

# Commissioner of Police of the Metropolis

## Statement of Accounts 2016/17



**METROPOLITAN  
POLICE**

**TOTAL POLICING**



## How to Contact Us

We welcome your feedback. If you have any comments about this Statement of Accounts they should be sent to:

**Corporate Finance - Finance Services**  
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9th Floor West  
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London SW6 1TR

## Consultation Opportunities

The Mayor's Office for Policing and Crime (MOPAC) holds regular meetings about policing with people who live and work in London. Details of these can be found on MOPAC Internet site at [www.met.police.uk/about-the-met/](http://www.met.police.uk/about-the-met/).

## Copies

The Audited Statement of Accounts 2016/17 will be published as an internet document. Please consider the environment before printing the document.

## Internet Addresses:

Mayor's Office for Policing and Crime [www.london.gov.uk/what-we-do/mayors-office-policing-and-crime-mopac](http://www.london.gov.uk/what-we-do/mayors-office-policing-and-crime-mopac)

Metropolitan Police Service: [www.met.police.uk](http://www.met.police.uk)



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## Narrative report

### Introduction

These Accounts set out the overall financial position of the Commissioner of Police of the Metropolis (CPM), who is responsible for the Metropolitan Police Service (MPS), for the year ended 31 March 2017.

The MPS is the largest police force in the UK and amongst the largest in the world. Headquartered in New Scotland Yard, the MPS delivers territorial and specialist policing services to over eight and a half million Londoners across 620 square miles; to millions of commuters, tourists and visitors to the capital; and to many National and International communities.

During 2016/17 the MPS faced significant challenges in London. Whilst 'traditional crimes' such as burglary and car theft continued to fall, new threats emerged. Cyber-crime increased. Terrorists continued to develop new tactics. Reports of previously 'hidden' crimes such as domestic violence, child abuse and sexual assault increased as more victims came forward. At the same time the police and partner agencies needed to be ready with resources to meet the daily needs of local communities, whilst at the same time experiencing further funding cuts in 2016/17 in line with the Government's austerity programme.



Sir Bernard Hogan-Howe QPM was Commissioner of Police of the Metropolis until February 2017



Craig Mackey QPM, was Acting Commissioner of Police of the Metropolis from February until April 2017



Cressida Dick, CBE, QPM. The new Commissioner of Police of the Metropolis from April 2017

## The Statement of Accounts

The CPM was established as a separate body on the 16 January 2012 under the Police Reform and Social Responsibility Act 2011. The CPM is headed by the Commissioner and responsible for the MPS. The primary function of the CPM is the exercise of operational policing duties under the Police Act 1996. A separate body called the Mayor's Office for Policing and Crime (MOPAC) function was established at the same time. MOPAC holds the CPM to account for the exercise of these duties, thereby securing the maintenance of an efficient and effective metropolitan police force in London.

For accounting purposes MOPAC and the CPM together are known as the MOPAC Group. In the MOPAC Group Accounting Statements the financial activities of MOPAC and the CPM are consolidated. A separate set of statutory accounts has been published for MOPAC and the MOPAC Group to recognise all the financial transactions incurred during 2016/17 for policing London.

This Narrative Report provides an overview of the accounting arrangements and outlines the financial performance of the CPM during 2016/17.

The 2016/17 Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2016/17.

The Accounts reflect the current legislative framework as well as the local arrangements operating in practice. Key elements of this framework in 2016/17 include:

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



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 Deputy Mayor for Policing and Crime (DMPC) in consultation with the Commissioner. The Commissioner ultimately has a statutory responsibility for maintaining the Queen's peace and to do this has direction and control over 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 5 to the Accounts on page 12.

### Financial statements

The financial statements for the CPM required under the 2016/17 Code consist of:

- A Comprehensive Income and Expenditure Statement (CIES) - this recognises the accounting cost in the year of providing policing services under the direction of the Commissioner for the 12 months to 31 March 2017. The CIES has been prepared by applying the accounting principles set out in the CIPFA Accounting Code of Practice. The headings used are based on the CPMs directorate as defined for the purpose of reporting to management;
- Movement in Reserves Statement - this summarises movements to and from the reserves for the year 2016/17. It is analysed into usable reserves i.e. those that can be applied to fund expenditure and unusable reserves. Under the MOPAC/CPM Financial Regulations and the Scheme of Delegation, MOPAC holds all reserves and accordingly the reserve balances on the CPM Movement in Reserves Statement as at 31 March 2017 are nil;
- The Balance Sheet - this summarises the financial position of the CPM at 31 March 2017 and sets out any assets, liabilities and reserves. All liabilities are ultimately the responsibility of MOPAC, so at year end the net worth (total assets minus liabilities) is nil. The liability for police pensions is offset by an intra-group debtor reflecting MOPAC's continuing responsibility to provide funds from the Police Fund to enable the CPM to administer pension payments;
- The Cash Flow Statement - as all of the Group's cash flows during the reporting period are presented in the MOPAC Accounts, this statement simply shows the net surplus on provision of services adjusted for non-cash movements.



In addition to the financial statements, the Annual Accounts include a Statement of Responsibilities for the Accounts and information on the Police Officer Pension Fund (providing statements for pension fund income and expenditure, assets and liabilities). An Annual Governance Statement (AGS) accompanies the Statement of Accounts as a separate report.

### Financial performance

#### 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 2016/17 for the whole MOPAC Group provided for gross expenditure of £3,253 million. The net budget, after taking into account income, specific grant and before reserve usage, was £2,620 million. Within this amount £2,583 million was attributed to the MPS and the remaining £37 million was attributable to MOPAC.

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

### Performance against the Revenue Budget

The 2016/17 revenue outturn shows the financial impact of savings and growth which were planned for and agreed by MOPAC (and the Mayor) in the 2016/17 budget.

The financial year 2016/17 presented a number of key challenges with savings and efficiencies of £127 million required to balance the budget. This was part of a programme of savings totalling circa £700 million between 2013/14 and 2016/17.

Table 1 provides a summary of the final MPS outturn position for 2016/17 compared with the revised budget. Figures in brackets in the variance column represent reduced expenditure or increased income against the revised budget.

Following recruitment difficulties there was an underspend of £41.5m against the police officer pay budget for 2016/17 with circa 31,000 police officers in post at 31 March 2017. This underspend coincided with an active campaign to encourage recruitment across the wider cross sections of the community. To mitigate any operational impacts caused by the recruitment difficulties the MPS pursued a series of corporate initiatives to prioritise externally funded posts and to ensure the MPS had enough officers in certain roles. The underspend in police pay above was partly offset by an overspend of £22m on police officer overtime. Part of the overspend on police overtime (£10.6m) was externally funded with the remaining amount used to police special incidents such as the Westminster tragedy and cover for police staff vacancies.

The MPS (CPM) also had an underspend of £31.3m on police staff pay (offset by a small overspend of £2.0m on police staff overtime). The underspend was primarily due to delays in appointing Designated Detention Officers and Forensic Health Care Nurses as well as vacancies across the Boroughs for Public Access Officers. The shortfall in police staff pay was partly managed through other devolved budgets such as supplies and services, for example using Forensic Medical Officers to cover for the nurse vacancies and police officer overtime (to provide cover in Met Detention).

The budget for running costs was overspent by £35.6m although much of the overspend £26.5m was fully funded by external sources. The remaining balance was primarily due to increased Information Technology (IT) costs, partially offset by one off change expenditure which due to timing differences will be incurred in 2017/18.

There was a small over-achievement of income of £2.0m, mainly as a result of a favourable HMRC judgement on the treatment of VAT paid on sale and scrap of recovered vehicles. The MPS also received £30.7m of additional specific grants. The majority of the additional grant was received for Counter-Terrorism and Protective Security, but there was also a small amount of additional funding from the Home Office in relation to Innovation and Transformation. The extra funding was utilised towards improving national firearms capability, the policing of Heathrow, improved information technology on Counter-Terrorism as well as the Interim Resource Model.



Table 1 Final outturn position for the MPS (CPM) 2016/17 compared with the revised budget\*

MOPAC Group				CPM			
£000				£000			
Approved annual budget	Revised annual budget	Outturn	Variance Overspend/ (underspend)		Revised annual budget	Outturn	Variance Overspend/ (underspend)
				<b>Pay</b>			
1,874,951	1,900,096	1,880,555	(19,541)	Police officer pay	1,900,096	1,880,555	(19,541)
557,073	573,197	544,696	(28,501)	Police staff pay	564,975	535,651	(29,324)
<b>2,432,024</b>	<b>2,473,293</b>	<b>2,425,251</b>	<b>(48,042)</b>	<b>Total pay</b>	<b>2,465,071</b>	<b>2,416,206</b>	<b>(48,865)</b>
				<b>Running expenses</b>			
44,812	48,955	51,994	3,039	Employee related expenditure	48,643	51,554	2,911
157,070	168,558	171,149	2,591	Premises costs	167,144	169,728	2,584
54,187	57,064	66,043	8,979	Transport costs	57,052	66,029	8,977
482,523	483,186	501,282	18,096	Supplies & services	437,224	460,958	23,734
46,299	42,957	42,957	0	Capital financing costs	42,957	42,957	0
35,875	35,875	33,242	(2,633)	Discretionary pension costs	35,875	33,242	(2,633)
<b>820,766</b>	<b>836,595</b>	<b>866,667</b>	<b>30,072</b>	<b>Total running expenses</b>	<b>788,895</b>	<b>824,468</b>	<b>35,573</b>
<b>3,252,790</b>	<b>3,309,888</b>	<b>3,291,918</b>	<b>(17,970)</b>	<b>Total gross expenditure</b>	<b>3,253,966</b>	<b>3,240,674</b>	<b>(13,292)</b>
<b>(632,309)</b>	<b>(707,345)</b>	<b>(736,607)</b>	<b>(29,262)</b>	<b>Total income and specific grants</b>	<b>(688,549)</b>	<b>(721,255)</b>	<b>(32,706)</b>
<b>2,620,481</b>	<b>2,602,543</b>	<b>2,555,311</b>	<b>(47,232)</b>	<b>Net expenditure</b>	<b>2,565,417</b>	<b>2,519,419</b>	<b>(45,998)</b>
<b>(122,300)</b>	<b>(104,182)</b>	<b>(56,950)</b>	<b>47,232</b>	Transfer to/(from) earmarked reserve	(104,066)	(58,068)	45,998
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Transfer to/(from) general reserve	0	0	0
<b>2,498,181</b>	<b>2,498,361</b>	<b>2,498,361</b>	<b>0</b>	<b>Budget requirement</b>	<b>2,461,351</b>	<b>2,461,351</b>	<b>0</b>

\* The amount of budget attributed to the CPM is equal to the MOPAC Group budget less the costs of MOPAC.



### Review of 2016/17 performance

Latest Metropolitan Police Service statistics for the financial year ending March 2017 show the increases in recorded crime seen in the preceding 12 months have continued. This is similar to recent trends in most of England and Wales and London remains one of the safest global cities in the world. There are few others with such low rates of serious crime, such as murder and gun crime.



Recorded sexual offences and violent crime have both continued to rise during 2016/17. Improved recording practices make year-on-year comparisons difficult to interpret, however there have been large and real increases in weapon enabled crime.

Other volume crime (including robbery, theft and criminal damage) show year-on-year increases but most types of offence remain below the levels of 2011/12.

Overall, we have seen a 4.6% increase in total notifiable offences (TNOs), with 33,804 more crimes recorded.

There were 110 homicides in 2016/17, one more than the previous year but 58 fewer compared with 10 years ago.

Violence against the person (VAP) has shown increases of 3.9% over the year (7,175 more offences). Within that category, violence with injury (VWI) was up by 2.4% (1,774 more offences) and violence without injury by 4.8% (5,400 more offences).

It is thought that the majority of the rise in VAP is due to improvements in crime recording following the HMIC Inspection on Crime Data Integrity - which found that there were significant issues with the quality of crime recording in police forces across England and Wales. However within this there has been a real increase in some serious offences. This led to the June 2015 launch of Operation Teal against gang, gun and knife crime.

Gun crime offences show an increase of 42% (751 more offences) over the comparison period. Knife crime offences also show a large rise: by 24% (2,332 more offences) over the comparison period.

Alongside the Met's important role in reducing stabbings by seizing weapons and arresting offenders, longer term prevention and diversion from knife crime is key. These will involve close working with partner agencies and London's communities.

All sexual offences increased by 9.5% (1,535 more offences) over the comparison period. Within this, recorded rape offences were up by 14.6% (816 more offences) and other sexual offences rose by 6.8% (719 more offences). This rise has been driven by victim confidence and improved crime recording, with significant emphasis on ethical recording practices.

Robbery is up by 12.1% over the comparison period (2,618 more offences) - there were increases in personal robbery by 13.1% (2,602 more offences) and there was a smaller increase in business robbery by 0.9% (16 more offences). As part of the total, robbery of mobile phones increased by 5% (423 more offences). However robbery is still around half the level of 2006/7.

Burglary offences are down by 0.3% (202 fewer offences) over the comparison period, continuing the long term downward trend. This year's reduction in overall burglary means that recorded offences are now at the lowest level since at least 1973/74. Residential burglary reduced by 1.1% (485 fewer offences) but non-residential burglary increased by 1.1% (283 more offences).

Theft from motor vehicles increased by 7.9% (3,953 more offences) over the comparison period. Theft of motor vehicles increased by 26.6% (5,689 more offences) and is now above the level seen in 2011/12. Recent analysis of MPS figures shows that theft of powered two wheelers such as scooters and motorbikes now accounts for over half of all vehicles stolen.

Theft from the person increased by 12% over the financial year (4,069 more offences), and within this was a larger increase (16%) in thefts from the person of mobile phones: they now account for around 49% of all theft person.

In the case of criminal damage, offences increased by 1.8% (1,091 additional offences) over the financial year. Criminal damage had however been on a steep downward trend for the previous 10 years and the current level remains 11.3% below the number of crimes in 2011/12 (8,216 fewer offences).

As well as the offences captured in these crime figures, the Met is also managing an increased demand across areas such as child protection, mental health and missing people.

Over the coming year the Met plans to change the way we investigate crimes - training more frontline officers to carry out investigations of certain offences. Meanwhile 'Body Worn Video', already in 16 boroughs, will help secure stronger evidence leading to early convictions.

The Met has also introduced the crime prevention campaign 'Be Safe', which focuses on residential burglary, theft snatch and moped-enabled crime and is supported by operational activity. Its aim is to motivate, empower and mobilise Londoners to take small crime prevention steps to protect themselves and their property, while officers continue to work hard to disrupt and arrest the criminals.

### Outlook for 2017/18 and key challenges



The 2017/18 gross revenue budget has been set at £3,269 million, a decrease of 1.2% from the revised 2016/17 budgeted figure of £3,310 million to reflect reductions in our overall funding sources. The budget is funded by a general government grant of £1,912 million and council tax income of £592 million. Additionally, MOPAC is budgeting to receive £683 million in specific grants and income and is planning to utilise £82 million of reserves. The policing element of the Band D council tax precept for 2017/18 is £206.13 (2016/17 £202.11).

The Mayor approved a balanced budget for 2017/18 including additional savings of £75 million. These savings principally relate to reductions in police staff numbers, and savings in property and supplies and services budgets. A saving of £38m in Police Officer pay has been included. This is a one-off for 2017/18 and reflects current Officer numbers.

Capital investment of £366 million is planned for 2017/18 and will be funded from the on-going disposal of property (including the 2016/17 receipt for the old New Scotland Yard) plus capital grants.

Whilst the revenue budget is balanced in 2017/18, there remain significant savings requirements from 2018/19 to 2020/21. MOPAC's financial strategy has been devised to address this savings requirement and will aim to achieve the following:

- Reducing the costs of our back office to 15% of gross expenditure by 2019/20;
- Delivering 3% productivity savings a year across the organisation;
- Investing our capital receipts to deliver transformation to drive further efficiencies and savings.

A budget process will begin in the early summer 2017 that will examine all aspects of the budget and identify further savings that will balance the budget in the medium-term. This will be aligned to the MPS One Met Model programme and the Mayor's Policing and Crime Plan.

### **The Balance Sheet**

Under MOPAC/CPM financial regulations the CPM is not responsible for the acquisition, disposal or maintenance of long term assets which are instead the responsibility of the Deputy Mayor through the MOPAC Capital programme. All long term assets are therefore recognised on the MOPAC Balance Sheet rather than on the CPM Balance Sheet. The CPM does, however, make use of these assets in the discharge of policing duties. Details of assets held by MOPAC as well as information on other categories of assets and liabilities can be found in the 2016/17 MOPAC and the MOPAC Group Statement of Accounts.

### **Reserves**

The reserves of the Group are held by MOPAC and are available for the Commissioner to utilise in the performance of their duties subject to approval by the Deputy Mayor. These reserves and their purposes can be reviewed in the MOPAC Group Statement of Accounts.

### **Pensions**

The Police Officer Pension Liability and Police Officer Pension Reserve reflect the implementation of International Financial Reporting Standard IAS 19. The pension liability shows the underlying commitments that the Group has in the long run to pay retirement benefits obligations as they fall due. The CPM Balance Sheet also recognises a long-term debtor with the MOPAC equivalent to the IAS 19 liability. This debtor reflects the commitment of the MOPAC to provide funding to the CPM to meet these obligations. The most recent Police Pension fund valuation by the scheme's actuary shows an increase in liabilities due in the main to the change in actuarial assumptions used to calculate the pensions liability. Pension contributions of 21.3% of pensionable pay are made to finance the liability, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Revenue Account. The shortfall on the Pension Fund between contributions and other income receivable and benefits payable was met by the Home Office in 2016/17.

### **Accounting changes in 2016/17**

As a result of a change in the requirements in the CIPFA Code of Practice for 2016/17, there have been changes to the way financial information is presented in the Statement of Accounts. The most significant of these changes are described below:

- The introduction of the Expenditure and Funding Analysis. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the CPM for the year has been used in providing services in comparison with those resources consumed or earned by the CPM in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the CPM's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- A change to the presentation of information within the Comprehensive Income and Expenditure Statement net cost of services. Information is now presented analysed into the CPM's directorates as defined for the purpose of reporting to management. Previously, the costs were categorised between the various policing activities as per the Service Reporting Code of Practice (SeRCOP), in which nine divisions of service were identified under which expenditure/resources should be analysed.

### Annual Governance Statement

The Accounts and Audit Regulations 2015 require that the Annual Governance Statement (AGS) accompanies the Statement of Accounts. The CPM 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 the MPS to carry out its functions effectively. The AGS highlights the CPM's internal control environment, comments on its effectiveness and identifies issues for future work. The CPM performs an annual assurance review appraising the governance arrangements currently in place.



## **Independent Auditor’s Report to the Commissioner of Police of the Metropolis**

We have audited the financial statements of the Commissioner of Police of the Metropolis (“the Commissioner”) for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (“the Act”). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the Police Officer Pension Fund notes 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to of the Commissioner of Police of the Metropolis, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Commissioner of Police of the Metropolis those matters we are required to state to the Commissioner of Police of the Metropolis in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commissioner of Police of the Metropolis as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the “Code of Audit Practice” and International Standards on Auditing (UK and Ireland)). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Commissioner of Police of the Metropolis as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

## **Opinion on other matters**

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

## **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Commissioner of Police of the Metropolis under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

## **Conclusion on the Commissioner of Police of the Metropolis’ arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Respective responsibilities of the Commissioner of Police of the Metropolis and auditor**

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Commissioner of Police of the Metropolis has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Commissioner of Police of the Metropolis’ arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Commissioner of Police of the Metropolis' arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Commissioner of Police of the Metropolis had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Commissioner of Police of the Metropolis put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Commissioner of Police of the Metropolis put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Commissioner of Police of the Metropolis and the Mayor's Office for Policing and Crime for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Commissioner of Police of the Metropolis' arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

*Paul Grady*

**Paul Grady**  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
30 Finsbury Square  
London  
EC2A 1AG

26 July 2017

## Statement of responsibilities for the Accounts

### Commissioner's Responsibilities

The Commissioner of Police of the Metropolis (CPM) is required to:

- Make arrangements for the proper administration of the Metropolitan Police Service 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; and
- Approve the Statement of Accounts.

I approve these Statement of Accounts

**Signed**

**Craig Mackey**

**Deputy Commissioner of Police of the Metropolis (on behalf of the Commissioner)**

Dated: 26 July 2017

### Chief Financial Officer's Responsibilities

The Chief Financial Officer of the CPM is responsible for the preparation of the Statement of Accounts for the CPM 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, the CPM 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 the CPM at the accounting date and of the income and expenditure for the year ended 31 March 2017.

**Signed**

**Lynda McMullan**

**Chief Financial Officer**

Dated: 26 July 2017



## CPM Comprehensive Income and Expenditure Statement for 2016/17

\* MOPAC funding during the year for financial resources of MOPAC consumed at the request of the CPM

£000	Notes	Year ending	Year ending	Year ending	Year ending	Year ending	Year ending
		31 March 2017	31 March 2017	31 March 2017	31 March 2016 Restated	31 March 2016 Restated	31 March 2016 Restated
		Gross exp	Income	Net exp	Gross exp	Income	Net exp
Territorial Policing		1,343,045	(135,043)	1,208,002	1,090,264	(135,805)	954,459
Specialist Crime and Operations		773,238	(83,156)	690,082	655,690	(67,081)	588,609
Specialist Operations		414,261	(405,068)	9,193	325,972	(356,565)	(30,593)
Met HQ		494,537	(60,620)	433,917	501,882	(53,326)	448,556
Digital Policing		202,972	(4,745)	198,227	254,062	(7,771)	246,291
Centrally Held		131,073	(43,235)	87,838	108,744	(36,006)	72,738
<b>Financial resources of MOPAC consumed at the request of the CPM</b>	1.1	<b>3,359,126</b>	<b>(731,867)</b>	<b>2,627,259</b>	<b>2,936,614</b>	<b>(656,554)</b>	<b>2,280,060</b>
Intra-group adjustment		(3,359,126)	731,867	(2,627,259)	(2,936,614)	656,554	(2,280,060)
<b>Net cost of policing services</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financing and investment</b>							
Interest on police officer pension defined benefit liability	10.1			925,100			963,400
Intra-group adjustment (interest on police officer pension defined benefit liability)				(925,100)			(963,400)
<b>Non-specific grant income and contributions</b>							
Intra-group adjustment (re-measurement of the defined benefit liability)	10.1			(2,059,600)			4,155,200
<b>(Surplus)/deficit on provision of services</b>				<b>(2,059,600)</b>			<b>4,155,200</b>
<b>Other comprehensive income and expenditure</b>							
Re-measurements of the defined benefit liability	10.1			2,059,600			(4,155,200)
<b>Total comprehensive income and expenditure</b>				<b>0</b>			<b>0</b>

The Comprehensive Income and Expenditure Statement (CIES) above reflects MOPAC financial resources consumed at the request of the CPM for 2016/17 and 2015/16. In practice all the respective costs are paid for by MOPAC and the CIES includes the intra-group adjustment referred to in Note 5 to the Accounts, resulting in a nil balance for total comprehensive income and expenditure. The comparative figures are restated to reflect changes in the Code of Practice in 2016/17 on the way information is presented in the cost of service. The Expenditure and Funding Analysis provides a reconciliation between the "Net Cost of Policing Services" figures in the CIES above and the Revenue Outturn Statement in the Narrative Report (page vi) which is prepared using internal management reporting methodologies and which in some cases are different from the accounting policies in the financial statements.

## CPM Movement in Reserves Statement for 2016/17

This statement shows the movement in the year on the different reserves.

£000	General Fund Balance	Earmarked revenue reserves	Total General Fund and Earmarked reserves	Capital Receipts Reserve	Other usable capital reserves	Total usable reserves	Unusable reserves	Total reserves
<b>At 31 March 2016</b>	0	0	0	0	0	0	0	0
(Surplus)/deficit on provision of services	(2,059,600)	0	(2,059,600)	0	0	(2,059,600)	0	(2,059,600)
Other comprehensive income and expenditure	2,059,600	0	2,059,600	0	0	2,059,600	0	2,059,600
<b>Total comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Adjustments between accounting basis and funding basis under regulations	0	0	0	0	0	0	0	0
Adjustments between accounting basis and intra-group adjustment	0	0	0	0	0	0	0	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to / from earmarked reserves	0	0	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

This statement shows only pension related transactions for the year ending 31 March 2017 as all reserves are managed by the Mayor's Office for Policing and Crime (MOPAC). The financial consequences of the operational activities undertaken by the CPM can be seen in the Comprehensive Income and Expenditure Statement.

## CPM Movement in Reserves Statement for 2015/16

This statement shows the movement in the year on the different reserves.

£000	General Fund Balance	Earmarked revenue reserves	Total General Fund and Earmarked reserves	Capital Receipts Reserve	Other usable capital reserves	Total usable reserves	Unusable reserves	Total reserves
<b>At 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
(Surplus)/deficit on provision of services	4,155,200	0	4,155,200	0	0	4,155,200	0	4,155,200
Other comprehensive income and expenditure	(4,155,200)	0	(4,155,200)	0	0	(4,155,200)	0	(4,155,200)
<b>Total comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Adjustments between accounting basis and funding basis under regulations	0	0	0	0	0	0	0	0
Adjustments between accounting basis and intra-group adjustment	0	0	0	0	0	0	0	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to / from earmarked reserves	0	0	0	0	0	0	0	0
<b>(Increase) / decrease in year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

This statement shows only pension related transactions for the year ending 31 March 2016 as all reserves are managed by the Mayor's Office for Policing and Crime (MOPAC). The financial consequences of the operational activities undertaken by the CPM can be seen in the Comprehensive Income and Expenditure Statement.

## CPM Balance Sheet

The Balance Sheet sets out the assets, liabilities and reserves at the year end. As stated previously the CPM does not own any assets nor hold any reserves at year end. It does include two accounting adjustments to show the reader its accounting for pension liabilities and accumulated absences on the Balance Sheet at 31 March 2017.

£000	Notes	31 March 2017	31 March 2016
<b>Non current assets</b>			
Police Officer pension - Intra-group debtor		29,422,000	26,424,400
<b>Total long term assets</b>		<b>29,422,000</b>	<b>26,424,400</b>
<b>Current assets</b>			
Accumulated absences - Intra-group debtor		103,292	97,525
<b>Total current assets</b>		<b>103,292</b>	<b>97,525</b>
<b>Current liabilities</b>			
Creditors	11	(103,292)	(97,525)
<b>Total current liabilities</b>		<b>(103,292)</b>	<b>(97,525)</b>
<b>Long term liabilities</b>			
Police officer pension liabilities	10.1	(29,422,000)	(26,424,400)
<b>Total long term liabilities</b>		<b>(29,422,000)</b>	<b>(26,424,400)</b>
<b>Net assets</b>		<b>0</b>	<b>0</b>
Financed by:			
Unusable reserves		0	0
Usable reserves		0	0
<b>Total reserves</b>		<b>0</b>	<b>0</b>

## CPM Cash Flow Statement

This statement does not show any cash-flows for the year ending 31 March 2017, since all payments were made from the Police Fund which is held by the Mayor's Office for Policing and Crime (MOPAC). Similarly all income receipts and funding are received by MOPAC during the year. The financial consequences of the operational activities undertaken by the CPM can be seen in the Comprehensive Income and Expenditure Statement.

£000	Notes	Year ending 31 March 2017	Year ending 31 March 2016
Net (surplus) or deficit on the provision of services		(2,059,600)	4,155,200
Adjustments to net (surplus) or deficit on the provision of services for Non-Cash Movements	13.1	2,059,600	(4,155,200)
Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities		0	0
<b>Net cash flows from operating activities</b>		<b>0</b>	<b>0</b>
Investing activities		0	0
Financing activities		0	0
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the period		0	0
<b>Cash and cash equivalents at the end of the period</b>		<b>0</b>	<b>0</b>

# Notes to the Financial Statements for the Commissioner of Police of the Metropolis

The notes for the Statement of Accounts for 2016/17 are presented in the following pages (6 to 32).

## 1. Expenditure and Funding Analysis

### 1.1 CPM expenditure and funding analysis

CPM expenditure and funding analysis	Year ending 31 March 2017			Year ending 31 March 2016		
	Net expenditure chargeable to the General Fund	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net expenditure chargeable to the General Fund	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000						
Territorial policing	1,139,745	68,257	1,208,002	1,159,257	(204,798)	954,459
Specialist crime and operations	659,508	30,574	690,082	641,451	(52,842)	588,609
Specialist operations	(1,983)	11,176	9,193	1,314	(31,907)	(30,593)
Met HQ and SSS	412,665	21,252	433,917	432,952	15,604	448,556
Digital policing	174,527	23,700	198,227	190,146	56,145	246,291
Centrally held	76,889	10,949	87,838	20,154	52,584	72,738
<b>Financial resources of MOPAC consumed at the request of the CPM</b>	<b>2,461,351</b>	<b>165,908</b>	<b>2,627,259</b>	<b>2,445,274</b>	<b>(165,214)</b>	<b>2,280,060</b>
Intra-group adjustment	(2,461,351)	(165,908)	(2,627,259)	(2,445,274)	165,214	(2,280,060)
<b>Net cost of service</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other income and expenditure	0	0	0	0	0	0
<b>Surplus or deficit on General Fund</b>	<b>0</b>			<b>0</b>		
Opening General Fund at 31 March	0			0		
Less deficit on General Fund in year	0			0		
<b>Closing General Fund balance at 31 March</b>	<b>0</b>			<b>0</b>		

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

## Notes to the Financial Statements

CPM adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2016/17 £000	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Earmarked reserves	Total Adjustments
	Note 1	Note 2	Note 3	Note 4	
Territorial policing	56,708	8,203	2,458	888	68,257
Specialist crime and operations	29,718	2,893	1,661	(3,698)	30,574
Specialist operations	9,682	1,459	553	(518)	11,176
Met HQ and SSS	3,891	283	(11,758)	28,836	21,252
Digital policing	431	4	45	23,220	23,700
Centrally held	(18,424)	58	19,974	9,341	10,949
<b>Financial resources of MOPAC consumed at the request of the CPM</b>	<b>82,006</b>	<b>12,900</b>	<b>12,933</b>	<b>58,069</b>	<b>165,908</b>
Intra-group adjustment	(82,006)	(12,900)	(12,933)	(58,069)	(165,908)
<b>Net cost of service</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other income and expenditure	0	0	0	0	0
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CPM adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2015/16 £000	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Earmarked reserves	Total Adjustments
	Note 1	Note 2	Note 3	Note 4	
Territorial policing	83,631	(287,224)	(2,011)	806	(204,798)
Specialist crime and operations	40,398	(96,210)	(1,529)	4,499	(52,842)
Specialist operations	16,956	(47,727)	(533)	(603)	(31,907)
Met HQ and SSS	10,971	(8,991)	(14,123)	27,747	15,604
Digital policing	58,111	(166)	(121)	(1,679)	56,145
Centrally held	(23,698)	(1,582)	(9,983)	87,847	52,584
<b>Financial resources of MOPAC consumed at the request of the CPM</b>	<b>186,369</b>	<b>(441,900)</b>	<b>(28,300)</b>	<b>118,617</b>	<b>(165,214)</b>
Intra-group adjustment	(186,369)	441,900	28,300	(118,617)	165,214
<b>Net cost of service</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other income and expenditure	0	0	0	0	0
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note 1 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.

Note 2 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 3 Other differences - this column includes the removal of expenses from the net cost of service in line with generally accepted accounting practices.

Note 4 The CPM cost of service is presented including movements to and from reserves in its internal financial reporting arrangements. This column adjusts for movements to and from reserves which are not shown as expenditure and income under 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 on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) 2016/17 and the Accounts and Audit [England] Regulations 2015. The accounting policies apply EU adopted International Financial Reporting Standards (IFRS) as amended by International Public Sector Reporting Standards (IPSAS) for the public sector.

The accounting policies below also reflect the powers and responsibilities of the Commissioner of Police of the Metropolis (CPM) as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2013. The accounting policies defined here are consistent with local regulations, local agreement and practice as well as the MOPAC Group policies.

The Accounts cover the 12 months to 31 March 2017.

### 2.2 Cost and intra-group income recognition

All external income is received by MOPAC, which holds the Police Fund for London and all related financial reserves and cash balances. MOPAC provides an annual budget to the CPM. All resources consumed at the request of the Commissioner are funded by MOPAC, including the wages of police staff and officers, and no actual cash transactions or events take place between the two entities. From an accounting perspective costs are recognised within the CPM Accounts to reflect the financial resources consumed at the request of the CPM and the economic benefit and service potential this brings about. For instance, an economic benefit is recognised to reflect the utilisation of MOPAC owned fixed assets which mirrors depreciation of property, plant and equipment (amortisation in respect of intangible assets), and impairment from obsolescence or physical damage. Income is recognised in the Comprehensive Income and Expenditure Statement of the CPM Accounts, to reflect the funding by MOPAC for expenditure incurred by the CPM.

### 2.3 Accruals of income and expenditure

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

- Intra-group income is recognised when it is probable that the associated economic benefit or service potential will flow to the CPM;
- Supplies are recorded as expenditure when it is probable that the associated economic benefit or service potential will flow to the CPM;
- Short term compensated absences - these are periods during which an employee does not provide services to the employer, but employee benefits continue to be earned (such as periods of annual leave and rest days). Short term accumulated absences are recognised in the Comprehensive Income and Expenditure Statement 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. An accrual to reflect the cost of leave earned, but not taken by police officers and staff at the end of the financial year recognised on the CPM Balance Sheet, is offset by an intra-group debtor to reflect the responsibility placed on MOPAC to provide funds from the Police Fund to meet this liability.



### 2.4 Provisions

Provisions are made where an event has taken place that gives an obligation where it is probable that settlement by a transfer of economic benefits will be required and where the amount of the obligation can be estimated reliably, but where the timing of the transfer is uncertain. Under the MOPAC/CPM Financial Regulations, the revenue charge for provisions recognised on the MOPAC Balance Sheet is recognised in the CIES of the CPM. Estimated provisions are reviewed at the end of each financial year. Where it is likely that a provision will not be required, the relevant amount is reversed in the CIES of CPM.

### 2.5 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 and paid sick leave, bonuses and non monetary benefits for current employees. The financial consequences of these benefits are recognised in the CPM CIES in the year in which the employee renders service to the CPM. IAS 19 Employee Benefits requires CPM 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.

#### 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 recognised in the CIES of the CPM at the earlier of when the organisation can no longer withdraw the offer of those benefits or when the organisation recognises the costs for a restructuring.

#### Post employment benefits

There are three pension schemes for police officers and a single scheme for police staff.

##### *Police officers*

The Police Pension Schemes are contributory occupational pension schemes which are guaranteed and backed by law. A new Career Average Revalued Earnings (CARE) Scheme was introduced on the 1st April 2015, which was a change from the previous Final Salary Schemes. Officers starting after the 1st April 2015 join the new 2015 Scheme and members of the 1987 and 2006 Final Salary Schemes will move into the new 2015 Scheme, unless they are covered by the transitional protection arrangements. Members of the new 2015 Scheme make contributions of between 12.44% and 13.78% of pensionable pay. Protected members of the 1987 and 2006 arrangements contribute at rates of between either 14.25% and 15.05% of pensionable pay for the 1987 police pension scheme or 11% and 12.75% for the 2006 police pension scheme. The employees' contribution rate is set nationally by the Home Office and is subject to triennial revaluation. 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). The liability for the Pension Schemes is recognised initially on the CPM Balance Sheet in accordance with IAS 19 Employee Benefits. All liabilities are ultimately the responsibility of MOPAC as MOPAC provides the sole source of funding to meet the CPM's costs, so at year end the pension liability for police pensions is offset by an intra-group debtor, reflecting MOPAC's continuing responsibility to provide funds from the Police Fund to enable the CPM to administer pension payments.

Recognition of the total liability has a substantial impact on the net worth of the CPM and by virtue of the funding arrangement the net worth of MOPAC. Accrued net pension liabilities are assessed on an actuarial basis. The change in net pension liability can be broken down 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 CPM Comprehensive Income and Expenditure Statement to the services for which the police officers worked;
- Past service cost - the increase in liabilities arising 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 Services in the Comprehensive Income and Expenditure Statement;
- 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 Comprehensive Income and Expenditure Statement.

Re-measurements comprising of actuarial gains and losses - changes in the net 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 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.

Transfers into and out of the Scheme representing joining and leaving police officers, are recorded on a cash basis in the Pension Fund, because of the length of time taken to finalise the sums involved.

### *Police staff*

The CPM joined the Principal Civil Service Pension Scheme (PCSPS) in 2002/03. The PCSPS is an unfunded defined benefit scheme but police staff may opt for a defined contribution alternative. The PCSPS is deemed to be a multi-employer scheme and as such the underlying assets and liabilities within the Scheme are not broken down and attributed to individual employers. The appropriate level of disclosure has been followed in accordance with IAS 19.

## **2.6 Value Added Tax (VAT)**

The CPM does not submit a VAT return and MOPAC submits a single VAT return on behalf of the MOPAC Group. Expenditure in the CPM CIES excludes any amounts relating to VAT as all VAT is remitted to/from the HM Revenue & Customs.

## **2.7 Contingent assets and liabilities**

The CPM 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 CPM may also recognise contingent assets 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'.

## **2.8 Events after the balance sheet date**

When an event occurs after the Balance Sheet date which provides evidence of conditions that

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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 date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note to the Accounts. Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue and published.

### **2.9 Overhead costs**

The costs of overheads and support services are charged to service segments within the CPM CIES in accordance with the CPM's arrangements for accountability and financial performance. Support service costs identified as Corporate and Democratic Core costs are not charged to service segments within the CPM CIES.

### **2.10 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.

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

There are no new or amended standards that have been issued but not yet adopted, that apply to the CPM for 2017/18.

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

The preparation of the financial statements requires the CPM 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 expenditure amounts 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

- 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 level of compensation payments to third parties and ex staff reflected in the CPM CIES is determined by applying the historic experience of past claims and professional advice to determine the probable outflow of economic benefits in respect of existing claims.

### Judgements

- The costs of a pension arrangement require estimates regarding MOPAC future cash flows that will arise under the scheme liabilities as advised by the scheme actuaries. The financial assumptions are largely prescribed at any point and reflect market expectations at the reporting date. Assumptions are also made around the life expectancy of the UK population;
- A judgement has been made of the net 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 5;
- A debtor has been established on the CPM Balance Sheet equal to the employee benefit liability under IAS 19 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 chief constable or the CPM from the Police fund for the payment of employee benefits (as MOPAC provides the sole source of funding to meet the CPM's costs);

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.

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

- The Code for 2011/12 introduced 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 is only one assumption about the future for which there is a significant risk of 'material' adjustment. This involves the police pension liability - the discount rates used to calculate the pension liabilities are estimates, any changes in which could impact on the total liability of the police pension funds, see Note 10 for more details of the impact of discount rate changes;
- On the 23 June 2016 the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. Whilst there is no impact on the figures contained within CPMs accounts this decision may impact on the future basis of assumptions and estimates and the CPM will need to ensure this is considered in future years.

## **5. The basis of operation of the Commissioner of Police of the Metropolis (CPM)**

### **5.1 Introduction**

Following the Police Reform and Social Responsibility Act 2011 (the Act), the Metropolitan Police Authority (MPA) was replaced on 16 January 2012 with two corporations sole - the Mayor's Office for Policing and Crime (MOPAC) and the Commissioner of Police of the Metropolis (CPM). These financial statements for 2016/17 show the financial position of the CPM with comparative year's figures.

### **5.2 Accounting principles**

Recognition of the assets, liabilities and reserves in the Accounts of the CPM and MOPAC during 2016/17 reflects the powers and responsibilities of the CPM and MOPAC as designated by the Police Reform and Social Responsibility Act 2011 and the Home Office Financial Management Code of

Practice for the Police Service, England and Wales 2013. This accounting treatment is also underpinned by the working relationship between the Deputy Mayor and the Commissioner as defined by local regulations (MOPAC Financial Regulations and Scheme of Delegation), local agreement and practice. Under these arrangements the assets, liabilities and reserves are under MOPAC's control.

MOPAC receives all government funding and income and the CPM, while fulfilling its functions under the 2011 Act, consumes the MOPAC's financial resources against an annual budget for the discharge of their operational policing responsibilities. The CPM does not hold any cash or reserves. MOPAC has the responsibility for managing the financial relationships with third parties. When MOPAC resources are consumed at the request of the CPM, all payments are made by MOPAC from the MOPAC Police Fund and no cash movements occur between the two bodies. The annual budget is set by MOPAC in consultation with the Commissioner. Similarly access is granted to MOPAC staff and assets and a Scheme of Consent and Delegation operates between the two bodies determining the local arrangements and respective responsibilities. All the assets, liabilities and reserves of the Group are recognised on the MOPAC Balance Sheet except for the liabilities for employee benefits. As a result there is a nil balance at year end on the CPM Movement of Reserves Statement and no cash transactions on the CPM Cashflow Statement for 2016/17. The financial consequences of MOPAC resources consumed at the request of the CPM during 2016/17, in pursuance of the Commissioner's operational responsibilities under the Act are shown in the Comprehensive Income and Expenditure Statement (CIES). As the CPM does not hold reserves, the financial consequences recognised in the CIES are offset by intra-group adjustments to reflect the funding of MOPAC resources consumed at the request of the CPM to give a nil balance on its General Fund of the CPM at year end. These intra-group adjustments are mirrored in the MOPAC Accounts to reflect the funding of resources at the request of the CPM. Together with community safety and crime prevention initiatives funded by the Deputy Mayor and cost of administering MOPAC itself, the MOPAC CIES shows the overall financial cost of policing London in 2016/17 (see MOPAC Accounts).

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 however 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. Similarly within the CPM CIES the IAS 19 pension costs are offset by intra-group funding adjustments within the Net Cost of Policing Services and within 'Financing and Investment' and 'Non Specific Grant Income and Contributions' lines. The MOPAC Balance Sheet shows a matching liability and police pension reserve to reflect its responsibility to provide funds for the payment of police pensions. The same accounting treatment has been adopted in respect of 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 2016/17. Corresponding accounting entries in the MOPAC CIES and the CPM CIES can be seen in the financial statements on page 1.

### Intra-group adjustments between MOPAC and CPM within the CIES

Intra-group - total transactions for 2016/17 £million	MOPAC	CPM	Group
IAS 19 pension costs within net cost of services	0	653	653
Accumulated absences	0	6	6
Other costs within net cost of services	0	1,968	1,968
Intra-group adjustment (MOPAC funding)	2,627	(2,627)	0
Pension interest cost	0	925	925
Intra-group adjustment (MOPAC funding)	925	(925)	0
Actuarial losses/(gain) on police fund	0	2,060	2,060
Intra-group adjustment (MOPAC funding)	2,060	(2,060)	0
<b>Total transactions for the year</b>	<b>5,612</b>	<b>0</b>	<b>5,612</b>

Intra-group - total transactions for 2015/16 £million	MOPAC	CPM	Group
IAS 19 pension costs within net cost of services	0	213	213
Accumulated absences	0	5	5
Other costs within net cost of services	0	2,062	2,062
Intra-group adjustment (MOPAC funding)	2,280	(2,280)	0
Pension interest cost	0	963	963
Intra-group adjustment (MOPAC funding)	963	(963)	0
Actuarial losses on police fund	0	(4,155)	(4,155)
Intra-group adjustment (MOPAC funding)	(4,155)	4,155	0
<b>Total transactions for the year</b>	<b>(912)</b>	<b>0</b>	<b>(912)</b>

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

Intra-group - total transactions for 2016/17 £million	MOPAC	CPM	Group
CPM - Long term Intra-group Debtor	0	29,422	0
CPM - Short term Intra-group Debtor	0	103	0
CPM - Police Officer pension liability	0	(29,422)	(29,422)
CPM - Creditor - accumulated absences	0	(103)	(103)
MOPAC - Long term Intra-group Creditor	(29,422)	0	0
MOPAC - Short term Intra-group Creditor	(103)	0	0
MOPAC - Unusable Reserves	29,422	0	29,422
MOPAC - Unusable Reserves	103	0	103

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

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

### 6.1 Service expenditure analysis

The first half of the CPM CIES on page 1 shows the Net Cost of Policing Services (the operating cost in year of providing services for the CPM). The costs are also categorised between the six divisions which represent the organisational structure headings under which the CPM operates and manages its services.

### 6.2 Income

Income received by CPM includes fees and charges, contributions, specific grants and other service income.

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 live concert, or series of events such as football matches and for 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, e.g. 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 i.e. 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 in the MOPAC Group Accounts). General grants not directly attributable to specific operational activities are recognised below the Net Cost of Service.

### 6.3 Expenditure and income analysed by nature

In the table below the operating income and expenditure for the period 1 April 2016 to 31 March 2017, 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

£000	2016/17	2015/16
<b>Expenditure</b>		
Employee costs		
Police officer salaries	1,625,615	1,592,145
Police staff wages and salaries	465,447	500,857
Employee related expenditure	10,601	7,710
Net police officer pensions	311,289	(138,003)
Net police staff pensions	105,490	109,176
Premises-related	170,788	176,257
Transport-related	66,216	61,976
Supplies and services	471,681	413,439
Depreciation, amortisation, impairment	131,999	213,057
Actuarial losses on police pension funds - intra -group funding	(2,059,600)	4,155,200
<b>Total expenditure</b>	<b>1,299,526</b>	<b>7,091,814</b>
<b>Income</b>		
Fees, charges and other service income	(258,127)	(259,419)
Government grants and contributions	(473,740)	(397,135)
<b>Total income</b>	<b>(731,867)</b>	<b>(656,554)</b>
Intra-group adjustment*	(2,627,259)	(2,280,060)
<b>Surplus or deficit on the provision of services</b>	<b>(2,059,600)</b>	<b>4,155,200</b>

\*MOPAC funding during the year for financial resources of MOPAC consumed at the request of the CPM

## 7. Police officers and police staff remuneration

### 7.1 Police officer and police staff remuneration

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

Remuneration band £ CPM	2016/17		2015/16	
	Number of employees excl. exit packages	Number of employees incl. exit packages	Number of employees excl. exit packages	Number of employees incl. exit packages (restated)
50,000 - 54,999	4,537	4,572	4,542	4,550
55,000 - 59,999	1,988	2,020	2,183	2,197
60,000 - 64,999	1,645	1,659	1,577	1,590
65,000 - 69,999	723	745	669	674
70,000 - 74,999	331	346	340	351
75,000 - 79,999	209	221	191	221
80,000 - 84,999	132	147	102	113
85,000 - 89,999	99	105	71	90
90,000 - 94,999	80	89	78	88
95,000 - 99,999	27	30	14	26
100,000 - 104,999	13	20	9	16
105,000 - 109,999	7	12	2	9
110,000 - 114,999	10	13	6	13
115,000 - 119,999	13	17	7	18
120,000 - 124,999	9	12	3	21
125,000 - 129,999	12	16	3	6
130,000 - 134,999	7	13	2	7
135,000 - 139,999	6	9	0	6
140,000 - 144,999	3	4	1	6
145,000 - 149,999	0	0	0	10
150,000 - 154,999	1	4	0	4
155,000 - 159,999	0	3	0	0
160,000 - 164,999	1	2	0	1
165,000 - 169,999	0	0	0	2
170,000 - 174,999	0	0	0	1
175,000 - 179,999	0	0	0	1
180,000 - 184,999	0	0	0	1
185,000 - 189,999	0	0	0	1
190,000 - 194,999	0	1	0	2
195,000 - 199,999	0	0	0	0
200,000 - 204,999	0	0	0	3
205,000 - 209,999	0	0	0	10
210,000 - 214,999	0	1	0	2
215,000 - 224,999	0	0	0	0
225,000 +	0	0	0	3

The banding scale is based on all 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 years in question. The numbers in the table above exclude senior staff and relevant police officers as defined below in Note 7.2. In these particular cases, a detailed analysis of remuneration for 2016/17 and 2015/16 is shown on the following pages. The comparative year has been updated and restated in the table above to show the precise values of exit packages received through the Civil Service Scheme in year.

Of the 82 cases above of salaries exceeding £100k in 2016/17 47 officers exceeded the £100k barrier in that year simply owing to a one-off back payment. These cases are police officers working Royalty and Specialist Protection roles. Following a formal claim from those officers, the MPS has now accepted that the special escort allowance for royalty protection officers had been incorrectly interpreted in previous years, and therefore the officers had been underpaid. During 2016/17 the MPS paid these officers the monies due to them, covering a backpay period of over 6 years.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0 - £20,000	4	2	74	98	78	100	1,080,561	1,423,546
£20,001 - £40,000	9	6	136	153	145	159	4,247,777	4,658,616
£40,001 - £60,000	1	5	128	99	129	104	6,286,486	5,181,558
£60,001 - £80,000	0	1	30	47	30	48	2,080,332	3,484,755
£80,001 - £100,000	1	1	30	37	31	38	2,707,214	3,430,492
£100,001 - £150,000	1	0	5	12	6	12	724,448	1,416,782
£150,001 - £200,000	2	0	0	5	2	5	358,866	814,287
£200,001+	0	0	0	2	0	2	0	493,966
	18	15	403	453	421	468	17,485,684	20,904,002

*The numbers in the table above exclude senior staff as defined below in Note 7.2. In these particular cases, compensation for loss of office is shown in Sections 7.3 -7.6.*

## 7.2 Relevant police officers and senior staff remuneration

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

**7.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2017**

Post holder information (post title)	Name	Notes	Salary (including fees & allowances) (£)	Benefits in kind (£)	Other Payments (£)	Total remuneration excluding pension contributions 2016/17 (£)	Pension contributions (£)	Total remuneration including pension contributions 2016/17 (£)
<b>CPM</b>								
Commissioner	B Hogan-Howe	1	257,401	10,477	0	267,878	0	267,878
Acting Commissioner	C Mackey		241,018	6,842	0	247,860	0	247,860
Assistant Commissioner	P Gallan		198,339	4,701	0	203,040	40,557	243,597
Assistant Commissioner	M Hewitt		198,339	6,243	0	204,582	40,557	245,139
Assistant Commissioner	H King	2	153,841	3,244	3,665	160,750	20,194	180,944
Acting Deputy Commissioner	M Rowley	3	207,102	4,413	0	211,515	40,557	252,072
T/Assistant Commissioner	F Taylor	4	178,348	3,244	0	181,592	31,212	212,804
Deputy Assistant Commissioner	H Ball	5	160,439	5,974	0	166,413	31,212	197,625
Deputy Assistant Commissioner	M De Brunner	6	57,073	4,397	0	61,470	10,927	72,397
Deputy Assistant Commissioner	M Simmons		154,466	7,064	0	161,530	31,212	192,742
Deputy Assistant Commissioner	A Basu		159,493	5,780	0	165,273	31,212	196,485
Deputy Assistant Commissioner	S Rodhouse		164,878	3,244	0	168,122	31,212	199,334
Deputy Assistant Commissioner	L D'Orsi	7	136,398	3,244	0	139,642	25,755	165,397
Deputy Assistant Commissioner	P Terry		163,991	3,244	0	167,235	7,758	174,993
T/Deputy Assistant Commissioner	R Martin	8	145,500	3,244	0	148,744	22,352	171,096
T/Deputy Assistant Commissioner	D Ball	9	136,397	3,244	0	139,641	25,495	165,136
Deputy Assistant Commissioner	G McNulty	10	135,334	0	0	135,334	25,609	160,943
Deputy Assistant Commissioner	A Newcomb	11	163,286	3,244	0	166,530	30,804	197,334
Director of Commercial & Finance	L McMullan		157,350	0	0	157,350	38,465	195,815
Director of Digital Policing	A McCallum		225,350	0	0	225,350	0	225,350
Director of Solution Delivery	D Pitty	12	108,818	0	0	108,818	19,842	128,660
Director of Service Delivery	A Blatchford	13	74,194	0	0	74,194	13,572	87,766
Director of Technology	D Scates	14	75,000	0	0	75,000	13,720	88,720
<b>NPCC</b>								
Assistant Commissioner	S Thornton		203,157	0	0	203,157	0	203,157

### 7.3 Relevant police officers and senior staff remuneration - salary is £150,000 or more per year ended 31 March 2017

#### Notes

1. B Hogan-Howe retired on 28/2/17 with an annualized salary of £280,903
2. H King retired on 25/12/16 with an annualized salary of £209,915 and also received a payment of £3,665 for untaken leave
3. M Rowley was appointed Acting Deputy Commissioner on 26 February and in accordance with Regulation 27 received payment in respect of temporary promotion effective from 26/3/2017 with an annualized salary of £235,045
4. F Taylor was temporarily promoted to Assistant Commissioner on 12/12/16 with an annualized salary of £208,839
5. H Ball was on attachment to the College of Policing 3/1/17 to 31/3/17
6. M De Brunner left on 7/8/16 with an annualized salary of £152,489
7. L D’Orsi was promoted to DAC on 12/12/16 with an annualized salary of £162,018
8. R Martin was temporarily promoted to DAC on 31/10/16 with an annualized salary of £164,965
9. D Ball was temporarily promoted to DAC on 12/12/16 with an annualized salary of £163,235
10. G McNulty joined on 6/6/16 with an annualized salary of £164,965
11. A Newcomb was promoted to Deputy Assistant Commissioner with an annualized salary of £162,989
12. D Pitty commenced employment on 11 July 2016 with an annualised salary of £150,450
13. A Blatchford commenced employment on 3 October 2016 with an annualised salary of £150,450
14. D Scates commenced employment on 1 October 2016 with an annualised salary of £150,450

#### Additional information

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

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

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

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

### Notes

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1. C Dick was seconded to the Foreign and Commonwealth Office from 19/1/15 and left employment on 16/10/2015 with an annualized salary of £198,311
  2. A McCallum was appointed Director of Digital Policing on 18/1/16 with an annualised salary of £225,000. Prior to his appointment Eclecsys Ltd had been engaged to provide advice to the MPS on its technology strategy and operations. Eclecsys Ltd provided up to 3 consultants for the period 1/4/15 to 31/8/15 for £345,620.

#### **Additional information**

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

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**7.5 Senior staff where salary is between £50,000 to £150,000 per year ended 31 March 2017**

Post	Note	Salary inc fees and allowances (£)	Benefits in kind (£)	Other payments (£)	Total remuneration (excl pension contributions) 2016/17 (£)	Employers pension contribution (£)	Total remuneration incl pension contributions 2016/17 (£)
<u>CPM</u>							
Director of Media and Communication		131,385	0	0	131,385	32,104	163,489
Director of People and Change		135,550	0	0	135,550	33,124	168,674
Director of Legal Services		137,550	0	0	137,550	33,614	171,164

**Notes**

**Additional information**

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

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

Post	Note	Salary (including fees and allowances) (£)	Benefits in kind (£)	Total remuneration (excl pension contributions) 2015/16 (£)	Pension contribution (£)	Total remuneration including pension contributions 2015/16 (£)
<u>CPM</u>						
Director of Media and Communication		131,385	0	131,385	32,104	163,489
Director of People and Change		135,550	0	135,550	33,124	168,674
Director of Legal Services		137,550	0	137,550	33,614	171,164

**Notes**

**Additional information**

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

## 8. Related party transactions

IAS 24 (Related Party transactions) requires the CPM to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Commissioner or Members of MPS Management Board or to be controlled or influenced by the Commissioner or Members of MPS Management Board. Disclosure of these transactions allows readers to assess the extent to which the office of the CPM 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 CPM. This disclosure note has been prepared on the basis of specific declarations obtained in April 2017 in respect of related party transactions.

### MOPAC

The primary functions of MOPAC are 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 or assets. All payments on behalf of the CPM are made by MOPAC from the MOPAC Police Fund and all funding and income is received by MOPAC. The CPM is therefore dependant on MOPAC to discharge any liabilities, for instance to administer police pensions or settle future obligations.

### Central Government and other public bodies

Central Government has significant influence over the general operations of the CPM. It is responsible for providing the statutory framework within which the CPM operates, as well as providing substantial resources in the form of grants which are paid to MOPAC which enables it to fund policing activities. It also prescribes the terms of many of the transactions that the MOPAC Group has with other parties. Grants received from Central Government to MOPAC are set out in the MOPAC Group Accounts 2016/17.

### Functional bodies of the Greater London Authority

The MPS and MOPAC are functional bodies of the Greater London Authority (GLA). The other main bodies are the London Fire and Emergency Planning Authority, Transport for London and the London Legacy Development Corporation. Whilst the GLA provides funding directly to MOPAC, it is considered that the GLA has potential to indirectly influence the CPM priorities via the Police and Crime Plan and associated funding.

The London Assembly approves MOPAC's budget for the MPS and sets the precept for the GLA. In addition Section 32 of the Police Reform and Social Responsibility Act 2011 requires the GLA London Assembly to establish a committee called the 'Police and Crime Committee' to exercise functions in relation to scrutiny of MOPAC. The Committee's responsibilities include reviewing the draft Police and Crime Plan and scrutiny of particular decisions made or actions taken by the Mayor in the discharge of his duties. In 2016/17 monies received by MOPAC from the GLA in the form of Home Office non specific grants and precepts to fund policing and community safety in London were £2,498 million. Further information on the GLA can be found in the MOPAC Group Accounts 2016/17.

Officers work under the direction of the Commissioner on behalf of MOPAC with Transport for London (TfL) and the London Legacy Development Corporation. The net receipts from Transport for London were £96.534 million in 2016/17 (£95.499 million in 2015/16). At 31 March 2017 £16.182 million was owed to the Group (£25.384 million at 31 March 2016).



### Other bodies

The Group provided £868,498 to the Safer London Foundation in the year ended 31 March 2017 and Sir Bernard Hogan-Howe, Commissioner, is the president until his departure when Cressida Dick took over the role and therefore is included within IAS 24 on related parties. The Deputy Commissioner Craig Mackey is also a trustee.

The London Digital Security Centre (LDSC) is included here as a related party as MOPAC provided a significant element of its funding in 2016/17 and the Chief Executive of MOPAC and the Deputy Commissioner are board members. The new organisation 'Police Now' was established in January 2016 to run the National Graduate Leadership Development Programme. It received funding from MPS/MOPAC as part of the HO Police Innovation Fund of £4,216k. Two of its trustees are employed by the MPS. The DMPC is one of 10 Board members for the Police ICT Company to manage and deliver Home Office contracts. MOPAC pays a flat rate of £60,000 paid by each of the 43 PCCs and paid £734,179 for software licenses. . The College of Policing is the professional body for the police services in England and Wales and the Director of People and Change is a member of the Board. MOPAC spent £1,039k in 2016/17 and had a debtor at the year-end of £379k.

MOPAC is the member of the Police Crime Prevention Initiatives Ltd (T/A Secured by Design) which is a company limited by guarantee without share capital. The Chief Executive of MOPAC and the Assistant Commissioner for Territorial Policing sit as directors on the Company and have influence over the operation and running of the company. Secured by Design supports the principles of 'designing out crime' through physical security and processes. In total, MOPAC received £107k from Police Crime Prevention Initiatives Ltd in 2016/17.

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 24. The Director of Commercial and Finance is a Trustee of the Staff Welfare Fund. In 16/17 the MOPAC Group paid £13k to the Staff Welfare Fund.

## 9. Auditors' remuneration

The audit fee payable to Grant Thornton UK LLP during the year for the CPM is £120,000 (£120,000 in 2015/16).

The CPM also incurred fees payable to Grant Thornton UK LLP in respect of other services provided during the year of £100,500 (£37,530 in 2015/16).

## 10. Pension costs

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

### 10.1 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 2016/17. Further details of the schemes can be found in the Police Officer Pension Fund Accounts.

The Police Officer Pension Fund is administered by the Commissioner in accordance with the Police Reform and Social Responsibility Act 2011. The Police Officer Pension Fund's Financial Statements and notes are included on Pages 33-35 of this document.

The principal risks of the schemes are the longevity assumptions, statutory changes to the schemes and changes to inflation and to bond yields. These are mitigated by the requirement to ultimately charge to the MOPAC General Fund the amounts required by statute, as described in MOPAC's accounting policy on post employment benefits at note 2.7 in MOPAC's Statement of Accounts.

### Income and expenditure

MOPAC pays employer contributions for the police officers under the direction of the Commissioner at a rate of 21.3% of pensionable salary into the Fund. To reflect the full financial consequences of utilising the services of police officers during the year, the accounting cost of police officer pensions is recognised in the CIES in accordance with IAS 19 Employee Benefits.

The cost of retirement benefits is recognised in the CIES when they are earned by the employees rather than when they are eventually paid as pensions. The following transactions have been made in the Comprehensive Income and Expenditure Statement.

£000	2016/17	2015/16
<i>Comprehensive Income and Expenditure Statement</i>		
Cost of Services:		
Service cost comprising:		
Current Service Cost	584,700	621,100
Past service cost	2,700	2,200
Transfers in/(out)	4,400	1,000
Actuarial loss/(gain) - injury pensions	61,100	(411,100)
Intra Group Adjustment Service Cost	(652,900)	(213,200)
Financing and Investment Income and Expenditure		
Interest Expense	925,100	963,400
Intra Group Adjustment Interest Expense	(925,100)	(963,400)
Non Specific Grant Income and Contributions		
Intra Group Adjustment Re-measurement of defined benefit liability	(2,059,600)	4,155,200
<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>(2,059,600)</b>	<b>4,155,200</b>
Re-measurement of the defined benefit liability comprising:		
Prior period adjustment to valuation of liability at 1 April 2016	28,600	0
Actuarial loss/(gain) arising on changes in demographic assumptions - excluding injury pensions	179,200	(81,100)
Actuarial loss/ (gain) arising on changes in financial and other assumptions - excluding injury pensions	1,851,800	(4,074,100)
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,059,600</b>	<b>(4,155,200)</b>

- 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 CPM.
- 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 £150.1 million in the year ended 31 March 2017. In the year ended 31 March 2017, employer pension contributions totalled £605.6 million. In the year to 31 March 2017 the net costs of pensions and other benefits amounted to £638.8 million, representing 53.5% 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, IAS 19 requires this liability is recognised at the time that officers earn their future entitlement. The Group had the following overall liabilities for pensions at 31 March 2017 that have been included in the Balance Sheet:

£million	2016/17	2015/16
Active members	(12,608)	(11,125)
Deferred pensioners	(1,726)	(935)
Pensioners	(13,679)	(13,062)
Injury pensions	(1,409)	(1,302)
<b>Total value of scheme liabilities</b>	<b>(29,422)</b>	<b>(26,424)</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2017. The movement in the present value of the scheme liabilities for the year to 31 March 2017 can be reconciled as follows:

£million	Excluding injury benefits 2016/17	Excluding injury benefits 2015/16	Injury benefits only 2016/17	Injury benefits only 2015/16
<b>Scheme liabilities at 1 April</b>	<b>(25,122)</b>	<b>(28,404)</b>	<b>(1,302)</b>	<b>(1,654)</b>
Prior period revision enacted in year: adjustment to valuation liability at 1 April (see paragraph below)	(27)	0	(1)	0
<b>Scheme liabilities at 1 April (restated)</b>	<b>(25,149)</b>	<b>(28,404)</b>	<b>(1,303)</b>	<b>(1,654)</b>
Current service cost including Home Office contribution.	(557)	(584)	(28)	(36)
Officer contributions	(150)	(154)	0	0
Benefits paid	760	780	0	0
Injury award expenditure	0		29	30
Transfers from / to other authorities	(4)	(1)	0	0
Past service cost (injury benefits)	(3)	(2)	0	0
Interest cost on pension liabilities.	(879)	(912)	(46)	(53)
Re-measurement gains and losses:				
Actuarial (loss)/gain arising on changes in demographic assumptions	(179)	81	2	2
Actuarial (loss)/(gain arising on changes in financial assumptions	(5,560)	2,933	(290)	167
Other experience	3,708	1,141	227	242
<b>Scheme liabilities at 31 March</b>	<b>(28,013)</b>	<b>(25,122)</b>	<b>(1,409)</b>	<b>(1,302)</b>

## Prior Period Revision Enacted in Year

Due to a revision to the data supplied to the Scheme's actuaries, Hymans Robertson, to calculate the total value of the pension liability at 31st March 2016, which was not recognised in the 2015/16 Statement of Accounts, the opening balance on the pensions liability for 16/17 has been adjusted by £28.6 million. This adjustment has been reflected in the 2016/17 Comprehensive Income and Expenditure Statement through "Re-measurements of the defined benefit liability".

## 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 2013 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 2016/17	All schemes 2015/16
Rate of inflation	3.4%	3.2%
Rate of increase of salary (note 1)	3.4%	3.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities (note 2)	2.6%	3.5%

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

2. 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 2013 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 2016/17	Males 2015/16	Females 2016/17	Females 2015/16
Current pensioners	30.2 years	29.7 years	31.7 years	31.6 years
Future pensioners*	31.6 years	31.2 years	33.2 years	33.2 years

\*Future pensioners are assumed to be aged 45 at 31 March 2017.

## Sensitivity analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each

change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis are consistent with those used in the previous period.

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

Financial assumptions	Approximate % increase to employer liability		Approximate monetary amount (£000)	
	2016/17	2015/16	2016/17	2015/16
0.5% decrease in real discount rate	10%	10%	3,085,800	2,588,600
1 year increase in member life expectancy	3%	3%	880,400	783,500
0.5% increase in the salary increase rate	2%	2%	536,700	432,300
0.5% increase in the pension increase rate (CPI)	8%	8%	2,404,900	2,114,600

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

£million	2016/17	2015/16
Projected current service cost	856	588
Interest on obligation	767	924
<b>Total</b>	<b>1,623</b>	<b>1,512</b>

The weighted average duration of the defined benefit obligation is

Weighted Average Duration	2016/17	2015/16
Officer members	26.5 years	26.6 years
Deferred pensioners	25.7 years	25.7 years
Pensioners	12.1 years	12.2 years
Injury pensions	19.4 years	19.3 years

## 10.2 Police staff

The Civil Service pension scheme is an unfunded multi-employer defined benefit scheme. The CPM are unable to identify their share of the underlying assets and liabilities and therefore account for this as a defined contribution scheme as allowed under IAS 19. A full actuarial valuation as carried out as at 31 March 2017 can be found in the Resource Accounts of the Cabinet Office, who administer the fund. For the year ended 31 March 2017, employer's contributions of £77.3 million were payable to the Cabinet Office at one of four rates in the range 20.0 to 24.5 percent of pensionable pay, based on salary bands. In the year to 31 March 2017, the net cost of pensions amounted to £102.8 million, representing 27.5% of pensionable pay. The CPM is not liable for any other entities obligations under the plan.

## 11. Creditors (Accumulated Absences)

£000	Accumulated absences
Balance at 1 April 2015	(102,786)
Additional accrual	(97,525)
Amounts used	102,786
<b>Balance at 31 March 2016</b>	<b>(97,525)</b>
Additional accrual in 2016/17	(103,292)
Amounts used in 2016/17	97,525
<b>Balance at 31 March 2017</b>	<b>(103,292)</b>

In accordance with IAS 19 the Group has created an accrual for accumulated compensated absences representing the cost of police officers and staff who have not taken their full leave entitlement before the financial year end. Other absences such as flexi-leave are not considered material. Police officers and staff are entitled to carry forward untaken annual leave and officers are entitled to carry forward untaken rest days outstanding. The CIPFA Code permits the creation and use of an Accumulated Absences Account, included in reserves, to offset the charge to revenue created by the accumulated absences accrual. 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 these liabilities as they fall due.

## 12. Third party monies

Fund Name £000 2016/17	Income	Expenditure	Assets	Liabilities
Metropolitan Police Benevolent Fund	2,870	2,457	4,413	6
Metropolitan Police Commissioner's Fund	19	19	542	4
Metropolitan Police Sports Fund	517	523	305	4
Metropolitan Police Staff Welfare Fund	21	22	257	9
Metropolitan Police Athletic Association	2,116	1,593	1,656	126
COMETS	121	106	150	5
<b>Total</b>	<b>5,664</b>	<b>4,720</b>	<b>7,323</b>	<b>154</b>

Fund Name £000s 2015/16	Income	Expenditure	Assets	Liabilities
Metropolitan Police Benevolent Fund	1,903	2,168	3,765	5
Metropolitan Police Commissioner's Fund	18	23	496	3
Metropolitan Police Sports Fund	518	523	305	4
Metropolitan Police Staff Welfare Fund	24	16	248	2
Metropolitan Police Athletic Association	2,159	2,300	1,625	216
COMETS	138	127	133	0
<b>Total</b>	<b>19,165</b>	<b>19,200</b>	<b>24,379</b>	<b>230</b>

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. Details of the principal funds administered by CPM staff are given above, together with their income and expenditure for their respective financial years, which ended during the 12 months to 31 March 2017 and values at their financial year-end dates.

### **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 dependents 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 nearly 50 sporting sections of the Metropolitan Police. Each section is individually run but may receive assistance from the Association for its activities.

***Metropolitan Police Sports and Social Association (COMETS)***

The Comets (Metropolitan Police Sports and Social Association) has 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***

The MOPAC Group 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	2016/17	2015/16
Proceeds Of Crime Act monies	42,093	37,241
Prisoners' property and lost cash	601	1,123
Other	791	773
<b>Total</b>	<b>43,485</b>	<b>39,137</b>

## 13. Notes to the cash flow statement

### 13.1 Adjustments to the net surplus or deficit on the provision of services of non-cash movements

£000	31 March 2017	31 March 2016
Movement in police officer pension liability (non cash)	(2,997,600)	3,633,700
Increase/(decrease) in debtors (non cash)	3,003,368	(3,638,962)
Other non-cash items	2,053,832	(4,149,938)
	<b>2,059,600</b>	<b>(4,155,200)</b>

## 14. Contingent liabilities

The Commissioner, along with other Chief Constables and the Home Office, currently has approximately 2000 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

## 15. Post balance sheet events

On 10 April 2017 Cressida Dick was appointed as the new Commissioner of Police for the Metropolis.



## 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 2016/17 and 2015/16. The statement does not form part of the CPM or the MOPAC Group Statement of Accounts.

£000	Notes	2016/17	2015/16
<b>Contributions receivable</b>			
• Employer contributions	4.1	(235,801)	(239,561)
• Additional income	4.3	(3,977)	(4,313)
Transfers in from other schemes	4.2	(6,685)	(13,078)
Officers' contributions	4.4	(150,259)	(153,345)
<b>Net Income</b>		<b>(396,722)</b>	<b>(410,297)</b>
<b>Benefits payable</b>			
Pensions paid		596,913	577,121
Lump sum payments		165,685	144,391
Lump sum death payments		1,632	1,673
Other payments	4.6	1,340	399
Transfers out to other schemes	4.2	952	10,116
<b>Net expenditure</b>		<b>766,522</b>	<b>733,700</b>
<b>Net amount payable for the year</b>		<b>369,800</b>	<b>323,403</b>
<b>Additional 2.9% funding payable by the local policing body to meet deficit for the year</b>	4.1	<b>(32,089)</b>	<b>(32,603)</b>
<b>Employer additional funding</b>	4.5	<b>(337,711)</b>	<b>(290,800)</b>
<b>(Surplus)/deficit on fund</b>		<b>0</b>	<b>0</b>

### 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	2016/17	2015/16
<b>Current Assets</b>		
Funding to Meet Deficit due from the CPM	1,690	2,892
<b>Net Current Assets</b>	<b>1,690</b>	<b>2,892</b>
<b>Current Liabilities</b>		
Unpaid Pensions Benefits	(1,690)	(2,892)
<b>Net Current Liabilities</b>	<b>(1,690)</b>	<b>(2,892)</b>
<b>Total</b>	<b>0</b>	<b>0</b>

### 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 in 2016/17 to cover the deficit in year.

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

Details of the accounting policies of the CPM can be seen on page 7 to 11. 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 10.

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

### 4. Police Pension Fund - Revenue account notes

#### 4.1 Employer contributions

Employer contributions are calculated at 21.3% of police officer pensionable pay, a reduction of 2.9% from 2014/15. The employer contribution is set nationally by the Home Office and is subject to triennial revaluation.

This reduction in the employer contribution rate has been retained by the Exchequer. This means that as in 2015/16 the police pensions top up grant for 2016/17 has been reduced by the difference the contribution rates of 24.2% and 21.3%. The additional 2.9% required to meet the pension fund revenue account deficit has been met by the CPM.

#### 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 2016/17 amounted to £338.9 million. This consists of additional funding of £68.7 million received by the Group in respect of 2015/16 and a statutory transfer from the police fund of a further £270.2 million in respect of 2016/17. The remaining 2016/17 shortfall of £90.9 million is to be received from the Home Office in 2017/18.

### 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 £44,152 for the PPS scheme, £51,042 for the NPPS scheme and £13,558 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 is one remaining HMIC inspector who is a contributing member to the Police Pension scheme, there are 24 HMIC pensioners and 6 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.

### 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.

### 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.

### The 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.

### Comprehensive Income and Expenditure Statement

A primary financial statement showing the financial resources of MOPAC consumed at the request of CPM for the financial years and corresponding funding of MOPAC resources.

### Credit arrangements

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

### Employee costs

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

### **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)

### **The 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.

### **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 be needed 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, House of Lords/Commons, Palace of Westminster are the main items included under this heading.