12,308 | 26,957 |
| Specialist operations | 21,929 | (18,979) | 2,593 | 5,543 |
| Met operations | 55,603 | (26,778) | 3,965 | 32,790 |
| Professionalism | 7,835 | (4,321) | 622 | 4,136 |
| Corporate services | 8,005 | (1,434) | 252 | 6,823 |
| Digital policing | 575 | 0 | 9 | 584 |
| Centrally held | (27,994) | 0 | 0 | (27,994) |
| MOPAC | 0 | 0 | 0 | 0 |
| Past service cost – McCloud pension judgement | 0 | 0 | 0 | 0 |
| **Net cost of service** | 172,390 | (143,300) | 19,749 | 48,839 |

| | | | | |
|---|---|---|---|---|
| Other income and expenditure | (36,063) | 803,500 | 0 | 767,437 |
| Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services | 136,327 | 660,200 | 19,749 | 816,276 |

| **Group expenditure and funding analysis 2018/19** £000 | **As reported for resource management** | **Adjustments to arrive at the amount chargeable to the General Reserves balance** Note 1 | **Net Expenditure chargeable to the General Reserves balance** | **Adjustments between the Funding and Accounting Basis** | **Net Expenditure in the Comprehensive Income and Expenditure Statement** |
|---|---|---|---|---|---|
| Frontline policing | 1,148,287 | 1,694 | 1,149,981 | 110,791 | 1,260,772 |
| Specialist operations | (2,418) | 504 | (1,914) | 29,015 | 27,101 |
| Met operations | 674,888 | 475 | 675,363 | 66,291 | 741,654 |
| Professionalism | 76,831 | 3,730 | 80,561 | 8,143 | 88,704 |
| Corporate services | 371,295 | (13,800) | 357,495 | 3,548 | 361,043 |
| Digital policing | 178,808 | 0 | 178,808 | 709 | 179,517 |
| Centrally held | 129,482 | (38,140) | 91,342 | (77,684) | 13,658 |
| MOPAC | 38,768 | (1,030) | 37,738 | 0 | 37,738 |
| Past service cost – McCloud pension judgement | 0 | 0 | 0 | 1,344,000 | 1,344,000 |
| **Net cost of service** | **2,615,941** | **(46,567)** | **2,569,374** | **1,484,813** | **4,054,187** |
| Other income and expenditure | (2,615,941) | 17,700 | (2,598,241) | 820,648 | (1,777,593) |
| **Surplus or deficit on General Reserves** | **0** | **(28,867)** | **(28,867)** | **2,305,461** | **2,276,594** |
| Opening General Reserves balance at 31 March 2018 | | | (46,576) | | |
| Less deficit on General Reserves in year | | | (28,867) | | |
| Transfers to/from Earmarked Reserve | | | 28,867 | | |
| **Closing General Reserves balance at 31 March 2019** | | | **(46,576)** | | |

| **Adjustments between the funding and accounting basis** **2018/19** **£000** | **Adjustments for capital purposes** Note 2 | **Net change for the pensions adjustments** Note 3 | **Other differences** Note 4 | **Total Adjustments** |
|---|---|---|---|---|
| Frontline policing | 118,957 | (9,235) | 1,069 | 110,791 |
| Specialist operations | 30,622 | (1,982) | 375 | 29,015 |
| Met operations | 67,745 | (2,865) | 1,411 | 66,291 |
| Professionalism | 8,413 | (432) | 162 | 8,143 |
| Corporate services | 3,536 | (186) | 198 | 3,548 |
| Digital policing | 682 | 0 | 27 | 709 |
| Centrally held | (77,684) | 0 | 0 | (77,684) |
| MOPAC | 0 | 0 | 0 | 0 |
| Past service cost – McCloud pension judgement | 0 | 1,344,000 | 0 | 1,344,000 |
| **Net cost of service** | 152,271 | 1,329,300 | 3,242 | 1,484,813 |
| Other income and expenditure | (57,052) | 877,700 | 0 | 820,648 |
| Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services | 95,219 | 2,207,000 | 3,242 | 2,305,461 |

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by the Group in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group's departments. Income and expenditure

accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

A new service segment has been included for the McCloud pension adjustment. Management have assessed the impact of McCloud at a corporate level, and therefore the past service costs have not been allocated across operational service segments.

Note 1 - This column shows the adjustments required to arrive at the net amount chargeable to the General Reserves from the financial outturn reported as part of the Group's internal financial reporting arrangements. This includes adjustments for movements to and from reserves which are included against the cost of service and the removal of interest income and expenses from the net cost of service and reflection in other income and expenditure in line with generally accepted accounting practices.

Note 2 - Adjustments for capital purposes – this column adds depreciation in the services line and removes MRP and other revenue contributions to capital which are not chargeable under generally accepted accounting practices. In Other income and expenditure:

- Capital disposals are adjusted for with a transfer of the income received on disposal of assets and a charge for the amounts written off for those assets.
- Movements in the fair value of the investment properties are transferred back.
- Capital grants are transferred back as income shown under generally accepted accounting practices.

Note 3 - Net change for the pensions adjustments – this is the net change for the removal of pensions contributions made by the Group and the replacement with accounting entries under IAS 19.

Note 4 - Other differences – this column adds back the estimate for untaken annual leave at the end of the financial year in line with generally accepted accounting practices.

## 1.2 MOPAC expenditure and funding analysis

| MOPAC expenditure and funding analysis 2019/20 | As reported for resource management | Adjustments to arrive at the amount chargeable to the General Reserves balance | Net Expenditure chargeable to the General Reserves balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|
| | | Note 1 | | | |
| £000 | | | | | |
| Intra-group funding policing | 2,822,803 | (231,729) | 2,591,074 | 48,839 | 2,639,913 |
| Other | 67,983 | (26,402) | 41,581 | 0 | 41,581 |
| Revaluation loss (gain to reverse previous losses) not charged to CPM | | 31,912 | 31,912 | 0 | 31,912 |
| **Net cost of service** | **2,890,786** | **(226,219)** | **2,664,567** | **48,839** | **2,713,406** |
| Other income and expenditure | (2,890,786) | 20,249 | (2,870,537) | (2,214,863) | (5,085,400) |
| **Surplus or deficit on General Reserves** | 0 | (205,970) | (205,970) | (2,166,024) | (2,371,994) |
| Opening General Reserves balance at 31 March 2019 | | | (46,576) | | |
| Less deficit on General Reserves in year | | | (205,970) | | |
| Transfer to/from Earmarked reserves | | | 188,970 | | |
| **Closing General Reserves balance at 31 March 2020** | | | (63,576) | | |

| Adjustments between the funding and accounting basis 2019/20 £000 | Adjustments for capital purposes | Net change for the pensions adjustments | Other differences | Total Adjustments |
|---|---|---|---|---|
| | Note 2 | Note 3 | Note 4 | |
| Intra-group funding policing | 172,390 | (143,300) | 19,749 | 48,839 |
| MOPAC | 0 | 0 | 0 | 0 |
| Revaluation loss (gain to reverse previous losses) not charged to CPM | 0 | 0 | 0 | 0 |
| **Net cost of service** | 172,390 | (143,300) | 19,749 | 48,839 |
| Other income and expenditure | (36,063) | (2,178,800) | 0 | (2,214,863) |
| Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services | 136,327 | (2,322,100) | 19,749 | (2,166,024) |

| MOPAC expenditure and funding analysis 2018/19 | As reported for resource management | Adjustments to arrive at the amount chargeable to the General Reserves balance | Net Expenditure chargeable to the General Reserves balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|
| | | Note 1 | | | |
| £000 | | | | | |
| Intra-group funding policing | 2,577,173 | (102,194) | 2,474,979 | 1,484,813 | 3,959,792 |
| Other | 38,768 | (1,030) | 37,738 | 0 | 37,738 |
| Revaluation loss (gain to reverse previous losses) not charged to CPM | 0 | 56,657 | 56,657 | 0 | 56,657 |
| **Net cost of service** | **2,615,941** | **(46,567)** | **2,569,374** | **1,484,813** | **4,054,187** |
| Other income and expenditure | (2,615,941) | 17,700 | (2,598,241) | 287,248 | (2,310,993) |
| **Surplus or deficit on General Reserves** | 0 | (28,867) | (28,867) | 1,772,061 | 1,743,194 |
| Opening General Reserves balance at 31 March 2018 | | | (46,576) | | |
| Less deficit on General Reserves in year | | | (28,867) | | |
| Transfer to/from Earmarked reserves | | | 28,867 | | |
| **Closing General Reserves balance at 31 March 2019** | | | (46,576) | | |

| Adjustments between the funding and accounting basis 2018/19 £000 | Adjustments for capital purposes | Net change for the pensions adjustments | Other differences | Total Adjustments |
|---|---|---|---|---|
| | Note 2 | Note 3 | Note 4 | |
| Intra-group funding policing | 152,271 | 1,329,300 | 3,242 | 1,484,813 |
| MOPAC | 0 | 0 | 0 | 0 |
| Revaluation loss (gain to reverse previous losses) not charged to CPM | 0 | 0 | 0 | 0 |
| **Net cost of service** | 152,271 | 1,329,300 | 3,242 | 1,484,813 |
| Other income and expenditure | (57,052) | 344,300 | 0 | 287,248 |
| Difference between General Reserves surplus or deficit and CIES surplus or deficit on the provision of services | 95,219 | 1,673,600 | 3,242 | 1,772,061 |

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by MOPAC in comparison with those resources consumed or earned by MOPAC in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decisions making purposes between the Group's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Note 1 This column shows the adjustments required to arrive at the net amount chargeable to the General Reserves from the financial outturn reported as part of the Group's internal financial reporting arrangements. This includes adjustments for movements to and from reserves which are included against the cost of service and the removal of interest income and expenses from the net cost of service and reflection in other income and expenditure in line with generally accepted accounting practices.

Note 2 Adjustments for capital purposes – this column adds depreciation in the services line and removes MRP and other revenue contributions to capital which are not chargeable under generally accepted accounting practices. In Other income and expenditure:

- Capital disposals are adjusted for with a transfer of the income received on disposal of assets and a charge for the amounts written off for those assets.
- Movements in the fair value of the investment properties are transferred back.
- Capital grants are transferred back as income shown under generally accepted accounting practices.

Note 3 Net change for the pensions adjustments – this is the net change for the removal of pensions contributions made by MOPAC and the replacement with accounting entries under IAS 19.

Note 4 Other differences – this column adds back the estimate for untaken annual leave at the end of the financial year in line with generally accepted accounting practices.

# 2. Statement of accounting policies

## 2.1 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 2019/20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2015. 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 2020 (with prior year as a comparative year). The term 'Group' is used to indicate combined transactions and policies of MOPAC and its subsidiary and CPM for the year ended 31 March 2020. 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 Code requires that the Expenditure and Funding Analysis (Note 1) and the CIES allocate costs of services across service segments. These service segments are based on the MOPAC and CPM internal management reporting arrangements. A new service segment was added in the 2018/19 Statement of Accounts to reflect the past service costs that were recognised in relation to McCloud pensions judgement. The decision was taken that these costs were to be recognised at a corporate level, rather than allocated across existing service segments as required by the Code. This decision to depart from the requirements of the code was made to ensure that the costs of policing disclosed in the CIES remained understandable to users of the accounts, and therefore to achieve a true and fair presentation in the accounts. Were the costs to have been allocated across service segments, the £1.34bn of past service costs would have been allocated across service segments based on police officer numbers within each segment. See note 12.1 for more details of the impact of McCloud pensions judgement.

The significant accounting policies adopted are set out below.

## 2.2 Revenue and expenditure recognition

Revenue is recognised in a way that reflects the pattern in which goods and services are transferred to service recipients. It is transferred at an amount that reflects the consideration that the Group expects to be entitled to in exchange for those goods and services. 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.

## 2.3 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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligation in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when services are received rather than when payments are made;

- 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.

## 2.4 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 IFRS 9 Financial Instruments because the claims involved are deemed to be estimates based on present day values.

Legal challenges around employment law - During 2019/20 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 2019/20 for retrospective claims.

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.

## 2.5 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 Reserves, 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.

## 2.6 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. Police Revenue Grant) are credited to the CIES within the provision of services.

## 2.7 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 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. 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 joined the new 2015 Scheme and smembers of the 1987 and 2006 Final Salary Schemes moved into the new 2015 Scheme, unless they were 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. The employer contribution rate was increased to 31% for all schemes from 1 April 2019. New financial arrangements were introduced 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 2.3% 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 (see Notes 4 and 12.1 for detail on significant Past Service Costs recognized in 2018-29);
    - 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 with the exception of actuarial gains and losses in relation to injury benefits, which are debited or credited to the Net Cost of Policing Services in the CIES.

- 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 Reserves 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 Reserves 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 seven different sub schemes but only one is open to new staff joining MOPAC/CPM, the Alpha 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 IAS 19.

## 2.8 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);
- Surplus 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. 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. A further review 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 2019/20 requirements on measurement of property plant and equipment.

**Component assets:** The Group recognises and records component assets separate from the main asset where material. 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 Reserves to the Capital Adjustment Account in the MIRS. Sale proceeds over £10,000 are categorised

as capital receipts and are transferred from the General Reserves 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. Depreciation is charged on a monthly basis.

## Principal asset categories and their useful economic lives

| Operational Assets | Category | Years |
|---|---|---|
| Property | Land | Not depreciated |
| | Buildings | 10 – 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 |
| Intangible assets | Software licences | 3 years |
| **Non operational assets** | | |
| Assets under construction | | Not depreciated |
| Surplus Assets | | 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.

## 2.9 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.

## 2.10 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.

## 2.11 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 Reserves Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Reserves Balance. The gains and losses are therefore reversed out of the General Reserves 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.

## 2.12 Surplus Assets

These are assets that are not being used to deliver services, and do not meet the CIPFA Code of Practice criteria to be classified as either investment properties or non-current assets held for sale.

The valuation at which they are held is based on an estimate of the price that would be received by selling in an orderly transaction between market participants at the valuation date.

## 2.13 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.

## 2.14 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.

## 2.15 Value Added Tax (VAT)

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

## 2.16 Financial liabilities

Financial liabilities are recognised on the Balance Sheet when MOPAC 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.

## 2.17 Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Group's business model is to hold investments to collect contractual cash flows. The contractual payments of the financial assets of the Group are solely payment of principal and interest – therefore the Group's financial assets are classified as amortised cost.

Financial assets measured at amortised cost are recognised when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then subsequently 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.

The Group recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are estimated on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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.

## 2.18 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 disclose 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’.

## 2.19 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.

## 2.20 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.

### 2.21 Events after the reporting period

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.

### 2.22 Overhead costs

The costs of overheads and support services are charged to service segments within the Group CIES in accordance with the Group's arrangements for accountability and financial performance. 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 2019/20.

### 2.23 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.

### 2.24 Interests in Companies and Other Entities

The Group has material interests in a company that has the nature of a subsidiary and require it to prepare group accounts. In MOPAC's own single-entity accounts, the interests in the company is recorded as fair value.

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

There are amendments to issued accounting standards which have not yet been adopted to the Code which will apply to the Group and MOPAC in 2020/21:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. The amendments clarify that IFRS 9 is applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

- The Annual Improvements to IFRS Standards (2015-17 Cycle) which are applicable to the Group cover the following issues:
  IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: Clarification of the application of the Standard

  IAS 12 Income Taxes: Clarification of the application of the Standard

  IAS 23 Borrowing Costs: Clarification of the application of the Standard

It is not expected that these changes above will have a significant impact on the Group's statement of accounts.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the accounting reporting period after such an event. The amendments apply prospectively to plan amendments, curtailments or settlements that occur after the date of first application therefore the Group will not be affected by these amendments on transition.

The implementation of IFRS 16 Leases has been deferred by CIPFA/LASAAC until 1 April 2021. The introduction of the new standard is anticipated to have a significant impact on the gross assets and liabilities of the Group. The full impact of adopting the new standard will be disclosed in the 2020/21 accounts.

# 4. Significant estimates and judgements in applying the accounting policies

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

Estimates

- Establishing the valuations of operational and residential properties (see Notes 16 and 16.1 for details of amounts and valuation process involved). Depreciation is calculated based on the asset value and expected useful life of the asset. The Group monitors the useful life of assets to identify where any changes to the depreciation charge are required during the year;

- In respect of police staff when estimates are required, the calculation of unused holidays is based on a sample of staff and average cost of each grade of staff. The cost of absences due but not taken at the reporting date are recognised in the CPM Accounts in the first instance as described in Note 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.

- 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;

Judgements

- 2.2 Revenue Recognition; 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. 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;

- 2.7 Employee Benefits; 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 IAS 19 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 IAS 19 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 IAS 19.

  2.7 Employee benefits; There are relevant legal cases (McCloud and Sargeant) in relation to transitional protections provided in the transition to new career average schemes across the public sector. These cases have concluded that transitional protectors applied to some members in the transfer to career average schemes are discriminatory, on age grounds, to some members. Whilst a legal remedy has not been determined by the Employment Tribunal, it is considered probable that this judgement would read across to similar claims that exist in relation to the police pension scheme. To ensure the accounts present a true and fair view, the IAS 19 pension liability includes an assumption that there will be a remedy based on providing transitional protection to all active members. The impact of this assumption is to increase the pension liability by £1.4bn, which was recognised as past service cost in the Group CIES in 2018/19. More detail can be found in note 12.1.

  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.

- 2.24 Interests in Companies and Other Entities; On 26 March 2018 MOPAC acquired the entire issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group") which holds the freehold interest in the Empress State Building. As result of this purchase, a judgement has been made that the Empress Holdings Group is a subsidiary of the Group and its material assets, liabilities and reserves have been consolidated into the MOPAC Group Accounts.

  On 3 April 2018 the beneficial interest in Empress State Building was transferred to MOPAC. Empress State Building has therefore been classified under Property, Plant and Equipment in the MOPAC single entity accounts at 31 March 2020. The net residual interest in the Empress Holdings Group for MOPAC at 31 March 2020 is the issued share capital which is valued at nil. There exist a number of financial instruments (promissory notes and loans) between entities within the group. There is no intention for these instruments to be settled by an outflow/inflow of economic benefit, and will be offset when the Empress Holdings Group is wound up. As such, these financial instruments have been offset in accordance with IAS 32.

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

The Code contains a disclosure requirement for assumptions made about the future and other major sources of estimation uncertainty for which there is a significant risk of 'material' adjustment. At

the date of publication of the Accounts, there are two assumptions about the future for which there is a significant risk of 'material' adjustment.

- 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. In addition, the assumption adopted in relation to the impact of McCloud and Sargeant could have a material impact on the total liability of the police scheme. See Note 10 for more details of theses impacts

- Covid-19 – the full economic impact of Covid-19 is not known, but it is clear that the economic impact will be significant. As an essential emergency services organisation, predominantly financed by government funding, the impact on CPM and MOPAC is less than for most organisations. However, as at 31st March 2020, there is the risk that the fair value of MOPAC assets (most notably property) may be impaired because of short/medium term affects of Covid-19 on property markets. As at 31st March 2020, there were no clear impairment indicators such that the valuation of property should be reduced. This view was supported by professional property surveyors.

# 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 2019/20 show the financial positions of the MOPAC and MOPAC Group together with comparative figures for 2019/20.

## 6.2 Accounting principles

The accounting recognition of assets, liabilities and reserves in 2019/20 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 2018. 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 2019/20 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 IAS 19 (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 2019/20. 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 2019/20<br>£million | MOPAC | CPM | Group |
|---|---|---|---|
| IAS 19 pension costs within net cost of services | 0 | 592 | 592 |
| Accumulated absences | 0 | 20 | 20 |
| Other costs within net cost of services | 0 | 2,028 | 2,028 |
| Intra-group adjustment (MOPAC funding) | 2,640 | (2,640) | 0 |
| Pension interest cost | 0 | 804 | 804 |
| Intra-group adjustment (MOPAC funding pension) | 804 | (804) | 0 |
| Actuarial losses on police fund | 0 | (2,982) | (2,982) |
| Intra-group adjustment (MOPAC funding pension) | (2,982) | 2,982 | 0 |
| **Total transactions for the year** | **462** | **0** | **462** |

| Intra-group - total transactions for 2018/19<br>£million | MOPAC | CPM | Group |
|---|---|---|---|
| IAS 19 pension costs within net cost of services | 0 | 2,042 | 2,042 |
| Accumulated absences | 0 | 3 | 3 |
| Other costs within net cost of services | 0 | 1,915 | 1,915 |
| Intra-group adjustment (MOPAC funding) | 3,960 | (3,960) | 0 |
| Pension interest cost | 0 | 877 | 877 |
| Intra-group adjustment (MOPAC funding pension) | 877 | (877) | 0 |
| Actuarial losses on police fund | 0 | (533) | (533) |
| Intra-group adjustment (MOPAC funding pension) | (533) | 533 | 0 |
| **Total transactions for the year** | **4,304** | **0** | **4,304** |

**Accounting entries reflected in the respective Balance Sheet at year end**

| Intra-group - total transactions for 2019/20<br>£million | MOPAC | CPM | Group |
|---|---|---|---|
| CPM - Long term Intra-group Debtor | 0 | 31,151 | 0 |
| CPM - Short term Intra-group Debtor | 0 | 128 | 0 |
| CPM - Police Officer pension liability | 0 | (31,151) | (31,151) |
| CPM - Creditor - accumulated absences | 0 | (128) | (128) |
| MOPAC - Long term Intra-group Creditor | (31,151) | 0 | 0 |
| MOPAC - Short term Intra-group Creditor | (128) | 0 | 0 |
| MOPAC - Unusable Reserves | 31,151 | 0 | 31,151 |
| MOPAC - Unusable Reserves | 128 | 0 | 128 |

128

| Intra-group - total transactions for 2018/19<br>£million | MOPAC | CPM | Group |
|---|---|---|---|
| CPM - Long term Intra-group Debtor | 0 | 33,473 | 0 |

| | | | |
|---|---|---|---|
| CPM - Short term Intra-group Debtor | 0 | 108 | 0 |
| CPM - Police Officer pension liability | 0 | (33,473) | (33,473) |
| CPM - Creditor - accumulated absences | 0 | (108) | (108) |
| MOPAC - Long term Intra-group Creditor | (33,473) | 0 | 0 |
| MOPAC - Short term Intra-group Creditor | (108) | 0 | 0 |
| MOPAC - Unusable Reserves | 33,473 | 0 | 33,473 |
| MOPAC - Unusable Reserves | 108 | 0 | 108 |

The 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 2019/20 as the 'resources consumed at the request of the CPM' are completely offset by the intra-group adjustment.

# 7. Analysis of surplus or deficit on the provision of service

## 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 seven divisions which represent the organisational structure headings under which the MOPAC Group operates and manages its services.

## 7.2 Income

Income received by MOPAC includes fees and charges, interest, investments, contributions, specific grants and other service income. A breakdown under these headings for 2019/20 is shown in the table in Section 7.3 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 and prosecution costs recovered by way of illustration.

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

## 7.3 Expenditure and income analysed by nature 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 2019 to 31 March 2020, 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.

Expenditure and income analysis by nature for MOPAC and the MOPAC Group

| £000 | MOPAC 2019/20 | CPM 2019/20 | Group 2019/20 | Group 2018/19 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Employee costs | | | | |
| Police officer salaries | 0 | 1,737,244 | 1,737,244 | 1,640,948 |
| MOPAC and Police staff wages and salaries | 9,680 | 501,492 | 511,172 | 466,030 |
| Employee related expenditure | (81) | 31,782 | 31,701 | 14,544 |
| Net police officer pensions | 0 | 241,670 | 241,670 | 1,623,606 |
| Net MOPAC police staff pensions | 2,047 | 106,690 | 108,737 | 80,180 |
| Premises related | 1,750 | 161,135 | 162,885 | 161,766 |
| Transport related | 11 | 69,716 | 69,727 | 91,525 |
| Supplies and services* | 58,589 | 521,335 | 579,924 | 545,435 |
| Depreciation, amortisation, impairment | 31,912 | 184,575 | 216,487 | 233,283 |
| Actuarial losses on police pensions funds – intra group funding | (2,982,300) | 2,982,300 | 0 | 0 |
| Interest payments | 828,672 | 0 | 828,672 | 893,494 |
| Gains on the disposal of assets | 1,125 | 0 | 1,125 | 572 |
| **Total gross expenditure** | **(2,048,595)** | **6,537,939** | **4,489,344** | **5,751,383** |
| **Income** | | | | |
| Fees and charges and other service income** | (2,661) | (261,425) | (264,086) | (264,754) |
| Interest and investment income | (2,382) | 0 | (2,382) | (1,180) |
| Government grants and contributions | (2,958,269) | (654,301) | (3,612,570) | (3,208,855) |
| **Total income** | **(2,963,312)** | **(915,726)** | **(3,879,038)** | **(3,474,789)** |
| Intra group adjustment *** | 2,639,913 | (2,639,913) | 0 | 0 |
| **Net cost of policing services** | **(2,371,994)** | **2,982,300** | **610,306** | **2,276,594** |

** £59 million supplies and services incurred by MOPAC includes costs of working with local communities, victims support and payments by MOPAC of crime prevention grants*
***Includes revenue recognised of £179m from contracts with service recipients under IFRS15*
**** 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.

Within the Group's material contracts with service recipients, performance obligations are satisfied at the point of supply of police officers. Pricing within the contracts is typically based on agreed unit prices of manpower.

# 8. Police officers and police staff remuneration

## 8.1 Police and police staff remuneration

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

| Remuneration band £ MOPAC | 2019/20 | | 2018/19 | |
|---|---|---|---|---|
| | 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 | 5,870 | 5,872 | 5,369 | 5,368 |
| 55,000 - 59,999 | 3,304 | 3,305 | 2,639 | 2,638 |
| 60,000 - 64,999 | 2,417 | 2,419 | 1,998 | 1,998 |
| 65,000 - 69,999 | 1,577 | 1,578 | 1,217 | 1,217 |
| 70,000 - 74,999 | 822 | 823 | 560 | 560 |
| 75,000 - 79,999 | 394 | 394 | 371 | 370 |
| 80,000 - 84,999 | 296 | 296 | 237 | 237 |
| 85,000 - 89,999 | 218 | 219 | 157 | 157 |
| 90,000 - 94,999 | 86 | 86 | 95 | 94 |
| 95,000 - 99,999 | 97 | 97 | 63 | 63 |
| 100,000 - 104,999 | 50 | 51 | 22 | 22 |
| 105,000 - 109,999 | 18 | 18 | 6 | 6 |
| 110,000 - 114,999 | 3 | 3 | 5 | 5 |
| 115,000 - 119,999 | 6 | 6 | 2 | 2 |
| 120,000 - 124,999 | 8 | 9 | 5 | 6 |
| 125,000 -129,999 | 3 | 3 | 2 | 2 |
| 130,000 -134,999 | 2 | 2 | 6 | 6 |
| 135,000 -139,999 | 4 | 4 | 1 | 1 |
| 140,000 -144,999 | 2 | 2 | 1 | 2 |
| 145,000 - 149,999 | 1 | 1 | 1 | 1 |
| 150,000 - 154,999 | 0 | 0 | 0 | 1 |
| 155,000 - 159,999 | 1 | 1 | 0 | 0 |
| 160,000 - 164,999 | 0 | 0 | 0 | 0 |
| 165,000 - 169,999 | 0 | 0 | 0 | 0 |
| 170,000 - 174,999 | 0 | 1 | 0 | 0 |
| 175,000 - 179,999 | 0 | 0 | 0 | 0 |
| 180,000 - 184,999 | 0 | 0 | 0 | 1 |
| 185,000 - 189,999 | 0 | 0 | 0 | 0 |
| 190,000 - 194,999 | 0 | 0 | 0 | 0 |
| 195,000 - 199,999 | 0 | 1 | 0 | 0 |
| 200,000 - 204,999 | 0 | 0 | 0 | 0 |
| 205,000 - 209,999 | 0 | 0 | 0 | 0 |
| 210,000 - 214,999 | 0 | 0 | 0 | 0 |
| 215,000 - 224,999 | 0 | 0 | 0 | 0 |
| 225,000 + | 0 | 0 | 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 8.2. In these particular cases, a more detailed analysis of remuneration for 2019/20 is shown on the following pages.

Exit packages

| 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 (£) | |
|---|---|---|---|---|---|---|---|---|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| £0 - £20,000 | 0 | 0 | 4 | 0 | 4 | 0 | 68,481 | 0 |
| £20,001 - £40,000 | 0 | 0 | 9 | 4 | 9 | 4 | 274,564 | 126,237 |
| £40,001 - £60,000 | 0 | 0 | 5 | 2 | 5 | 2 | 256,998 | 97,898 |
| £60,001 - £80,000 | 0 | 0 | 1 | 1 | 1 | 1 | 60,313 | 72,794 |
| £80,001 - £100,000 | 0 | 0 | 1 | 3 | 1 | 3 | 92,035 | 273,211 |
| £100,001 - £150,000 | 0 | 0 | 3 | 6 | 3 | 6 | 351,496 | 766,675 |
| £150,001 - £200,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 170,000 |
| | 0 | 0 | 23 | 17 | 23 | 17 | 1,103,887 | 1,506,815 |

*The numbers in the table above exclude senior staff as defined below in Note 8.2. In these particular cases, any compensation for loss of office is shown in Note 8.3. - 8.6.*

## 8.2 Relevant police officers and senior staff remuneration

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

## 8.3 Relevant police officers and senior staff remuneration* - year ended 31 March 2020

| Post holder information (post title) | Name | Notes | Salary (including fees & allowances) (£) | Benefits (£) | Other Payments (£) | Total remuneration excluding pension contributions 2019/20 (£) | Pension contributions (£) | Total remuneration including pension contributions 2019/20 (£) |
|---|---|---|---|---|---|---|---|---|
| CPM | | | | | | | | |
| Commissioner | C Dick | | 240,212 | 3,074 | 0 | 243,286 | 0 | 243,286 |
| Deputy Commissioner | S House | | 250,865 | 3,074 | 0 | 253,939 | 0 | 253,939 |
| Assistant Commissioner | A Basu | | 218,272 | 3,074 | 0 | 221,346 | 61,950 | 283,296 |
| Assistant Commissioner | H Ball | | 218,272 | 3,074 | 0 | 221,346 | 0 | 221,346 |
| Assistant Commissioner | M Simmons | | 218,272 | 3,074 | 0 | 221,346 | 0 | 221,346 |
| Assistant Commissioner | N Ephgrave | | 220,287 | 3,074 | 0 | 223,361 | 61,953 | 285,314 |
| Deputy Assistant Commissioner | G McNulty | | 172,229 | 3,074 | 0 | 175,303 | 47,677 | 222,980 |
| Deputy Assistant Commissioner | L D'Orsi | | 171,255 | 3,074 | 0 | 174,329 | 47,677 | 222,006 |
| Deputy Assistant Commissioner | L Taylor | | 171,122 | 3,074 | 0 | 174,196 | 47,677 | 221,873 |
| Deputy Assistant Commissioner | D Haydon | | 185,866 | 3,074 | 0 | 188,940 | 0 | 188,940 |
| Deputy Assistant Commissioner | M Twist | | 168,635 | 3,074 | 0 | 171,709 | 47,677 | 219,386 |
| Deputy Assistant Commissioner | D Ball | 1 | 143,596 | 3,074 | 0 | 146,670 | 34,917 | 181,587 |
| Deputy Assistant Commissioner | M Horne | | 173,889 | 3,074 | 0 | 176,963 | 47,677 | 224,640 |
| Deputy Assistant Commissioner | A Pearson | 2 | 183,749 | 3,074 | 0 | 186,823 | 45,427 | 232,250 |
| Deputy Assistant Commissioner | S Cundy | 3 | 150,666 | 3,074 | 0 | 153,740 | 40,992 | 194,732 |
| Chief of Corporate Services | R Wilkinson | | 185,000 | 3,074 | 0 | 188,074 | 56,055 | 244,129 |
| Chief Digital and Technology Officer | A McCallum | | 233,657 | 0 | 0 | 233,657 | 0 | 233,657 |
| Director of Solution Delivery | D Pitty | | 156,527 | 0 | 0 | 156,527 | 35,914 | 192,441 |
| Director of Service Delivery | A Blatchford | | 155,048 | 0 | 0 | 155,048 | 35,466 | 190,514 |
| Director of Technology | D Scates | | 156,527 | 0 | 0 | 156,527 | 35,914 | 192,441 |
| Director of Media and Communication | J Helm | | 153,314 | 0 | 0 | 153,314 | 44,911 | 198,225 |
| Director of Finance | I Percival | | 139,140 | 0 | 0 | 139,140 | 36,514 | 175,654 |
| NPCC and other secondees out of the Met | | | | | | | | |
| Assistant Commissioner | M Hewitt | | 218,272 | 3,074 | 0 | 221,346 | 61,950 | 283,296 |
| Assistant Commissioner | S Kavanagh | 4 | 33,231 | 0 | 0 | 33,231 | 0 | 33,231 |
| Deputy Assistant Commissioner | R Martin | 5 | 172,229 | 3,074 | 0 | 175,303 | 47,677 | 222,980 |
| T/Deputy Assistant Commissioner | N Jerome | 6 | 161,970 | 3,074 | 0 | 165,044 | 44,497 | 209,541 |
| Director of Commercial & Finance | L McMullan | 7 | 40,725 | 0 | 0 | 40,725 | 12,340 | 53,065 |
| MOPAC | | | | | | | | |
| Chief Executive | R Lawrence | 8 | 63,847 | 0 | 0 | 63,847 | 19,346 | 83,193 |
| Interim/Chief Executive | S Peters | 9 | 146,417 | 0 | 0 | 146,417 | 44,364 | 190,781 |
| Deputy Mayor for Policing And Crime | | | 136,438 | 0 | 0 | 136,438 | 41,341 | 177,779 |
| Interim Chief Finance Officer | | 10 | | | | | | |
| Interim Chief Finance Officer | | 11 | | | | | | |
| Director of Audit, Risk and Assurance | | | 119,910 | 0 | 0 | 119,910 | 36,333 | 156,243 |
| Director of Strategy | | | 119,072 | 0 | 0 | 119,072 | 36,079 | 155,151 |
| Director of Criminal Justice Commissioning | | | 118,917 | 0 | 0 | 118,917 | 36,032 | 154,949 |
| Director of Violence Reduction Unit | | | 118,755 | 0 | 0 | 118,755 | 35,983 | 154,738 |

***Individuals whose salary is £150,000 or more per annum are required to also be identified by name**

## 8.3 Relevant police officers and senior staff remuneration - year ended 31 March 2020

1. D Ball held the post of DAC up to 19/11/19 when he retired with an annualized salary of £152,872. He took up the position of senior responsible officer for CONNECT and Programme Four on 20/12/19 with an annualized salary (including allowances) of £130,000
2. A Pearson joined on 21/1/19 as T/DAC and was made permanent on 3/6/19 with an annualized salary of £152,871
3. S Cundy was appointed DAC on 7/11/19 with an annualized salary of £152,871
4. S Kavanagh started on 1/2/20 with an annualized salary of £199,386 and was immediately seconded to Interpol
5. R Martin was seconded to NPCC until 31/3/20
6. N Jerome was appointed T/DAC on 15/7/19 with an annualized salary of £149,142 and is currently seconded to Essex Police Service
7. L McMullan was seconded to NPCC until she resigned on 30/6/19 and had an annualized salary of £162,899
8. R Lawrence resigned from the post on 30/8/19.
9. S Peters was the Chief Finance officer until 6/8/19 when she was appointed interim Chief Executive with an annualized salary of £153,015
10. The individual was appointed as the interim CFO and was contracted for 3 days a week from 25/7/19 to 19/2/20. They were not salaried and a total payment of £110,650 was made for this period. Unlike remuneration payments made to employees in the table, interims do not receive pensions, benefits and holiday pay. If engaged for a full year the annualized total remuneration, excluding agency commission, for the year would have been £100,581.
11. The individual was appointed as the interim CFO and was contracted full time from 17/2/20. They were not salaried and a total payment of £33,945 was made for this period. Unlike remuneration payments made to employees in the table, interims do not receive pensions, benefits and holiday pay. If engaged for a full year the annualized total remuneration, excluding agency commission, for the year would have been £167,635.

**Additional information**

Benefits includes the annual membership of the Chief Police Officers' Staff Association.

## 8.4 Relevant police officers and senior staff remuneration* - year ended 31 March 2019

| Post holder information (post title) | Name | Notes | Salary (including fees & allowances) (£) | Benefits (£) | Other Payments (£) | Total remuneration excluding pension contributions 2018/19 (£) | Pension contributions (£) | Total remuneration including pension contributions 2018/19 (£) |
|---|---|---|---|---|---|---|---|---|
| CPM | | | | | | | | |
| Commissioner | C Dick | | 234,922 | 3,074 | 0 | 237,996 | 0 | 237,996 |
| Deputy Commissioner | C Mackey | 1 | 193,378 | 6,142 | 0 | 199,520 | 0 | 199,520 |
| Deputy Commissioner | S House | 2 | 219,114 | 3,074 | 0 | 222,188 | 0 | 222,188 |
| Assistant Commissioner | P Gallan | 3 | 84,161 | 3,074 | 0 | 87,235 | 6,855 | 94,090 |
| Assistant Commissioner | M Hewitt | 4 | 206,209 | 4,465 | 0 | 210,674 | 41,612 | 252,286 |
| Assistant Commissioner | A Basu | | 215,716 | 3,074 | 0 | 218,790 | 41,612 | 260,402 |
| Assistant Commissioner | H Ball | | 213,791 | 3,074 | 0 | 216,865 | 24,131 | 240,996 |
| Assistant Commissioner | M Simmons | 5 | 172,582 | 5,078 | 0 | 177,660 | 0 | 177,660 |
| Assistant Commissioner | N Ephgrave | 6 | 24,188 | 0 | 0 | 24,188 | 4,868 | 29,056 |
| Deputy Assistant Commissioner | S Rodhouse | 7 | 41,762 | 3,074 | 0 | 44,836 | 7,914 | 52,750 |
| Deputy Assistant Commissioner | G McNulty | | 168,780 | 3,074 | 0 | 171,854 | 32,024 | 203,878 |
| Deputy Assistant Commissioner | L D'Orsi | | 166,891 | 3,074 | 0 | 169,965 | 32,024 | 201,989 |
| Deputy Assistant Commissioner | L Taylor | 8 | 121,398 | 0 | 0 | 121,398 | 24,025 | 145,423 |
| Deputy Assistant Commissioner | D Haydon | 9 | 180,956 | 3,074 | 0 | 184,030 | 32,024 | 216,054 |
| Deputy Assistant Commissioner | M Twist | | 165,186 | 3,074 | 0 | 168,260 | 32,024 | 200,284 |
| Deputy Assistant Commissioner | R Martin | | 168,780 | 3,074 | 0 | 171,854 | 32,024 | 203,878 |
| Deputy Assistant Commissioner | D Ball | | 164,676 | 3,074 | 0 | 167,750 | 32,024 | 199,774 |
| Deputy Assistant Commissioner | M Horne | 10 | 14,533 | 0 | 0 | 14,533 | 3,075 | 17,608 |
| T/Deputy Assistant Commissioner | A Pearson | 11 | 115,831 | 2,306 | 0 | 118,137 | 17,344 | 135,481 |
| Chief of Corporate Services | R Wilkinson | 12 | 161,081 | 1,537 | 0 | 162,618 | 39,465 | 202,083 |
| Director of Commercial & Finance | L McMullan | 13 | 162,899 | 0 | 0 | 162,899 | 39,910 | 202,809 |
| Chief Digital and Technology Officer | A McCallum | | 231,069 | 0 | 0 | 231,069 | 0 | 231,069 |
| Director of Solution Delivery | D Pitty | | 154,309 | 0 | 0 | 154,309 | 28,496 | 182,805 |
| Director of Service Delivery | A Blatchford | | 154,309 | 0 | 0 | 154,309 | 28,496 | 182,805 |
| Director of Technology | D Scates | | 154,309 | 0 | 0 | 154,309 | 28,496 | 182,805 |
| Director of Media and Communication | J Helm | | 155,000 | 0 | 0 | 155,000 | 36,750 | 191,750 |
| Director of Legal Services | | | 140,000 | 0 | 0 | 140,000 | 34,300 | 174,300 |
| NPCC | | | | | | | | |
| Assistant Commissioner | S Thornton | | 214,409 | 3,074 | 0 | 217,483 | 0 | 217,483 |
| Deputy Chief Constable | R Morris | 14 | 150,545 | 3,074 | 0 | 153,619 | 21,786 | 175,405 |
| MOPAC | | | | | | | | |
| Chief Executive | R Lawrence | | 154,278 | 0 | 0 | 154,278 | 37,672 | 191,950 |
| Deputy Mayor for Policing And Crime | | | 128,135 | 0 | 0 | 128,135 | 31,393 | 159,528 |
| Chief Finance Officer | | | 128,135 | 0 | 0 | 128,135 | 31,393 | 159,528 |
| Director of Strategy | | | 117,884 | 0 | 0 | 117,884 | 28,882 | 146,766 |
| Director of Audit, Risk and Assurance | | | 118,714 | 0 | 0 | 118,714 | 29,085 | 147,799 |
| Director of Integrated Offender Management, Programmes & Neighbourhoods/ Director of Strategic Partnerships and Insights | | 15 | 79,705 | 0 | 0 | 79,705 | 18,795 | 98,500 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Acting Director of Integrated Offender Management, Programmes & Neighbourhoods/ Director of Criminal Justice and Commissioning | 16 | 94,540 | 0 | 0 | 94,540 | 23,036 | 117,576 |
| Director of Violence Reduction Unit | 17 | 8,806 | 0 | 0 | 8,806 | 2,158 | 10,964 |

***Individuals whose salary is £150,000 or more per annum are required to also be identified by name**

## Notes

1. C Mackey retired on 31/12/18
2. S House was promoted to Deputy Commissioner on 1/1/19 with an annualized salary of £230,190
3. P Gallan retired on 24/7/18
4. M Hewitt left on 31/3/19 and will assume the role of chair of the National Police Chiefs Council taking over from Sara Thornton
5. M Simmons was promoted to Assistant Commissioner on 21/1/19 with an annualized salary of £194,523
6. N Ephgrave joined on 18/2/19 with an annualized salary of £194,523
7. S Rodhouse left on 23/6/18
8. L Taylor joined 2/7/18 with an annualized salary of £149,142
9. D Haydon was promoted to Deputy Assistant Commissioner on the 4/6/18 with an annualized salary of £160,142
10. M Horne joined on 25/2/19 with an annualized salary of £149,217
11. A Pearson was temporarily appointed to Deputy Assistant Commissioner on 21/1/19 with an annualized salary of £106,986 and is in receipt of a non-pensionable honorarium of £42,156 per annum.
12. R Wilkinson was promoted to Chief of Corporate Services on 29/10/18 with an annualized salary of £185,000
13. L McMullan held the post of Chief Finance Officer up to 31/3/19. From 1/4/19 the role of CFO was taken over by I Percival
14. R Morris is seconded to National Police Chief Council
15. The Director of Integrated Offender Management, Programmes & Neighbourhoods returned from unpaid leave on 1 May 2018, as Director of Strategic Partnerships and Insights, and left on 10th February 2019. The annualised salary is £118,138. The roles of the Director of Strategic Partnerships and Insight have been allocated to other MOPAC directors.
16. The Acting Director of Integrated Offender Management, Programmes and Neighbourhoods was in role from 1 April 2018 at an annualised salary of £106,050, and appointed as Director for Criminal Justice Policy and Commissioning with effect from 1 July 2018, on an annualised salary of £116,000.
17. The Director of the Violence Reduction Unit was appointed with effect from 4 March 2019, on an annualized salary of £117,000

**Additional information**

Benefits 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).

# 9. Related party transactions

IAS 24 (Related Party Transactions) requires the Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Group or to be controlled or influenced by key individuals of the Group including the Mayor and Deputy Mayor, the Commissioner, 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 for the year ended 31 March 2020, 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 dependent 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 14 and Note 15:

**Greater London Authority**

The MOPAC Group is one of the functional bodies of the Greater London Authority (GLA), the other bodies being the London Fire Commissioner, which replaced the London Fire and Emergency Planning Authority on 1 April 2018, Transport for London, Old Oak and Park Royal Development Corporation and the London Legacy Development Corporation.

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

The net receipts from Transport for London were £90.574 million in 2019/20 (£97.442 million in 2018/19).

Net expenditure with the London Fire Commissioner was £0.696 million in 2019/20.

**Other bodies**

The Safer London Foundation is included here as a related party as MOPAC provided funding of £1.675 million by the Group at 31 March 2020. Cressida Dick, Commissioner, is president of the organisation.

Police Now was established in January 2016 to run the National Graduate Leadership Development Programme. It received £0.223 million and is owed £0.480 million from MOPAC in 2019/20. The Assistant Commissioner of Professionalism is a trustee.

The College of Policing is the professional body for the police services in England and Wales and the Chief of Corporate Services is a member of the Board. MOPAC spent £1.489 million, received £1.331 million, and is owed £0.476 million at year-end.

The National Police Estates Group (NPEG) is a voluntary collaboration of estates professionals from police forces throughout the UK. The Director of Property Services is a member of the NPEG executive team. MOPAC spent £0.117 million with the NPEG in 2019/20.

MOPAC is the member of, and the sole owner of, the Police Crime Prevention Initiatives Ltd (PCPI) which is a company limited by guarantee without share capital. The Chief Executive of MOPAC, prior to her resignation in August 2019, and the Deputy Commissioner are directors of the Company and have influence over the operation and running of the company. Police Crime Prevention Initiatives main operation is through 'secure by design' which supports the principles of 'designing out crime' through physical security and processes. MOPAC spent £0.110 million with Police Crime Prevention Initiatives Ltd in 2019/20. Police Crime Prevention Initiatives is a not for profit company, run for the national good with all money made supporting crime prevention. MOPAC does not receive any financial benefit from this company.

The MOPAC Group administers a number of charities on behalf of third parties. Full details of the charities and their purpose are disclosed in Note 12. In 2019/20 the MOPAC Group paid £10k to the Staff Welfare Fund.

On 26 March 2018, MOPAC acquired 100% of the issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group"), which holds the freehold interest in the Empress State Building (ESB). The other companies within the Empress Holdings Group are Empress State GP Ltd, Empress State Nominee No.1 Ltd, Empress State Nominee No.2 Ltd, Empress State (Jersey) Ltd, C&C Properties (Jersey) Ltd and the Empress State LP. The MOPAC CFO and MPS Director of Property Services were directors of the company throughout 2019/20. The MOPAC CFO resigned this position on 31st March 2020. During 2020 the process to dissolve the Empress Holdings group of companies will continue, and is expected to complete by the end of the year.

# 10. Auditors' remuneration

The audit fee payable to Grant Thornton UK LLP during the year totalled £193,908 (£212,333 in 2018/19 restated) for the Group, of which £101,508 related to MOPAC and £92,400 related to the CPM (£101,508 for MOPAC in 2018/19, £110,825 for CPM - restated).

The Group incurred no other fees payable to Grant Thornton UK LLP in respect of other services provided during the year (£nil in 2018/19)

# 11. Interest payable and similar charges

Interest paid in 2019/20 and 2018/19 is as follows:

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Public Work Loans Board | 10,175 | 6,992 |
| PFI and finance lease | 12,457 | 11,816 |
| Other interest cost | | 71 |
| **Total** | **22,632** | **18,879** |

# 12. Pension costs

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

## 12.1 Police officers

There are 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 2019/20. The Group pays employer contributions at a rate of 31% of pensionable salary into the Fund. Further details of the schemes can be found in the Police Officer Pension Fund Accounts.

The Commissioner is the administering body under the Police Reform and Social Responsibility Act 2011. The Police Officer Pension Fund's Financial Statements and notes are included on Pages 74-76 of this document.

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 Reserves the amounts required by statute as described in the accounting policies Note 2.7 on post employment benefits.

**Police officers' pensions income and expenditure**

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| *Comprehensive Income and Expenditure Statement* | | |
| Cost of Services: | | |
| Service cost comprising: | | |
| Current Service Cost | 752,100 | 716,200 |
| Past service cost | 4,500 | 1,348,200 |
| Transfers in/(out) | 2,300 | 3,100 |
| Actuarial loss/(gain) - injury pensions | (166,800) | (26,000) |
| Financing and Investment Income and Expenditure | | |
| Interest Expense | 803,500 | 877,700 |
| **Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services** | **1,395,600** | **2,919,200** |
| Re-measurement of the defined benefit liability comprising: | | |
| Prior period adjustment to valuation of liability at 1 April 2018 | **0** | **4,900** |

| | | |
|---|---|---|
| Actuarial loss/(gain) arising on changes in demographic assumptions - excluding injury pensions | (234,800) | (2,252,000) |
| Actuarial loss/ (gain) arising on changes in financial and other assumptions - excluding injury pensions | (2,747,500) | 1,713,700 |
| **Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement** | **(2,982,300)** | **(533,400)** |
| *Movement in Reserves Statement (MIRS)* | | |
| Reversal of charges made to Surplus or Deficit on the Provision of Services for post employment benefits | (1,395,600) | (2,919,200) |
| Actual amount charged against the General Reserves Balance for pensions in the year - Pension Costs | 735,400 | 712,200 |

The Table above shows the transactions have been made in the Group CIES and the General Reserves 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 £149.8 million in the year ended 31 March 2020. In the year ended 31 March 2020, employer pension contributions have been charged to the revenue account on the basis of pensions payable in the year and totalled £701.2 million.

In the year to 31 March 2020 the net costs of pensions and other benefits amounted to £736.5 million, representing 58.9% 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 2020 that have been included in the Balance Sheet:

| £ million | 2019/20 | 2018/19 |
|---|---|---|
| Officer members | (13,440) | (14,141) |
| Deferred pensioners | (1,085) | (1,222) |
| Pensioners | (15,232) | (16,598) |
| Injury pensions | (1,393) | (1,512) |
| **Total value of scheme liabilities** | **(31,150)** | **(33,473)** |

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 2020. The movement in the present value of the scheme liabilities for the year to 31 March 2020 can be reconciled as follows:

| £ million | Excluding injury benefits 2019/20 | Excluding injury benefits 2018/19 | Injury benefits only 2019/20 | Injury benefits only 2018/19 |
|---|---|---|---|---|
| **Scheme liabilities at 1 April** | **(31,961)** | **(30,313)** | **(1,512)** | **(1,486)** |
| Adjustment to valuation liability at 1 April* | **0** | **(5)** | **0** | **0** |
| Current service cost including Home Office contribution. | (709) | (675) | (43) | (41) |
| Officer contributions | (150) | (144) | 0 | 0 |
| Benefits paid | 855 | 826 | 0 | 0 |
| Injury award expenditure | 0 | 0 | 31 | 31 |
| Transfers from / to other authorities | (2) | (3) | 0 | 0 |
| Past service cost (injury benefits) | (5) | (1,348) | 0 | 0 |
| Interest cost on pension liabilities. | (767) | (837) | (36) | (41) |
| Re-measurement gains and losses: | | | | |
| Actuarial (loss)/gain arising on changes in demographic assumptions | 235 | 2,252 | 12 | 109 |
| Actuarial (loss)/(gain arising on changes in financial assumptions | 3,057 | (2,418) | 155 | (118) |
| Other Experience | (310) | 704 | 0 | 34 |
| **Scheme liabilities at 31 March** | **(29,757)** | **(31,961)** | **(1,393)** | **(1,512)** |

### Actuarial assumptions

The value of the liabilities for IAS 19 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.

There is also uncertainty around the life expectancy of the UK population. 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 S2NFA and S2NMA "year of birth" tables with future improvement in line with the CMI 2018 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 2019/20 | All Schemes 2018/19 |
|---|---|---|
| Rate of inflation | 2.8% | 3.5% |
| Rate of increase of salary (note i) | 2.8% | 3.5% |
| Rate of increase in pensions | 1.9% | 2.5% |
| Rate for discounting scheme liabilities (note ii) | 2.3% | 2.4% |

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 2018 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 2019/20 | Males 2018/19 | Females 2019/20 | Females 2018/19 |
|---|---|---|---|---|
| Current pensioners | 27.2 years | 27.3 years | 29.2 years | 29.4 years |
| Future pensioners* | 28.3 years | 28.4 years | 30.4 years | 30.6 years |

*Future pensioners are assumed to be aged 45 at 31 March 2020.

***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) | |
|---|---|---|---|---|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| 0.5% decrease in real discount rate | 10% | 10% | 3,194,703 | 3,446,172 |
| 1 year increase in member life expectancy | 3% | 3% | 924,984 | 1,004,178 |
| 0.5% increase in the salary increase rate | 1% | 1% | 368,632 | 484,461 |
| 0.5% increase in the pension increase rate (CPI) | 8% | 8% | 2,480,745 | 2,691,446 |

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

| £ million | 2019/20 | 2018/19 |
|---|---|---|
| Projected current service cost | 624 | 755 |
| Interest on obligation | 715 | 802 |
| **Total** | **1339** | **1,557** |

The weighted average duration of the defined benefit obligation is:

| Weighted average duration | 2019/20 | 2018/19 |
|---|---|---|
| Active members | 27.2 years | 27.1 years |
| Deferred pensioners | 27.5 years | 26.6 years |
| Pensioners | 12.4 years | 12.4 years |
| Injury pensions | 19.9 years | 19.5 years |

**Legal Cases**
The Commissioner, along with other Chief Constables and the Home Office, currently has c.5000 claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019

included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the comings months to be followed by primary legislation and scheme regulation.

Impact on pension liability
Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for the Commissioner of Police for the Metropolis to be approximately 4.4% or £1.4bn of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-19 accounts. In 2019-20, scheme actuaries have reviewed these assumptions at a force level and have estimated a further increase of £309.6m in scheme liabilities. This increase reflects a change in assumptions and therefore represents a loss on remeasurement and reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

Compensation Claims
The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June for non-pecuniary claims and September for pecuniary claims. As at 31 March 2020, it is not possible to estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

**Guaranteed Minimum Pension**
In respect of Guaranteed Minimum Pension, the actuary has only allowed for Guaranteed Minimum Pension full indexation for active members. No adjustment has been made for pensioners and deferred members. Given the inherent uncertainty surrounding the calculations, we have deemed that this is a reasonable approach and would not lead to a material adjustment to the pension liability.

## 12.2 Police staff

The Civil Service pension scheme is an unfunded multi-employer defined benefit scheme (see accounting policies Note 2.7 for details of membership). The Group is unable to identify its share of the underlying assets and liabilities with the result that under IAS 19 the scheme is accounted for as a defined contribution scheme with the cost of pension contributions into the scheme recognised in the Accounts but no share of scheme assets or liabilities recognised on the Balance Sheet.

A full actuarial valuation was carried out at 31 March 2016. More information can be found in the Cabinet Office: Civil Superannuation Accounts: https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)

For the year ended 31 March 2020, employer's contributions of £108.3 million were payable to the Cabinet Office at one of four rates in the range 26.6 to 30.3 percent of pensionable pay, based on salary bands. In the year to 31 March 2020, the net cost of pensions amounted to £110.8 million, representing 27% of pensionable pay. The CPM is not liable for any other entities' obligations under the plan.

# 13. Other operating expenditure

## 13.1 Gains and losses on disposal of non-current assets

The following gains and losses were made on disposal of property (land and building), plant and equipment:

| | 2019/20 | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| £000 | Property | Vehicles | Total | Property | Vehicles | Total |
| Losses | 2,726 | 1,808 | 4,534 | 602 | 766 | 1,368 |
| Gains | (3,317) | (92) | (3,409) | (755) | (42) | (797) |
| **Net (gain)/loss** | **(591)** | **1,716** | **1,125** | **(153)** | **724** | **571** |

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

# 14. Non-specific grant income

The Greater London Authority precepts London Boroughs for Council Tax and receives Police Formula Grant, Police Revenue Grant and Council Tax Support Grant directly from central government. The central funding allocated and the police precept for the year ended 31 March 2020 was:

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Retained Business Rates | (219,979) | (92,500) |
| Formula Grant | (754,183) | (739,294) |
| Police Precept | (743,684) | (641,371) |
| Police Revenue Grant | (1,053,263) | (1,023,099) |
| Council Tax Support | (119,676) | (119,676) |
| **Total** | **(2,890,785)** | **(2,615,940)** |

# 14.1 Capital grants

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

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Capital grants | **(39,729)** | **(54,539)** |

# 15. Specific grants

The Group received the following grants for specific operational activities:

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Home Office - Counter Terrorism | (364,383) | (332,186) |
| Home Office - CT Protective Security Grant | (148,429) | (131,891) |
| Ministry of Justice - Victim Services | (11,605) | (10,338) |
| Home Office – Innovation/Transformation | (10,285) | (6,347) |
| Home Office – Specific Operational Projects | (134,226) | (43,223) |
| Miscellaneous grants | (42) | (369) |
| Partnership Funding | (13,087) | (14,023) |
| **Total** | **(682,057)** | **(538,377)** |

# 16. Group and MOPAC non current assets at 31 March 2020

| £000 | Property | Plant and equipment | Assets under construction | Surplus Assets | Sub total | Heritage assets | Investment properties | Intangible assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation at 1 April 2019** | **2,012,091** | **984,525** | **259,586** | **72,984** | **3,329,186** | **1,321** | **9,029** | **12,539** | **3,352,075** |
| Reclassifications (transfers) | 92,576 | 65,209 | (89,817) | (67,968) | 0 | | | | **0** |
| Transfer assets held for sale | (58,034) | (3,690) | 0 | 0 | (61,724) | 0 | 0 | | **(61,724)** |
| Additions | 1,185 | 85,199 | 163,424 | 0 | 249,808 | 0 | 0 | | **249,808** |
| Donated assets/ other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | **0** |
| Disposals | (56,273) | (528,982) | 0 | 0 | (585,255) | 0 | 0 | 0 | **(585,255)** |
| Impairment | 0 | 0 | (8,164) | 0 | (8,164) | 0 | 0 | 0 | **(8,164)** |
| Revaluation movements through CIES | (31,737) | 0 | 0 | (175) | (31,912) | 0 | (2,540) | 0 | **(34,452)** |
| Revaluation movements in reserves | 21,293 | 0 | 0 | 13,039 | 34,332 | 0 | 0 | 0 | **34,332** |
| **Cost or valuation at 31 March 2020** | **1,981,101** | **602,261** | **325,029** | **17,880** | **2,926,271** | **1,321** | **6,489** | **12,539** | **2,946,620** |
| **Depreciation at 1 April 2019** | **(153,735)** | **(782,737)** | **0** | **(713)** | **(937,185)** | **(11)** | **(14)** | **(7,270)** | **(944,480)** |
| Depreciation/amortisation for the year | (79,585) | (94,856) | 0 | (204) | (174,645) | 0 | 0 | (2,129) | **(176,774)** |
| Redundant depreciation | 70,228 | 0 | 0 | 390 | 70,618 | 0 | 0 | 0 | **70,618** |
| Depreciation on assets sold | 53,405 | 527,420 | 0 | | 580,825 | 0 | 0 | 0 | **580,825** |
| Depreciation on transferred assets | 1,228 | 3,478 | 0 | 1 | 4,707 | 0 | 0 | 0 | **4,707** |
| **Depreciation at 31 March 2020** | **(108,459)** | **(346,695)** | **0** | **(526)** | **(455,680)** | **(11)** | **(14)** | **(9,399)** | **(465,104)** |
| **Net Book Value at 31 March 2020** | **1,872,642** | **255,566** | **325,029** | **17,354** | **2,470,591** | **1,310** | **6,475** | **3,140** | **2,481,516** |
| **Net Book Value at 31 March 2019** | **1,858,356** | **201,788** | **259,586** | **72,271** | **2,392,001** | **1,310** | **9,015** | **5,269** | **2,407,595** |

The Group's Property portfolio consists of 89 (89 in 2018/19) police stations, 87 (92 in 2018/19) residential properties, and 279 (319 in 2018/19) other operational buildings including Safer Neighbourhood bases, patrol bases, headquarter buildings and offices. There are also 4 (4 in 2018/19) investment properties. The Group also operates 5,567 (5,542 in 2018/19) patrol cars, motorbikes and other vehicles, 26 (27 in 2018/19) boats including inflatables and dinghies.

# 16. Group and MOPAC non current assets at 31 March 2019

| £000 | Property | Plant and equipment | Assets under construction | Surplus Assets | Sub total | Heritage assets | Investment properties | Intangible assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation at 1 April 2018** | **1,843,883** | **870,637** | **215,546** | **79,740** | **3,009,806** | **1,321** | **5,944** | **7,008** | **3,024,079** |
| Reclassifications (transfers) | 48,413 | 108,281 | (166,031) | 3,806 | (5,531) | 0 | 0 | 5,531 | **0** |
| Transfer assets held for sale | (10,690) | (3,726) | 0 | 0 | (14,416) | 0 | 0 | 0 | **(14,416)** |
| Additions | 0 | 21,948 | 210,071 | 0 | 232,019 | 0 | 0 | 0 | **232,019** |
| Donated assets/ other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals | (12,487) | (12,615) | 0 | 0 | (25,102) | 0 | 0 | 0 | **(25,102)** |
| Impairment | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation movements through CIES | (56,657) | 0 | 0 | 342 | (56,315) | 0 | 3,085 | 0 | **(53,230)** |
| Revaluation movements in reserves | 199,629 | 0 | 0 | (10,904) | 188,725 | 0 | 0 | 0 | **188,725** |
| **Cost or valuation at 31 March 2019** | **2,012,091** | **984,525** | **259,586** | **72,984** | **3,329,186** | **1,321** | **9,029** | **12,539** | **3,352,075** |
| **Depreciation at 1 April 2018** | **(146,029)** | **(700,099)** | **0** | **(516)** | **(846,644)** | **(11)** | **(14)** | **(5,773)** | **(852,442)** |
| Depreciation/amortisation for the year | (75,049) | (98,141) | 0 | (1,938) | (175,128) | 0 | 0 | (1,497) | **(176,625)** |
| Redundant depreciation | 58,158 | 0 | 0 | 1,047 | 59,205 | 0 | 0 | 0 | **59,205** |
| Depreciation on assets sold | 6,968 | 12,024 | 0 | 0 | 18,992 | 0 | 0 | 0 | **18,992** |
| Depreciation on transferred assets | 2,217 | 3,479 | 0 | 694 | 6,390 | 0 | 0 | 0 | **6,390** |
| **Depreciation at 31 March 2019** | **(153,735)** | **(782,737)** | **0** | **(713)** | **(937,185)** | **(11)** | **(14)** | **(7,270)** | **(944,480)** |
| **Net Book Value at 31 March 2019** | **1,858,356** | **201,788** | **259,586** | **72,271** | **2,392,001** | **1,310** | **9,015** | **5,269** | **2,407,595** |
| **Net Book Value at 31 March 2018** | **1,697,854** | **170,538** | **215,546** | **79,224** | **2,163,162** | **1,310** | **5,930** | **1,235** | **2,171,637** |

## 16.1 Basis of valuation

MOPAC's operational property was revalued as at 30 September 2019 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 Montagu Evans (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 2019 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 Montagu Evans ensuring that all of the residential properties are subject to inspection and revaluation at least once every five years.

To assess price movements and other adjustments between 1 October 2019 and the 31 March 2020 the valuer also provided an assessment of the valuations as at 31 March 2020, based on a desk top exercise, to confirm that the valuations provided were still materially sound. 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.

Investment properties and surplus assets were revalued as at 30 September 2019 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 investment portfolio as Level 2 inputs in the fair value hierarchy.

At 31 March 2020 the group carrying value of investment properties was £6.5 million, (2019 £9 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 2020.

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 £90 million were made for those assets under construction, which were completed and became operating assets.

## 16.2 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 £70.6 million is shown in Note 16.

## 16.3 Impairment

Management has considered the condition of Non-Current Assets and concluded that there is no indication that any impairment is needed to be recognised for this financial year.

## 16.4 Capital Financing Requirement

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

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| **Opening Capital Financing Requirement** | **693,228** | **601,799** |
| **Capital Investment** | | |
| Property | 1,185 | 90,621 |
| Plant and equipment | 85,199 | 137,425 |
| Intangible assets | 0 | 3,971 |
| Assets under construction | 163,423 | 0 |
| Investment properties | | 0 |
| **Sources of finance** | | |
| Capital receipts | (11,804) | (5,049) |
| Government grants and other contributions | (52,541) | (54,539) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (10,852) | (55,263) |
| Minimum Revenue Provision | (33,245) | (25,737) |
| **Closing Capital Financing Requirement** | **834,593** | **693,228** |
| **Explanation of movements in year** | | |
| (Decrease)/increase in underlying need to borrow (supported by government financial assistance) | (10,888) | (11,341) |
| (Decrease)/Increase in underlying need to borrow (unsupported by government financial assistance) | 157,504 | 105,825 |
| (Decrease)/increase in underlying need to borrow for PFI and Finance Lease assets | (5,251) | (3,053) |
| **Increase in Capital Financing Requirement** | **141,365** | **91,431** |

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 2020 MOPAC has made an MRP charge based on:

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

## 16.5 PFI assets

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

The other PFI contract is for the provision of four police stations across south east London including the provision of all necessary structures, office accommodation, support services and equipment. The Agreement is for a period of 25 years commencing January 2004 and provides for a price review of defined services every 5 years. At the end of the 25 year period the stations will be returned to the operator at no cost, 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 | 2019/20 | 2018/19 |
|---|---|---|
| **Balance as at 1 April** | **118,577** | **138,215** |
| Additions | 0 | 0 |
| Depreciation for year | (13,233) | (11,898) |
| Redundant depreciation | 11,609 | 13,381 |
| Transfer from work in progress | 0 | 71 |
| Revaluation movement | 4,318 | (21,192) |
| **Balance as at 31 March** | **121,271** | **118,577** |

## 16.6 Payment analysis

The PFI agreements impose 25 year commitments on the Group from occupation and use of the facilities from 2003 and 2004. The unitary payments to be made under the PFI contracts as at 31 March 2020 are shown below. PFI liabilities are shown in Note 28.1

| | Payment Analysis 2019/20 | | | |
|---|---|---|---|---|
| £000 | Liability | Interest | Service charge | Total |
| Within 1 year | 5,784 | 11,194 | 13,038 | 30,016 |
| 2 to 5 years | 24,245 | 41,777 | 62,054 | 128,076 |
| 6 to 10 years | 36,180 | 42,537 | 48,885 | 127,602 |
| 11 to 15 years | 0 | 0 | 0 | 0 |
| **Total** | **66,209** | **95,508** | **123,977** | **285,694** |

| | Payment Analysis 2018/19 | | | |
|---|---|---|---|---|
| £000 | Liability | Interest | Service charge | Total |
| Within 1 year | 5,014 | 10,965 | 13,275 | 29,254 |
| 2 to 5 years | 22,597 | 42,104 | 60,128 | 124,829 |
| 6 to 10 years | 43,054 | 52,796 | 62,879 | 158,729 |
| 11 to 15 years | 559 | 608 | 969 | 2136 |
| **Total** | **71,224** | **106,473** | **137,251** | **314,948** |

## 16.7 Leases

### MOPAC as lessee

*Operating leases*

The Group has acquired a large and diverse portfolio of property leases, for example, office accommodation, police stations and patrol bases. In addition the Group leases include many safer neighbourhood offices, most of which have 10 year lives. In the year to 31 March 2020, the Group spent £21.1 million on operating leases for property and £0.2 million on operating leases for vehicles, most of which have 3 year lives. The lease payments due under non-cancellable leases in future years are:

| | 31 March 2020 | | 31 March 2019 | |
|---|---|---|---|---|
| £000 | Property | Vehicles | Property | Vehicles |
| **Operating leases** | | | | |
| Not later than 1 year | 10,541 | 206 | 9,521 | 261 |
| Later than 1 year and not later than 5 years | 26,494 | 226 | 18,226 | 396 |
| Later than 5 years | 12,267 | 0 | 13,276 | 0 |
| **Total** | **49,302** | **432** | **41,023** | **657** |

*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 2020 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 | 2019/20 | 2018/19 |
|---|---|---|
| **Opening value 1 April** | **82,226** | **71,756** |
| Additions | 369 | 5,914 |
| Revaluations | 2,613 | 9,829 |
| Disposal | (322) | 0 |
| Depreciation | 3,898 | (5,273) |
| **Net carrying value 31 March** | **88,784** | **82,226** |

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 2019/20 £1.2 million contingent rents were paid by the Group.

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

| £000 | 31 March 2020 | 31 March 2019 |
|---|---|---|
| Current liability | 259 | 237 |
| Long term liability | 6,854 | 7,112 |
| Finance costs payable in future years | 16,026 | 16,732 |
| **Total of minimum lease payments (Net Present Value)** | **23,139** | **24,081** |

The minimum lease payments payable over the following periods are:

| | Minimum lease payments | | Finance lease liabilities | |
|---|---|---|---|---|
| £000 | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2019 |
| Not later than 1 year | 942 | 942 | 259 | 237 |
| Later than 1 year and not later than 5 years | 3,295 | 3,611 | 814 | 1,040 |
| Later than 5 years | 18,902 | 19,528 | 6,040 | 6,073 |
| **Total** | **23,139** | **24,081** | **7,113** | **7,350** |

**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 £2.3 million (£2.2 million in 2018/19). The current lease payments receivable under non-cancellable leases in future years are:

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Not later than 1 year | 254 | 327 |
| Later than 1 year and not later than 5 years | 1,017 | 1,017 |
| Later than 5 years | 1,758 | 2,012 |
| **Total** | **3,029** | **3,356** |

The Group has not granted any finance leases.

## 16.8 Component assets

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

## 16.9 Heritage assets

The Group looks after heritage assets which are recognised on the Balance Sheet (see note 16). Heritage Assets were donated or purchased and are held at valuation as a proxy for historical

cost. In applying the accounting policy, the Group has identified that the assets have a value of £1.3 million.

The Group maintains a large museum collection including paintings, police clothing, helmets, medals, and records, a selection of which are on display to the public at the Met Collection, Empress State Building. All of these items were valued in 2008/09 by an independent valuer and are currently held on the Balance Sheet at a value of £1.25 million. MOPAC also has a collection of exhibits from high profile/noteworthy crimes. 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 16 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 £60,000.

### 16.10 Future capital expenditure commitments

| £000 | 2020/21 and later years | 2019/20 and later years |
|---|---|---|
| IT Projects | 135,198 | 124,525 |
| Building Works | 90,993 | 90,891 |
| Vehicles. Plant and Equipment | 3,701 | 4,791 |
| **Total** | **229,892** | **220,207** |

## 17. Interest in subsidiaries

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Opening balances | 0 | 251,837 |
| Investments in subsidiaries | 0 | (251,837) |
| **Total** | **0** | **0** |

On 26 March 2018 the Group acquired the entire issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group") which holds the freehold interest in the Empress State Building. The intention of this was to facilitate the purchase of ESB.

On 3 April 2018 the beneficial interest in Empress State Building was transferred to MOPAC. Empress State Building has been classified under Property, Plant and Equipment in the MOPAC single entity accounts at 31 March 2019. The net residual interest in the Empress Holdings Group for MOPAC at 31 March 2020 is the issued share capital which is valued at nil.

There exist a number of financial instruments between MOPAC and the Empress Holdings Group as set out below. There is no intention for these financial instruments to settled by an outflow/inflow of economic benefit, and will be offset when the Empress Holdings Group is wound up (anticipated during 2020/21). As a result, under IAS 32, these financial instruments have been offset and the net position (£nil million) recorded in the Balance Sheet of MOPAC.

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Financial assets – loans receivable | 250,000 | 250,000 |
| Financial liabilities – promissory notes | (250,000) | (250,000) |
| **Total** | **0** | 0 |

# 18. Long term debtors

Long Term Debtors represent income which is receivable more than twelve months from the balance sheet date relating to the transfer of the Air Support Unit to the National Police Air Service.

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Accrued income | 0 | 158 |
| **Balance per balance sheet** | **0** | **158** |

# 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 | 2019/20 | 2018/19 |
|---|---|---|
| Opening balance | 8,026 | 176 |
| Additional assets identified for disposal | 57,017 | 8,026 |
| Revaluation gains (losses) | 0 | 0 |
| Assets which are no longer being actively marketed | 0 | 0 |
| Assets disposed in year | (8,026) | (176) |
| **Total** | **57,017** | **8,026** |

# 20. Short term debtors

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Trade receivables | 20,042 | 20,983 |
| Prepayments | 21,860 | 21,914 |
| Accrued income | 207,308 | 203,182 |
| Other receivable amounts | 53,394 | 43,334 |
| **Total before impairment loss allowance** | **302,604** | **289,413** |
| Impairment loss allowance | (624) | (653) |
| **Balance per balance sheet** | **301,980** | **288,760** |

'Short term debtors' represent assets which are expected to be realised within 12 months after the reporting date.

# 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 | 2019/20 | 2018/19 |
|---|---|---|
| **Banks and financial Institutions** | **14,630** | **26,304** |

## 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 | 2019/20 | 2018/19 |
|---|---|---|
| **Banks and financial Institutions** | **13,189** | **13,118** |

## 23. Short term creditors

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| Trade payables | (36,745) | (60,148) |
| Accruals | (238,965) | (271,431) |
| GRNI | (81,674) | (48,538) |
| Other payables | (81,531) | (77,527) |
| **MOPAC Group balance** | **(438,915)** | **(457,644)** |
| **Intra-group creditor (see Note 6.2)** | **(127,888)** | **(108,139)** |
| **MOPAC balance** | **(311,027)** | **(349,505)** |

## 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) | Note | 2019/20 | 2018/19 |
|---|---|---|---|
| Public Works Loan Board | | (13,600) | (13,600) |
| Local authorities | | 0 | 0 |
| PFI liabilities | 28.1 | (5,784) | (5,014) |
| Finance lease liabilities | 28.1 | (259) | (237) |
| **Balance** | | **(19,643)** | **(18,851)** |

# 25. Third party monies

| Fund Name<br>£000s 2019/20 | Income | Expenditure | Assets | Liabilities |
|---|---|---|---|---|
| MOPAC Police Property Act Fund | 519 | 2,052 | 18,276 | 0 |
| MOPAC Detained Monies Account | 4,679 | 1,988 | 9,759 | 0 |
| Metropolitan Police Benevolent Fund | 2,530 | 2,830 | 4,439 | 372 |
| Metropolitan Police Commissioner's Fund | 45 | 30 | 653 | 10 |
| Metropolitan Police Sports Fund | 372 | 391 | 273 | 5 |
| Metropolitan Police Staff Welfare Fund | 21 | 37 | 226 | 1 |
| Metropolitan Police Athletic Association | 1,933 | 1,441 | 1,596 | 117 |
| COMETS | 72 | 68 | 160 | 15 |
| **Total** | **10,171** | **8,837** | **35,382** | **520** |

| Fund Name<br>£000s 2018/19 | Income | Expenditure | Assets | Liabilities |
|---|---|---|---|---|
| MOPAC Police Property Act Fund | 2,821 | 1,612 | 19,809 | 0 |
| MOPAC Detained Monies Account | 3,990 | 2,839 | 7,068 | 0 |
| Metropolitan Police Benevolent Fund | 2,605 | 2,831 | 4,463 | 459 |
| Metropolitan Police Commissioner's Fund | 23 | 12 | 568 | 8 |
| Metropolitan Police Sports Fund | 418 | 422 | 292 | 5 |
| Metropolitan Police Staff Welfare Fund | 19 | 27 | 245 | 0 |
| Metropolitan Police Athletic Association | 1,891 | 1,393 | 1,610 | 121 |
| COMETS | 74 | 71 | 148 | 8 |
| **Total** | **11,841** | **9,207** | **34,203** | **601** |

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 2020 and values at their financial year-end dates, are given above.

***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, retired police officers or their dependents 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.

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 wellbeing 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 40 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 | 2019/20 | 2018/19 |
|---|---|---|
| Proceeds Of Crime Act monies | 37,078 | 42,873 |
| Prisoners' property and lost cash | 2,637 | 1,130 |
| Other | 830 | 850 |
| **Total** | **40,545** | **44,853** |

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 2020 and has therefore been stated separately from the Police Property Act Fund value.

# 26. Provisions

## 26.1 Short term provisions

| £000 | Third party liabilities | Other provisions | Total |
|---|---|---|---|
| **Balance at 1 April 2018** | **(12,568)** | **(9,538)** | **(22,106)** |
| Additional provisions made in 2018/19 | (4,660) | (408) | (5,068) |
| Amounts used in 2018/19 | 12,567 | 3,609 | 16,176 |
| Reduction in provisions made in 2018/19 | 0 | 1,253 | 1,253 |
| Transfer to/(from) long term | (4,760) | 0 | (4,760) |
| **Balance at 31 March 2019** | **(9,421)** | **(5,084)** | **(14,505)** |
| Additional provisions made in 2019/20 | (12,101) | (1,000) | (13,101) |
| Amounts used in 2019/20 | 9,421 | 565 | 9,986 |
| Reduction in provisions made in 2019/20 | | 452 | 452 |
| Transfer to/(from) long term | (789) | (33) | (822) |
| **Balance at 31 March 2020** | **(12,890)** | **(5,100)** | **(17,990)** |

## 26.2 Long term provisions

| £000 | Third party liabilities | Other provisions | Total |
|---|---|---|---|
| **Balance at 1 April 2018** | **(12,567)** | **(4,700)** | **(17,267)** |
| Additional provisions made in 2018/19 | (4,661) | | (4,661) |
| Reduction in provisions made in 2018/19 | 0 | 135 | 135 |
| Amounts used in 2018/19 | 3,047 | | 3,047 |
| Transfer to/(from) short term | 4,760 | | 4,760 |
| **Balance at 31 March 2019** | **(9,421)** | **(4,565)** | **(13,986)** |
| Additional provisions made in 2019/20 | (10,991) | 0 | (10,991) |
| Reduction in provisions made in 2019/20 | 0 | 0 | 0 |
| Amounts used in 2019/20 | 7,916 | 0 | 7,916 |
| Transfer to/(from) short term | 789 | 33 | 822 |
| **Balance at 31 March 2020** | **(11,707)** | **(4,532)** | **(16,239)** |

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 £24.6 million (of which £11.7m is long term). At 31 March 2019 the value of this provision was £18.8 million (of which £9.4m was long term). Over the course of the year agreed claims have been paid from this account totalling £17.3million.

Other provisions total £9.6 million and consist of:

- A provision of £4.1 million in respect of other legal claims;
- A provision for officer injury awards of £4.5 million;
- A provision of £1.0m in respect of other employee related costs;

# 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 | 2019/20 | 2018/19 |
|---|---|---|
| **Loans** | **(289,350)** | **(302,950)** |
| Analysis of loans by maturity: | | |
| Between 1 and 2 years | (1,600) | (13,600) |
| Between 2 and 5 years | (10,000) | (5,000) |
| Between 5 and 10 years | (17,500) | (18,000) |
| Over 10 years | (260,250) | (266,350) |

# 28. Long term contractor liability

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

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| PFI liability | (60,425) | (66,210) |
| Finance lease liability | (6,854) | (7,112) |
| **Balance at 31 March** | **(67,279)** | **(73,322)** |

## 28.1 PFI and finance lease contracts

Analysis of contractor liabilities between short term and long term.

| £000 | 2019/20 PFI liability | 2018/19 PFI liability | 2019/20 Finance lease liability | 2018/19 Finance lease liability |
|---|---|---|---|---|
| Balance as at 1 April | (71,224) | (74,061) | (7,349) | (5,184) |
| Net movement in year | 5,014 | 2,837 | 236 | (2,165) |
| **Total liability** | **(66,210)** | **(71,224)** | **(7,113)** | **(7,349)** |
| **Classified as:** | | | | |
| Short term liability | (5,784) | (5,014) | (259) | (237) |
| Long term liability | (60,425) | (66,210) | (6,854) | (7,112) |

# 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 - Group and MOPAC 2019/20**

| £000 | Revaluation reserve | Capital adjustment account | Accumulated absences account | Police officer pension | Deferred capital receipts | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 April 2019** | **(550,997)** | **(1,168,959)** | **108,139** | **33,472,600** | **(634)** | **31,860,149** |
| Upward revaluation of assets | (104,951) | 0 | 0 | 0 | 0 | **(104,951)** |
| Difference between fair value and historic cost depreciation | 29,633 | (29,633) | 0 | 0 | 0 | **0** |
| Accumulated gains on assets disposed | 2,263 | (2,263) | 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 | 0 | 0 | 0 | 0 | 0 | **0** |
| Statutory provision for financing capital investment charged against CIES (MRP) | 0 | (33,245) | 0 | 0 | 0 | **(33,245)** |
| Revaluation losses/(gains) on L&B | 0 | 31,913 | 0 | 0 | 0 | **31,913** |
| Depreciation and impairment | 0 | 182,445 | 0 | 0 | 0 | **182,445** |
| Amortisation of intangible assets | 0 | 2,129 | 0 | 0 | 0 | **2,129** |
| Movements in market value of investment property | 0 | 2,540 | 0 | 0 | 0 | **2,540** |
| Amounts written out on disposal | 0 | 12,454 | 0 | 0 | 0 | **12,454** |
| Capital grants and contributions credited to CIES applied to capital finance | 0 | (24,757) | 0 | 0 | 0 | **(24,757)** |
| Application of grants from capital grants unapplied account | 0 | (27,784) | 0 | 0 | 0 | **(27,784)** |
| Use of capital receipts reserve | 0 | (11,804) | 0 | 0 | 0 | **(11,804)** |
| Capital expenditure charged against CIES | 0 | (10,852) | 0 | 0 | 0 | **(10,852)** |
| Movement of reserves | 0 | 0 | 19,749 | (2,322,100) | 0 | **(2,302,351)** |
| Donated assets | 0 | 0 | 0 | 0 | 0 | **0** |
| Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES | 0 | 0 | 0 | 0 | 476 | 476 |
| **Balance as at 31 March 2020** | **(624,052)** | **(1,077,816)** | **127,888** | **31,150,500** | **(158)** | **29,576,362** |

**Movements on unusable reserves - Group and MOPAC 2018/19**

| £000 | Revaluation reserve | Capital adjustment account | Accumulated absences account | Police officer pension | Deferred capital receipts | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 April 2018** | **(332,075)** | **(1,237,892)** | **104,897** | **31,799,000** | **(1,425)** | **30,332,505** |
| Upward revaluation of assets | (385,907) | | | | | **(385,907)** |
| Difference between fair value and historic cost depreciation | 22,957 | (22,957) | 0 | 0 | 0 | **0** |
| Accumulated gains on assets disposed | 2,573 | (2,573) | 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 | 141,455 | 0 | 0 | 0 | 0 | **141,455** |
| Statutory provision for financing capital investment charged against CIES (MRP) | 0 | (25,737) | 0 | 0 | 0 | **(25,737)** |
| Revaluation losses/(gains) on L&B | 0 | 56,657 | 0 | 0 | 0 | **56,657** |
| Depreciation and impairment | 0 | 175,153 | 0 | 0 | 0 | **175,153** |
| Amortisation of intangible assets | 0 | 1,497 | 0 | 0 | 0 | **1,497** |
| Movements in market value of investment property | 0 | (3,085) | 0 | 0 | 0 | **(3,085)** |
| Amounts written out on disposal | 0 | 4,828 | 0 | 0 | 0 | **4,828** |
| Capital grants and contributions credited to CIES applied to capital finance | 0 | (39,679) | 0 | 0 | 0 | **(39,679)** |
| Application of grants from capital grants unapplied account | 0 | (14,860) | 0 | 0 | 0 | **(14,860)** |
| Use of capital receipts reserve | 0 | (5,048) | 0 | 0 | 0 | **(5,048)** |
| Capital expenditure charged against CIES | 0 | (55,263) | 0 | 0 | 0 | **(55,263)** |
| Movement of reserves | 0 | 0 | 3,242 | 1,673,600 | | **1,676,842** |
| Donated assets | 0 | 0 | 0 | 0 | 0 | **0** |
| Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the CIES | 0 | 0 | 0 | 0 | 791 | **791** |
| **Balance as at 31 March 2019** | **(550,997)** | **(1,168,959)** | **108,139** | **33,472,600** | **(634)** | **31,860,149** |

## 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 2020. 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 2020.

## 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.

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Reserves Balance from accruing for unused accumulated absences as at 31 March 2020. Statutory arrangements require that the impact on the General Reserves 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 31 March 2018** | **0** | **(17,566)** | **(17,566)** |
| Proceeds of disposals | (5,049) | | **(5,049)** |
| Financing of fixed assets | 5,049 | 14,860 | **19,909** |
| Capital grants | | (14,860) | **(14,860)** |
| **Balance at 31 March 2019** | **0** | **(17,566)** | **(17,566)** |
| Proceeds of disposals | (11,804) | 0 | **(11,804)** |
| Financing of fixed assets | 11,804 | 27,784 | **39,588** |
| Capital grants | 0 | (14,972) | **(14,972)** |
| **Balance at 31 March 2020** | **0** | **(4,754)** | **(4,754)** |
| **Net movement for 2018/19** | **0** | **0** | **0** |
| **Net movement for 2019/20** | **0** | **12,812** | **12,812** |

### 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

As part of our work to create and publish a MPS / MOPAC Reserves Strategy we undertook a fundamental review of reserves in 2019/20. This has involved reviewing each reserve held on the balance sheet and assessing whether it was still required for the original purpose as well as assessing the need for reserves balances for other purposes. The result has been a strategic decision to realign some balances to previously existing or new purposes, as well as a restatement of our reserves in a format required by the Minister for Policing and the Fire Service.

| £000 | Balance at 31 March 2018 | Transfer to | Transfer from | Balance at 31 March 2019 | Transfer to | Transfer from | Balance at 31 March 2020 |
|---|---|---|---|---|---|---|---|
| Supporting OMM and local change | (34,597) | (15,253) | 14,154 | (35,696) | (17,672) | 12,730 | (40,638) |
| Property | (19,901) | (23,268) | 0 | (43,169) | (17,318) | 0 | (60,487) |
| Historical public inquires | (9,635) | 0 | 3,642 | (5,993) | 0 | 1,201 | (4,792) |
| Operational Costs | (9,760) | (2,742) | 1,284 | (11,218) | (21,358) | 2,519 | (30,057) |
| Insurance | (6,680) | 0 | 0 | (6,680) | 0 | 0 | (6,680) |
| Other earmarked (POCA) | (6,949) | 0 | 301 | (6,648) | (132) | 737 | (6,043) |
| Vetting Delays | (1,100) | 0 | 0 | (1,100) | 0 | 0 | (1,100) |
| Specifically funded for third parties | (16,084) | (1,142) | 1,646 | (15,580) | (242) | 0 | (15,822) |
| Business Group initiatives | (7,330) | 0 | 1,884 | (5,446) | (1,800) | 698 | (6,548) |
| Business Rates | 0 | 0 | 0 | 0 | (118,600) | 0 | (118,600) |
| Managing Officer FTEs | (27,100) | (9,100) | 0 | (36,200) | (21,900) | 0 | (58,100) |
| MOPAC | (15,267) | (1,030) | 0 | (16,297) | (9,402) | 0 | (25,699) |
| **Total earmarked reserves** | **(154,403)** | **(52,535)** | **22,911** | **(184,027)** | **(208,424)** | **17,885** | **(374,566)** |
| Emergencies Contingency Fund | (23,093) | 0 | 0 | (23,093) | 0 | 0 | (23,093) |
| General revenue reserve | (23,483) | 0 | 0 | (23,483) | (17,000) | 0 | (40,483) |
| **Total General reserves** | **(46,576)** | **0** | **0** | **(46,576)** | **(17,000)** | **0** | **(63,576)** |
| **Total MOPAC revenue reserves** | **(200,979)** | **(52,535)** | **22,911** | **(230,603)** | **(225,424)** | **17,885** | **(438,142)** |
| National functions - NPCC | (608) | (445) | 608 | (445) | 0 | 445 | 0 |
| National functions - NPoCC | (900) | (9) | 302 | (607) | (182) | 0 | (789) |
| National functions – Police Reform | (1,607) | 0 | 301 | (1,306) | 0 | 1,306 | 0 |
| **Total National Functions** | **(3,115)** | **(454)** | **1,211** | **(2,358)** | **(182)** | **1,751** | **(789)** |
| **Total Revenue Reserves** | **(204,094)** | **(52,989)** | **24,122** | **(232,961)** | **(225,606)** | **19,636** | **(438,931)** |

**Supporting OMM and local change**
The Supporting OMM and local change reserve is set aside to fund various modernisation programmes including to cover the cost for early departures.

**Property related costs**
This covers 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 as part of our central estates strategy.

**Historical public inquiries**
The reserves are to fund the provision of resources to respond to requests for information and other requirements arising from the work of the public inquiries.

**Operational costs**
The Operational costs reserves exist to fund a number of specific operational requirements.

**Insurance**
To cover our insurance costs in line with the insurance strategy.

**Managing Officer FTEs**
This reserve was established in 2017/18 to enable forward planning on the level of officer FTEs over the medium term by planning for underspends in police pay in 2017/18, 2018/19 and 2019/20 which can be moved to reserves and then released in 2020/21 and 2021/22 to maintain officer FTEs at the target level. This gives the MPS a steady officer establishment over the medium term allowing improved operational planning. It is based on a set of assumptions for costs and funding – these assumptions do not include any future grant reductions via a new Spending Review or Funding Formula review.

**MOPAC**
MOPAC hold reserves which are allocated towards funding commissioning activities which supports the delivery of the Mayor's Police and Crime Plan priorities.

**Other reserves**
The following reserves are also held by MOPAC:

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

## 29.4 General revenue reserve

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 that cannot be contained within the budget.

In 2019/20 the General Reserve component of uncommitted reserves increased by £17m primarily as a result of MOPAC releasing some reserves that were previously earmarked for specific activities. The combined total of the General Reserve and the Emergency Contingency Fund has risen from £46.6m at 1st April 2019 to £63.6m the end of March 2020.

# 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 2019/20:

| Group and MOPAC £000 | General Reserves | Capital receipts reserve | Capital Grants Unapplied Account | Unusable reserves |
|---|---|---|---|---|
| ***Adjustments to the CIES*** | | | | |
| Pension costs (transferred to (or from) the Pension Reserve) | (660,200) | 0 | 0 | 660,200 |
| Holiday pay (transferred to the accumulated absences reserve | (19,749) | 0 | 0 | 19,749 |
| Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (231,481) | 0 | 0 | 231,481 |
| **Total adjustments to the CIES** | **(911,430)** | **0** | **0** | **911,430** |
| **Adjustments between reserves and capital resources** | | | | |
| Transfer of non-current asset sale proceeds from reserves to the capital receipts reserve | 11,328 | (11,328) | 0 | 0 |
| Deferred sale proceeds | 0 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt (transfer to Capital Adjustment Account) | 33,245 | 0 | 0 | (33,245) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 10,852 | 0 | 0 | (10,852) |
| **Total adjustment between reserves and capital resources** | **55,425** | **(11,328)** | **0** | **(44,097)** |
| **Adjustments to capital resources** | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 11,804 | 0 | (11,804) |
| Application of capital grants to finance capital expenditure | 39,729 | 0 | 12,812 | (52,541) |
| Cash payments in relation to deferred capital receipts | 0 | (476) | 0 | 476 |
| **Total capital financing adjustments** | **39,729** | **11,328** | **12,812** | **(63,869)** |
| **Total adjustments - MOPAC Group** | **(816,276)** | **0** | **12,812** | **803,464** |
| Police pensions | 2,982,300 | 0 | 0 | (2,982,300) |
| **Total - MOPAC** | **2,166,024** | **0** | **12,812** | **(2,178,836)** |

The following adjustments were made in 2018/19:

| Group and MOPAC £000 | General Reserves | Capital receipts reserve | Capital Grants Unapplied Account | Unusable reserves |
|---|---|---|---|---|
| ***Adjustments to the CIES*** | | | | |
| Pension costs (transferred to (or from) the Pension Reserve) | (2,207,000) | 0 | 0 | 2,207,000 |
| Holiday pay (transferred to the accumulated absences reserve | (3,242) | 0 | 0 | 3,242 |
| Reversal of entries included in the surplus or deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (235,026) | 0 | 0 | 235,061 |
| **Total adjustments to the CIES** | **(2,445,268)** | **0** | **0** | **2,445,303** |
| **Adjustments between reserves and capital resources** | | | | |
| Transfer of non-current asset sale proceeds from reserves to the capital receipts reserve | 4,257 | (4,257) | 0 | 0 |
| Deferred sale proceeds | 0 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt (transfer to Capital Adjustment Account) | 25,748 | 0 | 0 | (25,748) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 55,263 | 0 | 0 | (55,263) |
| **Total adjustment between reserves and capital resources** | **85,268** | **(4,257)** | **0** | **(81,011)** |
| **Adjustments to capital resources** | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 5,048 | 0 | (5,048) |
| Application of capital grants to finance capital expenditure | 54,539 | 0 | 0 | (54,539) |
| Cash payments in relation to deferred capital receipts | 0 | (791) | 0 | 791 |
| **Total capital financing adjustments** | **54,539** | **4,257** | **0** | **(58,796)** |
| **Total adjustments - MOPAC Group** | **(2,305,461)** | **0** | **0** | **2,305,496** |
| Police pensions | 533,400 | 0 | 0 | (533,400) |
| **Total - MOPAC** | **(1,772,061)** | **0** | **0** | **1,772,096** |

# 31. Notes to the cash flow statement

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

| £000 | 31 March 2020 Group | 31 March 2019 Group | 31 March 2020 MOPAC | 31 March 2019 MOPAC |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Interest received | (2,382) | (1,180) | (2,382) | (1,180) |
| Interest paid | 10,175 | 7,063 | 10,175 | 7,063 |
| Interest element of finance lease and PFI rental payments | 12,457 | 11,816 | 12,457 | 11,816 |
| | **20,250** | **17,699** | **20,250** | **17,699** |

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

| £000 | 31 March 2020 Group | 31 March 2019 Group | 31 March 2020 MOPAC | 31 March 2019 MOPAC |
|---|---|---|---|---|
| Depreciation of non-current assets | (174,282) | (175,128) | (174,282) | (175,128) |
| Impairment and revaluations of non-current assets | (40,076) | (56,657) | (40,076) | (56,657) |
| Amortisation of intangible assets | (2,129) | (1,497) | (2,129) | (1,497) |
| Reversal of pension service costs and interest | (660,200) | (2,207,000) | 2,322,100 | (1,673,600) |
| (Increase)/decrease in impairment for provision for bad debts | 29 | (213) | 29 | (213) |
| (Increase)/decrease in creditors | 18,729 | (1,267) | 18,729 | (1,267) |
| Increase/(decrease) in debtors | 13,510 | (27,294) | 13,510 | (27,294) |
| Increase/(decrease) in inventories | (1,368) | 933 | (1,368) | 933 |
| Carrying amount of property, plant and equipment, investment property and intangible assets sold | (12,454) | (4,828) | (12,454) | (4,828) |
| Other non-cash items | (8,278) | 14,000 | (8,278) | 14,000 |
| | **(866,519)** | **(2,458,951)** | **2,115,781** | **(1,925,551)** |

## 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 2020 Group | 31 March 2019 Group | 31 March 2020 MOPAC | 31 March 2019 MOPAC |
|---|---|---|---|---|
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 11,328 | 4,257 | 11,328 | 4,257 |
| Capital grants adjustment | 39,729 | 54,539 | 39,729 | 54,539 |
| Proceeds from short term and long term investments | 0 | 0 | 0 | 0 |
| | **51,057** | **58,796** | **51,057** | **58,796** |

## 31.4 Cash flows from investing activities:

| £000 | 31 March 2020 Group | 31 March 2019 Group | 31 March 2020 MOPAC | 31 March 2019 MOPAC |
|---|---|---|---|---|
| **Investing activities** | | | | |
| Purchase of non-current assets | 249,808 | 232,017 | 249,808 | 232,017 |
| Purchase of short term and long term investments | 14,630 | 26,304 | 14,630 | 26,304 |
| Proceeds from short term and long term investments | (26,304) | (1,468) | (26,304) | (1,468) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (11,804) | (5,048) | (11,804) | (5,048) |
| Other receipts from investing activities | (40,095) | (54,539) | (40,095) | (54,539) |
| | **186,235** | **197,266** | **186,235** | **197,266** |

### 31.5 Cash flows from financing activities:

| £000 | 31 March 2020 Group | 31 March 2019 Group | 31 March 2020 MOPAC | 31 March 2019 MOPAC |
|---|---|---|---|---|
| **Financing activities** | | | | |
| Cash receipts of short and long-term borrowing | 0 | (200,000) | 0 | (200,000) |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal) | 5,250 | 3,036 | 5,250 | 3,036 |
| Repayments of short and long-term borrowing | 13,600 | 126,457 | 13,600 | 126,457 |
| | **18,850** | **(70,507)** | **18,850** | **(70,507)** |

### 31.6 Reconciliation of liabilities arising from financing activities – Group and MOPAC:

| £000 | Opening Balance 1 April 2019 | Financing cash flows | Acquisition | Other non-cash changes | Closing Balance 31 March 2020 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Long term borrowing | (302,950) | 0 | 0 | 13,600 | (289,350) |
| Short term borrowing | (13,600) | 13,600 | 0 | (13,600) | (13,600) |
| Lease liabilities | (7,349) | 236 | 0 | 0 | (7,113) |
| On balance sheet PFI liabilities | (71,224) | 5,014 | 0 | 0 | (66,210) |
| **Total liabilities from financing activities** | **(395,123)** | **18,850** | **0** | **0** | **(376,273)** |

| £000 | Opening Balance 1 April 2018 | Financing cash flows | Acquisition | Other non-cash changes | Closing Balance 31 March 2019 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Long term borrowing | (302,950) | (200,000) | 0 | 13,600 | (302,950) |
| Short term borrowing | (13,600) | 126,457 | 0 | (13,600) | (13,600) |
| Lease liabilities | (7,349) | 198 | (2,363) | 0 | (7,349) |
| On balance sheet PFI liabilities | (71,224) | 2,838 | 0 | 0 | (71,224) |
| **Total liabilities from financing activities** | **(395,123)** | **(70,507)** | **(2,363)** | **0** | **(395,123)** |

## 32. Contingent liabilities

There are no material contingent liabilities to disclose.

# 33. 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:

| | Non current | | Current (within 12 months) | |
|---|---|---|---|---|
| £000 | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2019 |
| **Financial Assets: Amortised cost** | | | | |
| Investments | 0 | 0 | 14,631 | 26,304 |
| Debtors and cash | 0 | 158 | 101,497 | 97,061 |
| **Total financial assets** | **0** | **158** | **116,128** | **123,365** |
| **Financial Liabilities: Amortised cost** | | | | |
| Borrowings | (289,350) | (302,950) | (13,600) | (13,600) |
| PFI and finance lease liabilities | (67,279) | (73,322) | (6,043) | (5,251) |
| Creditors | 0 | 0 | (350,076) | (376,916) |
| **Total financial liabilities** | **(356,629)** | **(376,272)** | **(369,719)** | **(395,767)** |

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

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| **Expenses** | | |
| Interest expense: financial assets at amortised cost | 22,632 | 18,879 |
| **Total expense in (surplus)/deficit on the provision of services** | **22,632** | **18,879** |
| **Income** | | |
| Interest income: financial liabilities at amortised cost | (2,382) | (1,180) |
| **Total income in surplus on the provision of services** | **(2,382)** | **(1,180)** |
| **Net (gain)/loss for the year** | **20,250** | **17,699** |

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 | 2019/20 Carrying amount | Fair value | 2018/19 Carrying amount | Fair Value |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Borrowings - (Public Works Loan Board) | 302,950 | 335,493 | 316,550 | 359,852 |
| Borrowings – (Local Authorities) | 0 | 0 | 0 | 0 |
| PFI and finance lease liabilities | 73,322 | 97,739 | 78,573 | 108,547 |
| Creditors | 350,076 | 350,076 | 376,916 | 376,916 |
| **Financial Assets** | | | | |
| Short term investments | 14,631 | 14,631 | 26,304 | 26,304 |
| Debtors | 101,497 | 101,497 | 97,219 | 97,219 |

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 2020 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 2020 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

| | 31 March 2020 | | | |
|---|---|---|---|---|
| **Recurring Fair Value Measurements Using: £000** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Other Significant Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| **Financial liabilities** | | | | |
| **Borrowings** | | | | |
| Borrowings-(Public Works Loan Board) | 0 | 335,493 | 0 | **335,493** |
| **Other long term liabilities** | | | | |
| PFI and finance lease liabilities | **0** | 0 | 97,739 | **97,739** |
| **Total** | **0** | **335,493** | **97,739** | **433,232** |

The fair value for financial liabilities that are not measured at fair value included in levels 2 and 3 in the table above 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.<br><br>The fair value of trade and other receivables is taken to be the invoiced or billed amount. | No early repayment is recognised<br><br>Estimated ranges of interest rates at 31 March 2019 of 1.90% to 2.65% for PWLB loans payable based on PWLB new loan rates.<br><br>Estimated ranges of interest rates at 31 March 2019 of 1.92% to 2.64% for PFI liabilities based on PWLB new loan rates.<br><br>The fair value of trade and other payables is taken to be the invoiced or billed amount |

## 33.1 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 risk management practices

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 2019/20 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 2020, 38% 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 80% were placed with institutions with at least a BBB+ credit rating. Thus, it has been judged that these investments can be categorised as low credit risk. Am assessment of the 12 month expected losses for these investments has been carried out by comparing the credit rating of the investment against historic default tables and the resulting expected impairment loss is not significant and therefore a loss has not been recognised in the accounts.

When considering the expected credit loss in relation to trade debtors, the Group has applied the simplified approach therefore the loss allowance recognised in the accounts relates to lifetime expected credit losses. Due to the fact that these receivables have common risk characteristics, a collective assessment of credit risk has been made, using a provision matrix to calculate expected credit losses based on the number of days that the debt is past due. The expected credit loss in relation to trade debtors at 31 March 2020 is £623k (31 March 2019, £653k). This is the only loss allowance recognised in the accounts.

The DMPC has the delegated authority to approve all debt write off that are considered irrecoverable. Debts are not written off until all available recovery options have been exhausted.

| | **Credit risk rating** | **Gross Carrying Amount at 31 March 2020** |
|---|---|---|
| | | **£000** |
| | | A |
| 12 month expected credit losses | A+ | 5,345 |
| | A | 11,218 |
| | A- | 871 |
| | AA | 3,845 |
| | BBB+ | 736 |
| Simplified approach | Customers (general debtors) | 20,042 |

**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. The Group did not take any new borrowing during 2019/20. The maturity analysis of all the borrowings is as per Notes 24 and 27.

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

**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 Reserves Balance.

# Police officer pension fund

## 1. Police officer pension fund revenue account

The Commissioner is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. This statement shows income and expenditure for the three Police Pension Schemes for 2019/20 and 2018/19. The statement does not form part of the CPM or the MOPAC Group Statement of Accounts.

| £000 | Notes | 2019/20 | 2018/19 |
|---|---|---|---|
| **Contributions receivable** | | | |
| • Employer contributions | 4.1 | (349,709) | (228,399) |
| • Additional income | 4.3 | (4,524) | (4,402) |
| Transfers in from other schemes | 4.2 | (151,651) | (4,274) |
| Officers' contributions | 4.4 | (3,337) | (144,989) |
| **Net Income** | | **(509,221)** | **(382,064)** |
| **Benefits payable** | | | |
| Pensions paid | | 689,456 | 658,982 |
| Lump sum payments | | 167,400 | 172,039 |
| Lump sum death payments | | 2,027 | 1,117 |
| Other payments | 4.6 | 998 | 667 |
| Transfers out to other schemes | 4.2 | 821 | 665 |
| **Net expenditure** | | **860,702** | **833,470** |
| **Net amount payable for the year** | | **351,481** | **451,406** |
| **Additional 2.9% funding payable by the local policing body to meet deficit for the year** | 4.1 | **0** | **(31,117)** |
| **Employer additional funding** | 4.5 | **(351,481)** | **(420,289)** |
| **(Surplus)/deficit on fund** | | **0** | **0** |

## 2. Police officer pension fund asset statement

This statement shows the assets and liabilities of the three Police Pension Schemes which does not form part of the CPM or Group Statement of Accounts.

| £000 | 2019/20 | 2018/19 |
|---|---|---|
| **Current Assets** | | |
| Funding to Meet Deficit due from the CPM | 1,019 | 1,137 |
| **Net Current Assets** | 1,019 | 1,137 |
| **Current Liabilities** | | |
| Unpaid Pensions Benefits | (1,019) | (1,137) |
| **Net Current Liabilities** | (1,019) | (1,137) |
| **Total** | **0** | **0** |

## 3. Notes to the police officer pension fund account

The Police Officer Pension Fund combines the accounting transactions of three pension schemes for Metropolitan Police Officers. These are:

- The Police Pension Scheme 2015, which came into effect on 1 April 2015 under the Police Pensions Regulations 2015;
- The New Police Pension Scheme, which was created by the Home Office under the Police Pensions Regulations 2007;
- The Police Pension Scheme, which was set up in 1987.

The Police Officer Pension Fund which is managed by the MOPAC Group has been set up for the specific purpose of administering the collection of contributions, the payment of pensions and payment or refund to central government for the balance outstanding for each year. The fund does not hold any investment assets, nor does it reflect the liabilities of the Schemes to pay present and future pensioners. The fund will be paid sufficient monies from the Home Office to cover the deficit in year.

These Accounts have been prepared using Pension SORP and the Code principles adopted for the MOPAC statements.

Details of the accounting policies can be seen on page 14 to 24. MOPAC provides the accounting and banking systems through which the CPM administers the Fund. Details of the three schemes' actuarial report and the cost of pensions can be seen in Note 12.

These Accounts are audited by Grant Thornton UK LLP and their opinion is included in page xvi.

## 4. Police Pension Fund - Revenue account notes

### 4.1 Employer contributions

Employer contributions are calculated at 31% of police officer pensionable pay from 1 April 2019, an increase from 21.3% previously. This increase is a result of an actuarial valuation of the police pension scheme. The employer contribution is set nationally by the Home Office and the scheme is subject to actuarial valuation every four years.

In 2018/19, the difference between the employer contribution rate applicable of 21.3% and the previous rate of 24.2% had been retained by the Exchequer. This meant that the police pensions top up grant in 2018/19 had been reduced by the difference in the two contribution rates. The additional 2.9% required to meet the pension fund revenue account deficit was met by the CPM in 2018/19 and was shown as a separate line on the police officer pension fund revenue account. This separate line is not required in the 2019/20 police officer pension fund revenue account due to the new contribution rate taking effect from 1 April 2019.

### 4.2 Transfers

These represent lump sums transferred to and from other pension schemes depending on whether the police officer was joining or leaving the CPM.

### 4.3 Additional income

These consist of CPM contributions for ill health retirements, 30 years plus scheme contributions and refund of former commissioners' and widows' pensions.

### 4.4 Officers' contributions

Members of the new 2015 police pension scheme make contributions of between 12.44% and 13.78% of pensionable pay. Protected members of the 1987 and 2006 schemes 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.

### 4.5 Employer additional funding

This sum represents additional funding required to provide for payment to pensioners. Including the funds received by the Group as part of the settlement of the additional commutation liability, the actual shortfall receipts for the year 2019/20 amounted to £351.6 million. This consists of additional funding of £88.6 million received by the Group in respect of 2018/19 and a statutory transfer from the police fund of a further £263.0 million in respect of 2019/20. The remaining 2019/20 shortfall of £52.3 million is to be received from the Home Office in 2020/21.

### 4.6 Other payments

These consist of contribution equivalent payments, superannuation refunds and lump sum death benefits.

## 5. Related party transactions

As previously stated the Commissioner is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from MOPAC Police Fund. As such the CPM and MOPAC are the only related parties to the fund, thus all the transactions shown on the revenue statement have been processed through MOPAC.

## 6. Additional voluntary pension contributions

Additional pension contributions (e.g. added pension/years) made by police officers amounted to £28,259 for the PPS scheme, £44,144 for the NPPS scheme and £50,343 for the 2015 scheme.

## 7. Members of the scheme

The MPS also administers the Pension Fund on behalf of members of Her Majesty's Inspectorate of Constabulary (HMIC). There no HMIC members currently contributing to the Police Pension scheme, there are 23 HMIC pensioners and 4 dependent pensioners.

# 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.

### National Police Chiefs' Council (NPCC)

The NPCC brings police forces in the UK together to help coordinate operations, reform, improve and provide value for money.

### National Police Coordination Centre (NPoCC)

NPoCC is responsible for coordinating the deployment of officers and staff from across the UK policing to support forces during large scale events, operations and in times of national crisis.

### 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.