

Lee Valley Regional Park Authority

**Statement
of
Accounts**

For the year ended 31 March 2012

Lee Valley Regional Park Authority

Statement of Accounts 2012

For the year ended 31 March 2012

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Foreword

The Lee Valley Regional Park Authority (LVRPA) is an award winning and leading leisure organisation. It has a statutory duty to develop the 10,000 acre Park as a regional destination. The Authority's vision for 2020 is that the LVRPA should be "A World Class Leisure Destination".

Over recent years the Authority has undertaken significant work to leverage in external funding to support the development of the Park; and it is committed to continue to reduce its reliance on the levy.

These accounts for 2011/12 provide information about the costs and income from our services during the year and our assets and liabilities at the year end.

The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice.

CIPFA's recommended accounting practice complies, with International Financial Reporting Standards (IFRS) subject to appropriate agreed variations for Local Authorities. The change to IFRS from Generally Accepted Accountancy Principles (GAAP) made last year allows inter-authority comparison and bring benefits in consistency and comparability between financial reports whilst continuing to follow private sector best practice.

The accounts consist of:

- the Comprehensive Income and Expenditure Account, which summarises expenditure and income on our main services for 2011/12;
- the Balance Sheet, which shows our overall financial position as at 31 March 2012;
- the Movement in Reserves Statement, which is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year.
- a Cash Flow Statement, which shows the total cash we received and how we used it.
- a Statement of Accounting Policies, which describes the main principles used to prepare the accounts;

The accounts are intended to be read mainly by accountants in the public sector. However, because general readers may find them of interest, we have explained some of the main technical terms in notes to the accounts and in a glossary. We have also included a summary of the most significant matters on page 3.

The Annual Governance Statement (AGS) highlights the major risks and uncertainties the Authority faces in the year ahead and highlights the impact of the Olympics on the Authority as it moves to incorporate this legacy into its normal business operating environment. The AGS highlights the impact of the downturn in the economic climate and demonstrates the Authority's response to the pressure on the public purse.

Kulvinder Sihota
Corporate Director of Resources & Business Development

20 September 2012

Summary of significant matters

This summary sets out the most significant matters in the accounts, such as the Authority's overall financial position.

Expenditure compared to budget

The 2011/12 budget was set in January 2011. Actual spending on facilities and services was £1.0m less than budgeted, which included £0.7m carried forward from the previous financial year. At the end of the year the Authority had general reserves of £7.5m.

Budget compared to actual

2011/12	Budget £'000s	Actual £'000s
Net operating expenditure	11,220	11,766
Levy on local authorities	(11,989)	(11,989)
Net general fund surplus	(769)	(223)
Total financing costs	791	(91)
Movement in reserves	22	(314)

Capital investment

Capital investment totalled £2.7m. This was financed by a contribution from revenue (£1.7 m), and government grants and contributions from other bodies (£0.5m). In accordance with local authority accounting practice, accrued capital expenditure remained unfinanced at the year end.

Strategic business plan

The financial strategy is embodied in the comprehensive and demanding ten-year Strategic Business Plan 2010 to 2020. The Plan is designed to deliver the vision of creating a world class leisure destination. The Plan is underpinned by a financial strategy that aims to optimise the use of financial resources to meet business objectives. The strategy includes maintaining a strong financial position, which these accounts demonstrate.

London Olympics 2012

In July 2005, London was awarded the 2012 Olympic Games. Under the current Olympic arrangements, some of the Authority's land and assets have been used and developed.

Velopark

The Olympic Agreement (dated 11 January 2005) contractually bound the London Development Agency (LDA) to deliver a Velopark to the Authority at the end of the lease period. This agreement was novated to the Olympic Park Legacy Company (OPLC) in September 2010. This was legally transferred to the London Legacy Development Corporation under the Localism Act from 1 April 2012. The lease period for this arrangement runs until 31 March 2015 or sooner if legacy works have been completed. It is likely that when this asset is transferred to the Authority the estimated depreciated replacement cost will be approximately £87m.

The current Olympic Agreement and supplementary agreements contain no specific legal obligations for the Authority to make good major future defects outside of the normal management and maintenance operations as specified in the legal agreements. In addition, the Authority will have a contingent liability of up to £5.25m in relation to the lottery funding agreement between the Authority, Sport England and the Olympic Development Agency (ODA). In addition, a contingent liability of £2m exists in relation to a funding agreement with the London Marathon Trust for legacy works. LVRPA has accrued for £3.5m within its Capital Programme for 2010/11 as its contribution to the construction of the Velopark.

The Velopark will be handed over in 2015 and construction was valued at £87.159m at year end. Only the land valuation of this asset has been included in the statements. The contingent liabilities are shown in note 40. The following Agreement which relates to the Velopark is still awaiting final sign off:

Other Olympic Agreements

Third Supplemental Agreement

This is in final form and has received Secretary of State consent. It cannot be signed until Sport England consent has also been given and this is still being negotiated. It mainly concerns arrangements for utilities. This will have no impact on the accounts.

The following agreements have been completed and signed:

Fourth Supplemental Agreement

This agreement was completed on the 30th March 2012 following receipt of Secretary of State Consent. The agreement varied the Olympic agreement to allow for the disposal of land referred to below as the "Option Land". At the same time the Authority entered into a sale agreement of the same date setting out the land that the Authority was disposing of together with the small parcels of land that the Authority would receive in exchange.

Funding Agreement – Sport England £10.5m (LVRPA Joint application with the ODA - £5.25m each)

This agreement was signed and agreed on 3 November 2010 as a contribution towards the development of the Velopark.

Funding Agreement London Marathon Trust £2m

This agreement was signed and agreed on 14 January 2011 as a contribution to the legacy facilities at the Velopark and specifically the road circuit.

The Authority recognises that in substance an operating lease exists between itself and the London Organising Committee of the Olympic Games (LOCOG) for the period of the Olympic Games. As no material value can be attached to this arrangement this is regarded by the Authority as a unique and one-off short term arrangement and so no accounting entries have been made in respect of this matter.

Lee Valley White Water Centre

This asset was transferred to the Authority on 17 December 2010 and the depreciated replacement cost is valued at £26m. The Authority has a contingent liability of up to £900,000 in relation to its lottery funding agreement with Sport England. In addition, the Authority also has a contingent liability of up to £4m in relation to its funding agreement with East of England Development Agency (EEDA). The legal transactions set out above are within the remit of s.12 and s.13 of the Lee Valley Regional Park Act 1966.

The Authority recognises that in substance an operating lease exists between itself and the LOCOG for the period of the Olympic Games.. The only change to this operating lease comes through the variation of the venue use agreement at this centre where the period of use will move from 15 July 2012 to the 18 April 2012. the Authority has agreed compensation with the London Organising Committee of the Olympic Games (LOCOG) for this extended period of i) £200,000 in cash and ii) additional works and overlay at the site producing assets independently valued at £131,000, all of which covers estimated income foregone as a result of the additional access period (total additional payment is £331,000). The land and building valuation of this asset has been included in the statements. The contingent liabilities are shown in note 40.

Sale of Olympic land

In addition the Authority has sold approximately 10.8 acres of land – termed the "Option land" – to the London Legacy Development Corporation (LLDC) for £17.45 million. In addition to this capital sum the Authority will receive small plots of exchange land within the Olympic Park as exchange and in compensation for the sold area of land as described above.

The total area of exchange land is approximately 10.7 acres and carries a small value of £455,000. The Authority has agreed that two elements of this land in the North of the Park will subsequently be leased back to the LLDC at a peppercorn rent (£1) for twenty-five years and at £20,000 per annum for forty years respectively, and will place an obligation on the LLDC to carry out annual maintenance which has been estimated by the LLDC to be up to £25,000 per annum. The area of land being leased at £20,000 per annum has been independently valued at £320,000.

Pension Scheme

The Authority is a member of the Local Government Pension Scheme, administered by the London Pensions Fund Authority. The net liability (ie the amount by which the pensions liabilities exceed its assets) affects the Authority's net worth as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the Authority's financial position remains healthy. The deficit on the pension scheme will be made good by increased contributions over the employees' remaining working life, as assessed by the scheme actuary.

Borrowing and Capital Funding

The Authority has the facility to borrow funds for capital expenditure from the Public Works Loan Board (PWLb). Short term borrowing is covered by our bank overdraft.

The Capital Financing Requirement measures the underlying need to borrow for capital (not revenue) purposes. It does not necessarily mean that borrowing will be undertaken. The following capital financing requirements are based upon the value of the Authority's depreciated value of fixed assets less provisions set aside for loan repayment

	2010/11 Actual	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
LVRPA	£15.7m	£16.2m	£16.5m	£16.2m	£15.1m	£14.0m

In practice this Authority does not receive revenue support towards capital expenditure (the way local authorities do), so any new borrowing in the future must be self-funded, for example via efficiency savings, leveraging in external funding, new income streams or through the levy. Capital Investment in the current year has been funded from the Authority's accumulated cash balances and, as a result, no new external long term borrowing has been undertaken.

After taking account of scheduled loan repayments of £99,810 (including interest of £72,887), outstanding external borrowing at 31 March 2012 totalled £707,692. A further £26,923 principal will be repaid within 2012/13 and subject to no further borrowing being undertaken the remaining loans will be fully cleared by March 2016.

The estimated impact of Capital Investment decisions on the levy is shown in the table below. Where additional revenue from the levy is used to finance capital expenditure this would have an impact on contributing authorities. This would mean that the Authority would need to increase the levy over the current level. The base indicator for 2011/12 is £2.0m and is shown in the table below. This figure takes account of the resourcing requirements for the capital programme and is included in the report to Members as part of the 2011/12 (revised) to 2015/16 capital programme elsewhere on this agenda

	2010/11 Actual	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Direct Revenue	£1.4m	£1.1m	£0.7m	£1.0m	£1.1m	£1.1m
Capital Fund	£0.4m	£0.4m	£0.4m	£0.4m	£0.4m	£0.4m
R & R Fund	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m
	£2.3m	£2.0m	£1.6m	£1.9m	£2.0m	£2.0m

Economic Climate

The economic climate has, and will continue to impact on the Public sector purse and particularly the finances of the Authority. The Authority sets the annual budget in the context of a three year business plan and a ten year business strategy. The assumptions behind this forecast are reviewed annually; the medium term financial forecast is restated and then approved by elected Members. The Authority is conscious of the financial pressures faced by the levied authorities and the spending assessments that impact on them. The levy was reduced by 2% for 2012/13 (-2% for 2011/12) and officers and Members are committed to providing on-going savings and efficiencies to achieve economy and efficiency through the use of public funds whilst delivering it's own core objectives detailed in the three year Business Plan 2010 – 2013. The levy for 2013/14 will be set subject to inflation and other economic factors prevailing at the time.

The Authority is continuing a robust plan of income generation projects across the Park to reduce its reliance on the levy. The key measure is to ensure that the reliance on the levy falls to 53% of the maximum the Authority can legally charge. An officer led Business Development Group is managing a variety of projects to create efficiencies, generate further income and to review the business operating model of the organisation. The work of this group is regularly monitored by the Members of the Executive Committee.

Revenue Reserves

The Authority's current Reserves Policy states that the Authority should maintain a minimum general reserve balance of £2m. The individual usable reserves are explained below:-

General Fund

The general fund reserves currently stand at £7.5m. It is anticipated that if all the carry forwards from 2011/12 (£0.5m) are spent in 2012/13 the balance at the year end will be approximately £7.0m.

Earmarked Reserves

The Authority maintains renewal and repair funds to replace equipment and for major repairs to buildings or structures that cannot be funded in one year from service revenue budgets. An insurance fund is also maintained to self-insure certain risks that are not otherwise covered by the insurance policies of the Authority. For example storm damage and insurance excesses on existing policies. All services are charged an annual premium, with policy excesses for claims against the Authority by third parties charged to the fund balance in any given year.

Capital Receipts Reserve

There is a balance of £8m on this reserve due the sale of the option land at Olympic Park.

Capital Fund

The Authority sets aside 3% of its Levy each year in accordance with the Lee Valley Regional Park Act section 49 (30) for capital expenditure purposes. The figure of £5.8m is the accumulated fund available at 31 March 2012.

Statement of responsibilities

The Authority's responsibilities

The Authority must arrange for the proper administration of its financial affairs and ensure that one of its officers is responsible for administering those affairs – that officer is the Corporate Director of Resources & Business Development. The Authority must manage its affairs to secure economic, efficient and effective use of resources and safeguarding its assets.

The Corporate Director of Resources & Business Development's responsibilities

The Corporate Director of Resources & Business Development is responsible for preparing the Authority's statement of accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code requires that the accounts present a true and fair view of the financial position at the accounting date and income and expenditure for the year ended 31 March 2012.

In preparing this statement of accounts, the Corporate Director of Resources & Business Development:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with The Code.

The Corporate Director of Resources & Business Development has also:

- Kept proper accounting records that were up to date; and
- Taken reasonable steps to prevent and detect fraud and other irregularities.

I certify that these statements of account present a true and fair view of the financial position of the Authority as at 31 March 2012 and the income and expenditure for the 2011/12 financial year.

Kulvinder Sihota
Corporate Director of Resources & Business Development

20 September 2012

Alan Searing
Chairman – Audit Committee

20 September 2012

ANNUAL GOVERNANCE STATEMENT 2011/12

Scope of responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority does not have a duty under the Local Government Act 1999 in the same way that local authorities do to make arrangements to secure continuous improvement when exercising its functions, having regard to a combination of economy, efficiency and effectiveness; but it considers and adopts these elements as a matter of best practice.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

The Authority has adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Good Governance in Local Government. This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 4 (2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the Authority and its activities for which it is accountable to its stakeholders and the wider community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks likely to impair the achievement of the Authority's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

The governance environment

A clear statement of the Authority's purpose and vision is set out in "The Lee Valley Regional Park Authority Business Strategy 2010-2020". The Authority's objectives are set out in the Performance Management Framework. These are translated into more specific aims and objectives in the service improvement plans which are prepared annually. The achievement of these objectives is monitored by the Senior Management Team, the Performance Team, the Executive and Scrutiny committees.

The behaviour of Authority Members is regulated through a Model Code of Conduct made by statutory instrument, which is adopted and regulated within their own Councils' systems and which is supported by a Members' planning code of good practice within this Authority. Employees are also subject to a Code of Conduct and a number of specific policies (e.g. on whistle blowing, IT usage, bullying and harassment) which are set out in the Employee Handbook. Advice on these matters is embedded through on-going training.

Policy and decision making are facilitated by a clear framework of delegation set out in the Lee Valley Regional Park Act 1966, the Authority's Standing Orders and Financial Regulations. This sets out, among other things, where responsibility lies for developing and delivering policy, and for taking decisions. The Standing Orders and Financial Regulations provide for some delegation to officers but within a policy framework laid down by the Authority, and with the more significant executive decisions being taken by the elected Members of the Executive Committee and the Full Authority.

Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Standing Orders to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness of decision making.

Risk management is embedded in the Authority through a Corporate Risk Management Framework (Paper FA/126/07) which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Authority maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk. Risk management awareness is an integral part of the Authority's employee/management competency framework. The Corporate Director of Resources & Business Development leads on matters of risk for the Authority and reports directly to the Audit Committee who receive quarterly reports on risk management and who take appropriate action to ensure that corporate business risks are up-to-date; being actively managed; and agree the soundness of the Authority's risk management arrangements.

The Authority's programme for securing continuous improvement in its services is set out in the Performance Management Framework. Actions for improvement are drawn from a variety of sources including internal audit; the Authority's own Self Assessment reviews, service reviews and, external inspections such as those undertaken by the Audit Commission, Quest, Green Flag, the British Safety Council and the British Quality Foundation. An annual assessment of performance, detailing future performance targets, is set out in the Annual Performance Management Report.

The Corporate Director of Resources & Business Development is designated as the responsible officer for the administration of the Authority's financial affairs under section 151 of the Local Government Act 1972 and section 11 (1) of the Lee Valley Regional Park Act 1966. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Authority's money laundering, whistle blowing and anti-fraud and corruption reporting officer.

The Authority has a performance management framework through which quality of service is measured through corporate performance indicators which in turn are reported through the Annual Performance Management Report. This is monitored by departmental management teams, Performance Team and the Senior Management Team and scrutinised on a six-monthly basis by the Executive Committee and a quarterly basis by the Scrutiny Committee.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Annual Internal Auditor's report, and also by comments made by the external auditors and other review agencies.

The terms of reference for the Audit Committee requires it to monitor and review the Authority's system(s) of internal financial control and authorise/approve the Annual Governance Statement; it also monitors and reviews the Authority's Health & Safety and risk management policies and programmes.

The Internal Auditor reports to the Authority's Corporate Director of Resources & Business Development, but in order to ensure independence has direct access to the Chief Executive, Monitoring Officer, and the Audit Committee.

The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is incorporated in the Annual Internal Audit Report to the Audit Committee. The Annual Internal Audit Report for 2011/12, which was presented to the Audit Committee on 28 June 2012 (Paper AUD/ 28/12), concluded that, based on the internal audit work undertaken, the Authority's internal control systems are considered to be adequate and effective.

A review of the effectiveness of the system of internal audit has been undertaken for 2011/12 in accordance with the Accounts and Audit Regulations 2011. This was presented to the Audit Committee on 28 June 2012 (Paper AUD/28/12) and concluded that the Authority's system of Internal Audit was effective.

The Audit Committee approved a Risk Management Strategy in May 2010 (Paper AUD/06/10) (in which it was concluded that risk management arrangements are an established part of business operations and are entrusted with senior officers). The Strategic Risk register has undergone regular monitoring and this year Members have overseen a review of the Strategic Risk Register and sub risk registers to ensure that risk management is conducted effectively across the organisation. A new Risk Management Strategy will be approved by the Audit Committee on 28 June 2012 (Paper AUD/30/12).

The Audit Committee also ensure a robust framework to manage Health & Safety is maintained. Annually all sites are audited by the Health & Safety contractor - with a 90% approval rating and independent assurance from the auditor. Every third year the work of the Authority is independently assessed by a third party (British safety Council). They have awarded the Authority a 5* rating (their highest level score) which further provides assurance of the management of risk in that area. This is reported separately to the Audit Committee in the Annual Health & Safety reported to the Audit Committee on 28 June 2012 (Paper AUD/30/12).

Senior Managers continue to carry out self assessment of the processes and controls they have in place to allow them to achieve their service objectives. This is reinforced by self assessment carried out by a cross section of employees as part of the Performance Management Framework using the European Foundation for Quality Management (EFQM) model.

Reporting on performance management information to the Executive Committee and the Scrutiny Committee has taken place over the course of the year. Based on the information provided during the year and reviews of data quality, controls can be seen to be satisfactorily in place.

The review of the effectiveness of the system of internal control is informed by:

- The work of managers within the Authority;
- The work of the Internal Auditor;
- The work of the Health & Safety contractor;
- The work of Corporate Risk Management;
- Performance Management Information; and
- The External Auditors in their annual audit letter and other reports.

The results of the review of the Authority's system of internal control have concluded that it is satisfactory and effective.

Significant Governance Issues

One of the most significant areas of governance will move the Authority's focus on the Olympics from construction to legacy. The strategic risk register has identified the 2012 Olympics legacy as presenting the major risks and opportunities that could affect all of our key business objectives into the future. The award of the Olympics to London has impacted upon our land, business, financial and human resources.

The Authority expects to receive significant assets as a result of the Olympic Development Authority's work. The transfer of the Lee Valley White Water Centre was completed in December 2010 and this is reflected through the Authority's accounts increasing its asset base significantly. The centre has already been open to the public since 22 April 2011. The Velopark, and a range of facilities at Eton Manor will be transferred to the Authority post-Olympics and will undergo significant transformation works. These additional asset transfers are likely to exceed a value of £100m and with that comes a responsibility to manage and operate these as economically and efficiently as possible.

All senior officers are working on Olympic related issues within the Olympic Project Team (OPT). All key issues are discussed by the Senior Management Team. There is also Member involvement where key decisions are taken in relation to Olympic issues through the Upper Lower Lee Valley Planning & Regeneration Committees, Executive and where necessary Full Authority. It is important that the Authority remains focused on legacy issues and the related risk of the Olympics; this is reflected in the new Strategic Business Plan 2010-2020 that shows the effect of the Olympics risk on our business objectives and our financial planning and, puts in place adequate resourcing for the proper management and maintenance of Olympic legacy facilities.

The Authority has been working with a new governance structure. This was reviewed in July 2010 to ensure its management and decision making processes remain robust, relevant and fit for purpose. In support of the Full Authority there are now Executive, Audit and Scrutiny committees. The Authority will review the current committee structure after the 2012 Olympic Games with a further review planned at its Annual General Meeting in 2013 (paper A/4099/10) to ensure that its governance framework remains fit for purpose.

The Authority has reviewed its own financial reporting requirements in the context of the new International Financial Reporting Standards (IFRS) which were embedded as part of the 2010/11 final accounts process.

The Authority responded to the consultation on the Localism Bill when it made its way through Parliament in April 2011. The Localism Act received Royal Assent in November 2011 and whilst the Authority is not a "relevant body" for the purposes of this legislation there are a number of potential implications for the Authority and its statutory role. The legislation has been reviewed in relation to the areas that are of some relevance to the Authority. Broadly these are the parts relating to Local Government, Community Empowerment, Assets of Community Value and Planning. In a number of these areas regulations are still awaited and these will be reviewed as and when the regulations become available. In relation to Local Government the Authority has during its annual review of Standing Orders in April this year reviewed and amended its Planning Code of Good Practice in so far as it relates to Members Declarations of Interests at meetings to take account of the Localism Act to take into account best practice even though the legislation does not directly apply to the Authority.

The economic climate has, and will continue to impact on the Public sector purse and particularly the finances of the Authority. The Authority sets the annual budget in the context of a three year business plan and the ten year business strategy. The assumptions behind this forecast are reviewed annually; the medium term financial forecast is restated and then approved by Members. The Authority is conscious of the financial pressures faced by the levied authorities and the spending assessments that impact on them. The levy was reduced by 2% for 2012/13 (and a 2% decrease for 2011/12) and officers and Members are committed to providing on-going savings and efficiencies to achieve economy and efficiency through the best use of public funds whilst delivering its own core objectives detailed in the three year Business Plan 2010 – 2013. Consideration of levy in future years will be subject to inflation and other economic factors prevailing at the time.

The Authority is continuing a robust plan of income generation projects across the Park to reduce its reliance on the levy. The key measure is to ensure that the reliance on the levy falls to 53.0% of the maximum the Authority can legally charge. During 2011/12 this figure stood at 59.3% (down from 63.2% in 2010/11), and in 2012/13 the figure will be 55.4%. An officer led Business Development Group is managing a variety of projects to create efficiencies, generate further income and to review the business operating model of the organisation. The work of this group is regularly monitored by the Senior Management Team and the Members of the Executive Committee.

Reporting on the Authority's use of Public Funds demonstrates to stakeholders and Council Tax payers how their money is spent. Closing the accounts in a timely manner and receiving an unqualified Audit opinion provide information and evidence to those stakeholders about how the Authority works.

Kulvinder Sihota
Corporate Director of Resources & Business Development

20 September 2012

Alan Searing
Chairman – Audit Committee

20 September 2012

Independent auditor's report to the members of Lee Valley Regional Park Authority

Opinion on the Authority financial statements

I have audited the financial statements of Lee Valley Regional Park Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Lee Valley Regional Park Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Resources and Business Development and auditor

As explained more fully in the Statement of the Director of Resources and Business Development's Responsibilities, the Director of Resources and Business Development 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources and Business Development; and the overall presentation of the financial statements. I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Lee Valley Regional Park Authority as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

Other matters on which I am required to conclude

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements.

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

- my review of the annual governance statement.

As a result, I have concluded that there are no matters to report.

Certificate

I certify that I have completed the audit of the accounts of Lee Valley Regional Park Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andrea White
District Auditor

Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

20 September 2012

MOVEMENT IN RESERVES STATEMENT - USABLE RESERVES

	General Fund £'000s	Earmarked Reserves £'000s	Capital Receipts £'000s	Capital Grants Unapplied £'000s	Capital Fund £'000s	Total Usable Reserves £'000s	Unusable Reserves £'000s	Total Reserves £'000s
Note								
Balance as at 31 March 2011	(7,252)	(9,773)	0	(279)	(5,401)	(22,705)	(55,072)	(77,777)
Movement in Reserves 2011/12								
(Surplus) / deficit on provision of services	(7,297)	0	0	0	0	(7,297)	0	(7,297)
Other comprehensive income & expenditure	7,540	0	0	0	0	7,540	0	7,540
Total comprehensive income and expenditure	243	0	0	0	0	243	0	243
Adjustments between accounting basis and funding basis under regulations	4 (1,421)	0	0	0	0	(1,421)	1,392	(29)
Net increase/decrease before transfer to earmarked reserves	(1,178)	0	0	0	0	(1,178)	1,392	214
Transfer to/from earmarked reserves	5 864	(437)	0	0	(427)	0	0	0
Increase/decrease in 2011/12	(314)	(437)	0	0	(427)	(1,178)	1,392	214
Balance carried forward	(7,566)	(10,210)	0	(279)	(5,828)	(23,883)	(53,680)	(77,563)

	General Fund £'000s	Earmarked Reserves £'000s	Capital Receipts £'000s	Capital Grants Unapplied £'000s	Capital Fund £'000s	Total Usable Reserves £'000s	Unusable Reserves £'000s	Total Reserves £'000s
Balance as at 31 March 2010	(6,609)	(9,209)	(497)	(279)	(5,006)	(21,600)	(46,429)	(68,029)
Movement in Reserves 2010/11								
(Surplus) / deficit on provision of services	(3,630)	0	0	0	0	(3,630)	0	(3,630)
Other comprehensive income & expenditure	0	0	0	0	0	0	(5,654)	(5,654)
Total comprehensive income and expenditure	(3,630)	0	0	0	0	(3,630)	(5,654)	(9,284)
Adjustments between accounting basis and funding basis under regulations	4 2,029	0	0	0	0	2,029	(2,493)	(464)
Net increase/decrease before transfer to earmarked reserves	(1,601)	0	0	0	0	(1,601)	(8,147)	(9,748)
Transfer to/from earmarked reserves	958	(564)	497	0	(395)	496	(496)	0
Increase/decrease in 2010/11	(643)	(564)	497	0	(395)	(1,105)	(8,643)	(9,748)
Balance carried forward	(7,252)	(9,773)	0	(279)	(5,401)	(22,705)	(55,072)	(77,777)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2011/12	2010/11
	Note	£'000s	£'000s
Cultural, environmental, regulatory and planning services	39	9,342	10,214
Corporate and democratic core	40	2,954	2,544
Non-distributed costs	40	3	(3,929)
Cost of services		12,299	8,829
Other operating expenditure	6	(7,224)	0
Financing and investment income & expenditure	7	(383)	(225)
Non-specific grant income - levy	8	(11,989)	(12,234)
(Surplus) / deficit on provision of services		(7,297)	(3,630)
(Surplus)/deficit on plant, property & equipment assets		0	(669)
Actuarial (gains)/losses on pension liability	29	7,540	(4,985)
Other comprehensive income & expenditure		7,540	(5,654)
Total comprehensive income and expenditure		243	(9,284)

		2011/12	2010/11
	Note	£'000s	£'000s
Property, plant and equipment			
Land and buildings	9	73,849	73,845
Vehicles, plant, furniture and equipment	9	5,570	5,947
Infrastructure	9	1,850	1,862
Community assets	9	32,757	33,012
Investment properties	9	4,759	4,614
Intangible Assets		0	0
Total non current assets		118,785	119,280
Long term investments	36	0	1,500
Long term debtors		883	883
Long term assets		883	2,383
Short term investments	36	7,981	6,458
Inventories	12	434	368
Short term debtors	13	8,896	1,081
Payments in advance		3,664	3,924
Cash and cash equivalents	14	4,300	3,882
Current assets		25,275	15,713
Bank overdraft	14	(1)	(353)
Short term borrowing	37	(27)	(27)
Short term creditors	15	(7,778)	(8,062)
Receipts in advance		(427)	(208)
Current liabilities		(8,233)	(8,650)
Provisions		0	0
Long term borrowing	37	(681)	(708)
Net pension liability	29	(17,715)	(10,021)
Donated assets	23	(20,875)	(20,875)
Capital grants received in advance		(19,876)	(19,345)
Long term liabilities		(59,147)	(50,949)
NET ASSETS		77,563	77,777
Usable reserves			
General fund	5	(7,566)	(7,252)
Earmarked revenue reserves	5	(10,210)	(9,773)
Capital receipts reserve	5	0	0
Capital grants unapplied	5	(279)	(279)
Capital fund	5	(5,828)	(5,401)
Total usable reserves		(23,883)	(22,705)
Unusable reserves			
Revaluation reserve	17	(10,011)	(10,010)
Pensions reserve	17	17,715	10,021
Capital adjustment account	17	(52,706)	(54,264)
Deferred capital receipts	17	(8,881)	(881)
Short-term accumulating compensated absences account	17	203	62
Total unusable reserves		(53,680)	(55,072)
TOTAL RESERVES		(77,563)	(77,777)

LEE VALLEY PARK
CASHFLOW STATEMENT

		2011/12	2010/11
	Note	£'000s	£'000s
Net surplus / (deficit) on the provision of services		7,297	3,630
Adjust net surplus or deficit on the provision of services for non-cash movements			
Depreciation/impairment of property, plant and equipment	9	2,602	2,781
Derecognition of non-current assets	9	776	0
Other non-cash movement		0	15
Changes in the fair value of investment properties	9	(145)	(409)
Pension fund adjustments	29	154	(2,992)
Movement in insurance fund	5	28	0
(Increase)/decrease in stock	12	(66)	(10)
(Increase)/decrease in debtors	13	(7,815)	1,329
(Increase)/decrease in payments in advance		260	0
Increase/(decrease) in receipts in advance		219	0
Increase/(decrease) in creditors	15	(284)	2,580
Net cash flows from operating activities		3,026	6,924
Investing activities			
Purchase of non current assets	9	(2,737)	(8,244)
Repayment/(purchase) of short-term investments	36	(23)	3,235
Purchase of long term investments	36	0	(1,500)
Net cash outflow from investing activities		(2,760)	(6,509)
Financing activities			
Repayments of borrowings	37	(27)	(527)
Capital grants received in advance		531	1,974
Net cash outflow from financing activities		504	1,447
Net increase or decrease in cash and cash equivalents		770	1,862
Cash and cash equivalents at the beginning of the reporting period		3,529	1,667
Cash and cash equivalents at the end of the reporting period		4,299	3,529
Cash and cash equivalents at the end of the reporting period			
Cash and cash equivalents		4,300	3,882
Bank overdraft		(1)	(353)
Cash and cash equivalents		4,299	3,529

NOTE 01

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by [the Accounts and Audit (England) Regulations 2011]. These require the Statement of accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain assets.

Heritage Assets

Heritage assets are assets held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

There is no carrying amount of assets on the Balance Sheet that will be reclassified as heritage assets. The Authority has a number of assets that were considered to fall under the definition of heritage assets that following review will continue to be classified as detailed below:

- Rye House Gatehouse, (Operational Asset)
- Monastic walls at Abbey gardens (Community Asset)
- The Old Mill at Broxbourne Meadows (Community Asset)

Accruals of expenditure and income

- Figures shown in the financial statements are based on the accruals concept, i.e. that income or expenditure is included in the year to which it relates irrespective of whether the authority has actually received the income or incurred the expenditure.
- Debtors - at the year end, the Authority prepare estimates for goods and services provided before 31 March and which at that date have not been paid for.
- Creditors - at the year end, the Authority prepare estimates for goods and services received before 31 March and which at that date have not been paid for.

Cash and cash equivalents

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours (deposits held at call) and bank overdrafts. Cash equivalents are short term, highly liquid investments with maturities of 3 months or less at acquisition, that are readily convertible to known amounts of cash. Cash equivalents are held to meet short term liquidity requirements and have an insignificant risk of changing value..

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Contingent assets

Contingent assets are possible assets which arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Authority's control.

In accordance with the Code, they are not recognised in the accounts, rather they are disclosed as a note to the accounts where the inflow of economic benefits or service potential is probable and can be reliably measured. Contingent assets are continually assessed to determine their position.

Contingent liabilities

Contingent liabilities are either:

- a) Possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Authority's control, or
- b) Present obligations arising from past events, but is not recognised because:
 - It is not probable that a transfer of economic benefits will be required to settle the obligation, or

- The amount of the obligation cannot be measured with sufficient reliability.

In accordance with the Code, material contingent liabilities are not recognised within the accounts as an item of expenditure, rather, they are disclosed as a note to the accounting statements. Contingent liabilities are subject to a continual assessment to determine their position.

Employee benefits

The code requires the Authority to make an accrual in its accounts at year end for any annual leave and flexible working entitlement earned but not taken by employees at the end of the financial year – to the extent that employees are permitted to carry forward annual leave and flexitime to the following year.

The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Termination benefits do not provide the Authority with future economic benefits and are recognised in surplus or deficit on the provision of services immediately.

Pension costs

The Authority participates in one scheme, the Local Government Superannuation Scheme, which is a defined benefit final salary scheme administered by the London Pension Fund Authority (LPFA). The LPFA is designated an 'administering authority' within the Local Government Superannuation Regulations 1995. The LPFA maintains the fund and administers the terms of the scheme in respect of those who participate in it. The employers contributions is set by the Fund's actuary based on three-yearly actuarial valuations.

The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs
- 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 to the pensions reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities;

not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Events after the balance sheet date

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and the amounts to be included. For example, they could significantly alter an estimate of credit or debt or a bad debt provision allowed for in the accounts; could substitute a different actual figure for an estimate; or could reflect a permanent impairment or betterment in the financial position.

Where these post-balance sheet events occur, the amounts to be included in the statement of accounts are changed.

For events that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Exceptional items

Where material income or expenditure transactions have occurred during the financial year their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments

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 Authority's financial position or financial performance. Where 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 had always been applied.

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

Financial instruments

Financial liabilities are recognised on the balance sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on carrying amount of the liability, multiplied by the effective rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the borrowing to the amount at which it was originally recognised.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of repurchase or settlement.

Financial assets are recognised when the Authority becomes party to the financial instrument contract. Financial assets are classified into two types:

a. Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments which are not quoted in the active market. After initial recognition at fair value, they are measured at amortised cost using the effective interest method. For most of the loans that the Authority has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest); and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

When a soft loan is made, a loss is recorded in the comprehensive income and expenditure statement for the present value of interest that will be foregone over the life of the instrument. A soft loan is a loan made at less than market rates. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

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

Government grants and other contributions

Under International Financial Reporting Standards, all such grants are to be treated as revenue income as soon as any conditions relating to the grant have been met. Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Inventories

The Authority values stock and stores at the lower of actual costs and net realisable value, after allowing for obsolescent items. Operational facilities count their shop and café stocks then value them at historic cost price.

The Authority uses an independent specialist agricultural stock valuer to establish the value of our dairy herd and farm supplies and consumables. The herd is valued on a market price and the dry stock is valued at historic cost.

Investment properties

Under the Code, an investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Authority's services.

Investment properties are initially measured at cost and thereafter at market value.

Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

Leases

Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form.

For assets leased under a finance lease, a debtor or creditor should be recognised at the lower of fair value of the asset and present value of the minimum lease payments as appropriate and the annual payments consist of an amount of interest plus an amount to clear the relevant debtor or creditor.

Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts on a straight-line basis over the term of the lease.

Under the Code, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

a. The Authority as Lessee

Finance Lease

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Authority is not required to raise the levy to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a rent-free period at the commencement of the lease).

b. The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Non-current assets held for sale

The following criteria have to be met before an asset can be classified as held for sale under this section of the code:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority generally applies a de-minimus level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimus level, but the aggregate value of similar items purchased in the year exceed the de-minimus level the expenditure may be treated as capital expenditure.

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) is capitalised on the accruals basis in the accounts, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

The capital value of any work the Authority undertakes on towpaths is included in the balance sheet as an asset, even though the Authority does not usually own them. Agreements are in place with British Waterways, which allow public access to the towpaths and continuing use of the related facilities.

Surpluses arising on the initial valuation of non-current assets are credited to the revaluation reserve. PPE are re-valued every five years, but adjustments to the valuations are made in the interim to take account of significant changes as they occur. This year a partial revaluation has been commissioned and is reflected in these statements.

Capital expenditure that does not result in the acquisition of an asset is classified as 'revenue expenditure funded from capital under statute (formally deferred charges), and is written out to revenue in the year in which it is incurred.

The Authority accounts for its income from the disposal of PPE on an accruals basis. It is held in a usable capital receipts reserve that can be used to finance new capital expenditure.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cashflows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are re-reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement..

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The Authority has two assets that are identified as specialised. These are

- Lee Valley Ice Centre – an ice rink, with ancillary facilities; a steel frame building, clad in corrugated sheeting; and
- Rye House Gatehouse – a listed ancient monument, constructed in 1443, which the Authority uses as a museum.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Component accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the White Water Centre are made up of separate elements that have different useful lives.

There has been no requirement to apply these changes retrospectively and instead components are recognised separately as and when they are replaced.

Depreciation and useful economic life

Depreciation is provided for on the 'building' element of all non-current assets with a finite useful life, except investment and community assets. We calculate it using the reducing balance method.

Non-current assets are not depreciated in the year of acquisition.

PPE have a useful economic life, which is determined by the class of asset. Depreciation is calculated on this life except in the case of investment properties that are not depreciated.

Asset class	Useful economic life
Land and buildings	5 - 60 years
Vehicles, plant and machinery	5 - 15 years
Infrastructure assets	10 - 40 years
Community assets	n/a

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise its levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (England and Wales)).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or loans fund principal), by way of an adjusting transaction within the Capital Adjustment Account and in the Movement in Reserves Statement for the difference between the two.

Overheads

The Authority allocates the salaries and associated costs of central support services to the various front line services. This is in accordance with the costing principles of the Service Reporting Code of Practice 2011/12

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Reserves

The current system of local authority capital accounting requires three capital reserve accounts to be set up in the balance sheet:

- The revaluation reserve records the accumulated gains on the non current assets held by the authority arising from increases in value as a result of inflation or other factors.
- Capital adjustment account shows amounts set aside from revenue resources or capital receipts to finance expenditure on PPE or the repayment of external loans and certain other capital financing transactions.
- The usable capital receipts reserve, which contains the unused proceeds arising from disposing of assets that can be used to finance future capital expenditure.
- The Authority also has a capital fund, financed from contributions from the general fund, which can be used to finance future capital expenditure

Amounts appropriated to/from reserves are distinguished from service expenditure disclosed in the Statement of Accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of PPE has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. It is the Authority's policy to write off the value of revenue expenditure funded from capital under statute to services and reflect them in the comprehensive income and expenditure statement in the year they arise. The movement in reserves statement will then reflect a transfer from the general fund balance to the capital adjustment account so that there is no impact on the levy.

Value added tax

The figures in the statements are net of VAT.

Earmarked reserves

The Authority maintains renewal and repairs funds to replace equipment and for ongoing repairs to buildings or structures that we cannot fund in one year from service revenue budgets.

An insurance fund is maintained to self-insure certain risks. An example is storm damage to trees. The fund is also typically used to pay insurance policy excesses for claims against us by third parties. The services are charged with the any excess or claim and we adjust the fund balance by a transfer to or from the general fund.

Provision for bad & doubtful debts

All amounts outstanding on the sales ledger are reviewed to establish the likelihood of their recovery. Where debt is proving to be difficult to recover we create a provision for it. If that debt is then paid the provision is reversed, should the debt ultimately prove irrecoverable it will be written off against the provision.

Changes in accounting policies

The following policies have been deleted in the current year:

- First time adoption of the code of practice 2010 based on international financial reporting standards
- Accounting policies not yet adopted

The following policies have been added in the current year:

- Heritage Assets

There have been small amendments to the existing policies adopted in 2010/11

NOTE 02**HERITAGE ASSETS**

The 2011/12 CIPFA Code of Practice on Local Authority Accounting has introduced a requirement to disclose Heritage Assets separately. Heritage assets are assets held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

There is no carrying amount of assets on the Balance Sheet that will be reclassified as heritage assets. The Authority has a number of assets that were considered to fall under the definition of heritage assets that following review will continue to be classified as detailed below:

Rye House Gatehouse, (Operational Asset)

Monastic walls at Abbey gardens (Community Asset)

The Old Mill at Broxbourne Meadows (Community Asset)

NOTE 03**EVENTS AFTER THE BALANCE SHEET DATE**

The Authority has sold approximately 10.8 acres of land – termed the “Option land” – to the London Legacy Development Corporation (LLDC) for £17.45 million. The transaction was treated as a normal property transaction with a deposit of £8.0m received by the Authority before 31 March 2012 and the balance was received on completion at the end of 2012. Due to the normal uncertainty that exists between exchange and completion the £8.0m deposit has been included within the statement of accounts. The £9.45m balance on completion will be included within the statement of accounts 2012/13.

NOTE 04

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund £'000s	Earmarked Reserves £'000s	Capital Receipts £'000s	Capital Grants Unapplied £'000s	Capital Fund £'000s	Total Usable Reserves £'000s
2011/12						
Adjustments involving the Capital adjustment account						
Reversal of items debited or credited to the Comprehensive income and expenditure statement:						
Charges for depreciation and impairment of non current assets	(2,602)					(2,602)
Revaluation gains of property, plant and equipment	(54)					(54)
Revaluation losses of property, plant and equipment	54					54
Movements in the fair value of investment properties	145					145
Amounts of non current assets written off on derecognised as part of the loss to the Comprehensive income and expenditure statement	(776)					(776)
Insertion of items not debited or credited to the Comprehensive income and expenditure statement:						
Statutory provision for the financing of capital investment	556					556
Capital expenditure charged against the General fund	1,119					1,119
Adjustments involving the Pensions reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and expenditure statement	(1,088)					(1,088)
Employer's pensions contributions and direct payments to pensioners payable in the year	934					934
Actuarial (gains)/losses on pension liability	(7,540)					(7,540)
Adjustment involving capital receipts deferred						
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	8,000					8,000
Adjustment involving the Short-term compensated absences account						
Amount by which officer remuneration charged to the Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(141)					(141)
Adjustments involving Earmarked Reserves						
Reversal of Insurance Fund contribution credited to the Comprehensive income and expenditure statement	(37)					(37)
Expenditure from Insurance Fund not debited to the Comprehensive income and expenditure statement	9					9
	(1,421)	0	0	0	0	(1,421)

NOTE 04

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund £'000s	Earmarked Reserves £'000s	Capital Receipts £'000s	Capital Grants Unapplied £'000s	Capital Fund £'000s	Total Usable Reserves £'000s
2010/11						
Adjustments involving the Capital adjustment account						
Reversal of items debited or credited to the Comprehensive income and expenditure statement:						
Charges for depreciation and impairment of non current assets	(2,781)					(2,781)
Revaluation losses on Property, plant and equipment	0					0
Amounts of non current assets written off on disposal or sale as part of the gain on disposal to the Comprehensive income and expenditure statement	0		0			0
Insertion of items not debited or credited to the Comprehensive income and expenditure statement:						
Statutory provision for the financing of capital investment	411					411
Capital expenditure charged against the General fund	1,444					1,444
Adjustments involving the Pensions reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and expenditure statement	2,038					2,038
Employer's pensions contributions and direct payments to pensioners payable in the year	954					954
Actuarial (gains)/losses on pension liability	0					0
Adjustment involving the Short-term compensated absences account						
Amount by which officer remuneration charged to the Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(37)					(37)
Adjustments involving Earmarked Reserves						
Reversal of Insurance Fund contribution credited to the Comprehensive income and expenditure statement	0					0
Expenditure from Insurance Fund not debited to the Comprehensive income and expenditure statement						
	2,029	0	0	0	0	2,029

NOTE 05

TRANSFERS TO/FROM EARMARKED RESERVES

		B/Fwd 01/04/2011 £'000s	(Gains)/losses for the year £'000s	C/Fwd 31/03/2012 £'000s
Renewals Fund	i	(873)	118	(755)
Repairs Fund	ii	(8,233)	(519)	(8,752)
Insurance Fund	iii	(552)	(35)	(587)
Common Areas Fund	iv	(115)	(1)	(116)
Earmarked revenue reserves		(9,773)	(437)	(10,210)
Capital fund	v	(5,401)	(427)	(5,828)
Total general fund earmarked reserves		(15,174)	(864)	(16,038)

i. This reserve has been used to meet the costs of eventual replacement equipment within the park

ii. This reserve has been used to meet the costs of repairing equipment within the park

iii. This reserve is used to meet the costs of meeting excess and claims not covered by the insurance policies.

iv. This reserve has been set up to meet potential costs of undertaking work on the shared Picketts Lock Site.

v. This reserve held to improve the facilities of the authority and now incorporates the Facilities Improvement Fund, that was previously held separately

	B/Fwd 01/04/2011 £s	(Gains)/losses for the year £s	C/Fwd 31/03/2012 £s
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Usable reserves

Earmarked reserves (above)	(15,174)	(864)	(16,038)
Capital receipts reserve	0	0	0
Capital grants unapplied	(279)	0	(279)
General fund	(7,252)	(314)	(7,566)
Total Usable reserves	(22,705)	(1,178)	(23,883)

NOTE 06**OTHER OPERATING EXPENDITURE**

	2011/12	2010/11
	£'000s	£'000s
Gains/losses on the disposal of non current assets	(8,000)	0
Loss of derecognition of non current assets	776	0
Total other operating expenditure	(7,224)	0

NOTE 07**FINANCING AND INVESTMENT**

		2011/12	2010/11
	Note	£'000s	£'000s
Interest payable and similar charges	11	79	137
Pension - interest on obligation less expected return on assets	29	212	688
Interest receivable on finance leases (lessor)	26	(116)	(241)
Investment interest	11	(115)	(83)
Changes in the fair value of investment properties	9	(145)	(409)
Rental received on investment properties	10	(298)	(342)
Write back of insurance surplus		0	25
Total		(383)	(225)

NOTE 08**NON SPECIFIC GRANT INCOME**

	2011/12	2010/11
	£'000s	£'000s
Levies on local authorities	(11,989)	(12,234)
Capital grants and contributions	0	0

NOTE 09

NON CURRENT ASSETS

	Land and Buildings £'000s	Vehicles, plant and equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Total excluding Investment prop £'000s	Investment Properties £'000s	Total 2011/12 £'000s
Asset cost at 31 March 2011	74,653	7,043	2,376	33,012	117,084	4,614	121,698
Revaluation	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Adjustment	0	0	0	0	0	0	0
Accumulated Depreciation	(808)	(1,096)	(514)	0	(2,418)	0	(2,418)
Net book value at 01 April 2011	73,845	5,947	1,862	33,012	114,666	4,614	119,280
Additions	1,861	306	49	521	2,737	0	2,737
Disposals	0	0	0	0	0	0	0
Deletions	0	0	0	0	0	0	0
De-recognised	0	0	0	(776)	(776)	0	(776)
Depreciation	(1,710)	(683)	(61)	0	(2,454)	0	(2,454)
Donated Assets	0	0	0	0	0	0	0
Revaluation	1	0	0	0	1	145	146
Impairment	(148)	0	0	0	(148)	0	(148)
Net book value at 31 March 2012	73,849	5,570	1,850	32,757	114,026	4,759	118,785

	Land and Buildings £'000s	Vehicles, plant and equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Total excluding Investment prop £'000s	Investment Properties £'000s	Total 2010/11 £'000s
Asset cost at 31 March 2010	53,482	1,338	2,050	32,746	89,616	3,781	93,397
Revaluation	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Adjustment	0	0	0	0	0	0	0
Accumulated Depreciation	(783)	(407)	(133)	0	(1,323)	0	(1,323)
Net book value at 01 April 2010	52,699	931	1,917	32,746	88,293	3,781	92,074
Additions	7,166	325	8	231	7,730	514	8,244
Disposals	0	0	0	0	0	0	0
Deletions	(1,569)	0	0	0	(1,569)	0	(1,569)
De-recognised	0	0	0	0	0	(12)	(12)
Depreciation	(674)	(163)	(63)	0	(900)	0	(900)
Donated Assets	16,018	4,857	0	0	20,875	0	20,875
Adjustment	(192)	(3)	0	35	(160)	(78)	(238)
Revaluation	1,618	0	0	0	1,618	409	2,027
Impairment	(1,221)	0	0	0	(1,221)	0	(1,221)
Net book value at 31 March 2011	73,845	5,947	1,862	33,012	114,666	4,614	119,280

NOTE 09**CAPITAL COMMITMENTS**

	Commitment	Period
	£'000s	
Dobbs Weir - reinstatement of caravan park	563	2012/13

NOTE 10**INVESTMENT PROPERTIES**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Rental income and expenses for investment properties

	2011/12	2010/11
	£'000s	£'000s
Rental income from investment property	(298)	(362)
Direct operating expenses arising from investment property	0	20
Net gain	(298)	(342)

Categories of Financial Instruments

	Long Term		Current	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	£'000s	£'000s	£'000s	£'000s
Investments				
Loans and receivables	0	1,500	12,281	10,340
Available-for-sale	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit & loss	0	0	0	0
Total investments	0	1,500	12,281	10,340
Debtors				
Loans and receivables	0	0	8,896	1,081
Financial assets carried at contract amounts	883	883	0	0
Total debtors	883	883	8,896	1,081
Borrowings				
Financial liabilities at amortised cost	681	708	28	380
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	681	708	28	380
Other Long Term Liabilities				
PFI and finance lease liabilities	0	0	0	0
Total other long term liabilities	0	0	0	0
Creditors				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	7,778	8,062
Total creditors	0	0	7,778	8,062

NOTE 11**FINANCIAL INSTRUMENTS****Gains and Losses in Relation to Financial Instruments**

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

	2011/12		2010/11	
	Liabilities at amortised cost	Loans and receivables	Liabilities at amortised cost	Loans and receivables
	£'000s	£'000s	£'000s	£'000s
Interest payable and similar charges	79	0	137	0
Interest & investment income	0	(115)	0	(83)
	79	(115)	137	(83)

Fair Value of Assets and Liabilities carried at Amortised Cost

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

Figures have been calculated by reference to the 'premature repayment' sets of rates in force on 31st March 2012, for 2011/12 and 31st March 2011, for 2010/11

Where an instrument will mature in the next 12 months, its carrying amount is assumed to approximate to fair value

For market debt fixed rate debt will need to be assessed on the basis of a present value for the future cash flows due under an instrument, discounted at the rate available currently in relation to the same loan from a comparable lender. Fair value is disclosed at 31st March of each year.

Financial liabilities

	2011/12		2010/11	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000s	£'000s	£'000s	£'000s
Financial liabilities	708	927	735	967
Long-term creditors	0	0	0	0

The fair value is higher than the carrying amount because the Authority's portfolio of loans are fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

Financial assets

	2011/12		2010/11	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000s	£'000s	£'000s	£'000s
Loans and receivables	21,177	21,177	12,921	12,921
Long-term debtors	883	883	883	883

The fair value is the same as the carrying amount as this is a reasonable approximation of fair value for financial instruments such as short term trade receivables and payables.

NOTE 12
INVENTORIES

	Agriculture including livestock		Other stock including work in progress		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Opening balance	267	245	102	113	369	358
Net movement	34	22	31	(12)	65	10
Closing balance	301	267	133	101	434	368

NOTE 13**DEBTORS**

	2011/12	2010/11
	£'000s	£'000s
Central government bodies	208	371
Other local authorities	15	38
NHS bodies	0	3
Olympic Games and associated bodies*	8,048	0
All other bodies	625	669
Total debtors	8,896	1,081

* Olympic Games and associated bodies comprise:-

Olympic Development Agency, London Organising Committee for the Olympic Games, London Development Agency, Olympic Park Legacy Company, East of England Development Agency, Sport England, Government Olympic Executive & London Marathon Trust.

NOTE 14**CASH AND CASH EQUIVALENTS**

	2011/12	2010/11
	£'000s	£'000s
Bank current accounts	65	22
Short-term deposits with banks	4,235	3,860
Total cash and cash equivalents	4,300	3,882

BANK OVERDRAFTS

	2011/12	2010/11
	£'000s	£'000s
Bank current accounts overdrafts	(1)	(353)

NOTE 15**CREDITORS**

	2011/12	2010/11
	£'000s	£'000s
Central government bodies	(188)	(217)
Other local authorities	(45)	(23)
Olympic Games and associated bodies*	(5,382)	(5,454)
All other bodies	(2,163)	(2,368)
Total creditors	(7,778)	(8,062)

* Olympic Games and associated bodies comprise:-

Olympic Development Agency, London Organising Committee for the Olympic Games, London Development Agency, Olympic Park Legacy Company, East of England Development Agency, Sport England, Government Olympic Executive & London Marathon Trust.

NOTE 16

PROVISIONS

No provisions are recognised the the accounts.

NOTE 17**UNUSABLE RESERVES**

	2011/12	2010/11
	£'000s	£'000s
Revaluation Reserve	(10,011)	(10,010)
Pensions reserve	17,715	10,021
Capital adjustment account	(52,706)	(54,264)
Deferred capital receipts	(8,881)	(881)
Short-term compensated absences account	203	62
Total unusable reserves	(53,680)	(55,072)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2011/12	2010/11
	£'000s	£'000s
Balance at 1 April	(10,010)	(9,498)
Upward revaluation of assets	(54)	(273)
Downwards revaluation of assets	53	0
Surplus or deficit on revaluation of non-current assets not posted to the (surplus) or deficit on the provision of services	(10,011)	(9,771)
IFRS adjustment	0	(239)
Balance at 31 March	(10,011)	(10,010)

NOTE 17**UNUSABLE RESERVES****Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12	2010/11
	£'000s	£'000s
Balance at 1 April	(54,264)	(54,954)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and expenditure statement:		
- Charges for depreciation and impairment of non current assets	2,602	(900)
- Revaluation losses on Property, plant and equipment	0	(2,148)
- Amounts of non current assets written off on disposal or sale as part of the gain on disposal to the Comprehensive income and expenditure statement	0	0
	776	0
Net written out amount of the cost of non current assets consumed in year	3,378	(3,048)
Capital financing applied in the year:		
- Capital grants and contributions credited to the Comprehensive income and expenditure statement that have been applied to capital financing	0	1,974
- Statutory provision for the financing of capital investment charged against the General fund	(556)	411
- Capital expenditure charged against the General fund	(1,119)	1,444
	(1,675)	3,829
Movements in the market value of Investment properties debited or credited to the Comprehensive income and expenditure statement	(145)	409
Capital receipts utilised	0	(500)
Balance at 31 March	(52,706)	(54,264)

NOTE 17

UNUSABLE RESERVES

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/12	2010/11
	£'000s	£'000s
Balance at 1 April	10,021	17,998
Actuarial (gains) or losses on pensions assets and liabilities	7,540	(9,042)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or deficit on the provision of services in the Comprehensive income and expenditure statement	1,088	2,019
Employer's pensions contributions and direct payments to pensioners payable in the year	(934)	(954)
Balance at 31 March	17,715	10,021

Short-term compensated absences account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12	2010/11
	£'000s	£'000s
Balance at 1 April	62	25
Settlement or cancellation of accrual made at the end of the preceding year	(62)	(25)
Amounts accrued at the end of the current year	203	62
Amount by which officer remuneration charged to the Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0
Balance at 31 March	203	62

NOTE 17**UNUSABLE RESERVES****Deferred Capital Receipts**

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

	2011/12	2010/11	2009/10
	£'000s	£'000s	£'000s
Balance at 1 April	(881)	(882)	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,000)	1	(882)
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0
Balance at 31 March	(8,881)	(881)	(882)

NOTE 18**CASHFLOW OPERATING ACTIVITIES**

	2011/12	2010/11
	£'000s	£'000s
Interest paid	79	137
Interest received	(115)	(83)

NOTE 19

AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS

Reconciliation between Management & Financial Reports to be completed on finalisation of core statements

	Central Support Services £'000s	Property and Regeneration £'000s	Parkland and Venues £'000s	Total £'000s
2011/12				
Fees, charges & other income	185	(905)	(8,129)	(8,849)
Government grants	0	0	0	0
Total income	185	(905)	(8,129)	(8,849)
Employee expenses	2,354	441	5,910	8,705
Other service expenses	1,636	538	7,120	9,294
Total expenditure	3,990	979	13,030	17,999
Net expenditure	4,175	74	4,901	9,150

	Central Support Services £'000s	Property and Regeneration £'000s	Parkland and Venues £'000s	Total £'000s
2010/11				
Fees, charges & other income	0	(409)	(7,040)	(7,449)
Government grants	0	0	0	0
Total income	0	(409)	(7,040)	(7,449)
Employee expenses	1,654	451	5,902	8,007
Other service expenses	826	174	6,801	7,801
Total expenditure	2,480	625	12,703	15,808
Net expenditure	2,480	216	5,663	8,359

Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

Directorate analysis shown in comprehensive income and expenditure account

	2011/12 £'000s	2010/11 £'000s
Net expenditure in the directorate analysis	9,150	8,359
Net expenditure of services & support not included in the analysis	(12)	0
Amounts in the CI&E statement not reported in the analysis	2,747	470
Amounts included in the analysis not included in the CI&E statement	414	0
Cost of service in CI&E statement	12,299	8,829

NOTE 19

AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income & expenditure relate to a subjective analysis of the Surplus of Deficit on the Provision of Services included in the CI&E Statement

	Directorate Analysis	Not reported for decision making	Amounts not included in CI&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2011/12	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, changes and other income	(8,849)	0	414	(5,636)	(14,071)	(298)	(14,369)
Interest & investment income	0	0	0	0	0	(231)	(231)
Levy	0	0	0	0	0	(11,989)	(11,989)
Total income	(8,849)	0	414	(5,636)	(14,071)	(12,518)	(26,589)
Employee expenses	8,705	145	0	0	8,850	212	9,062
Other services expenses	9,294	(12)	0	0	9,282	0	9,282
Support service recharges	0	0	0	5,636	5,636	0	5,636
Depreciation, amortisation & impairment	0	2,602	0	0	2,602	0	2,602
Interest payments	0	0	0	0	0	79	79
Change in fair value of investment properties	0	0	0	0	0	(145)	(145)
Gain or loss on disposal of non-current assets	0	0	0	0	0	(7,224)	(7,224)
Total expenditure	17,999	2,735	0	5,636	26,370	(7,078)	19,292
Net expenditure	9,150	2,735	414	0	12,299	(19,596)	(7,297)

	Directorate Analysis	Not reported for decision making	Amounts not included in CI&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2010/11	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, changes and other income	(7,449)	0	342	(5,800)	(12,907)	(342)	(13,249)
Interest & investment income	0	0	0	0	0	(324)	(324)
Levy	0	0	0	0	0	(12,234)	(12,234)
Total income	(7,449)	0	342	(5,800)	(12,907)	(12,900)	(25,807)
Employee expenses	8,007	(4,057)	0	0	3,950	688	4,638
Other services expenses	7,801	1,372	0	0	9,173	25	9,198
Support service recharges	0	0	0	5,800	5,800	0	5,800
Depreciation, amortisation & impairment	0	2,813	0	0	2,813	0	2,813
Interest payments	0	0	0	0	0	137	137
Change in fair value of investment properties	0	0	0	0	0	(409)	(409)
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	0
Total expenditure	15,808	128	0	5,800	21,736	441	22,177
Net expenditure	8,359	128	342	0	8,829	(12,459)	(3,630)

NOTE 20**MEMBERS ALLOWANCES**

The Authority paid the following amounts to members of the Authority during the year.

	2011/12	2010/11
	£'000s	£'000s
Allowances	9	6
Expenses	4	7
Total	13	13

NOTE 21

STAFF REMUNERATION

Position	Salary, fees	Bonuses	Compensation		Pension	Total	Total
	allowances		Expenses	loss of office	contribution	2011/12	2010/11
	£'000s		£'000s	£'000s	£'000s	£'000s	£'000s
Officers receiving over £150,000							
Chief Executive Officer (CEO) - S Dawson	148	0	3	0	26	177	181
Officers receiving between £50,000 and £150,000							
Corporate Director of Parkland & Venues/ Deputy CEO	120	0	3	0	21	144	143
Corporate Director of Resources & Business Development	107	0	3	0	19	129	129
Director of Regeneration and Property	0	0	0	0	0	0	102
Assistant Director of Resources & Business Development	78	0	3	0	14	95	96
Assistant Director of Parkland & Venues	79	0	3	0	11	93	96
Assistant Director of Legal & Property	75	0	3	0	13	91	89
Assistant Director of Commercial Opportunities *	72	0	3	0	13	88	84
Head of Communications	72	0	3	0	12	87	87
Head of Planning and Regeneration	71	0	3	0	12	86	86
Assistant Director of Asset Protection, Maintenance & Development	69	0	3	0	12	84	75
Head of Business Development	63	0	2	0	9	74	74
Head of Performance & Information	58	0	3	0	10	71	68
Head of Environmental Design	41	0	2	0	7	50	81
	1,053	0	37	0	179	1,269	1,391

* Individuals' current job titles & remuneration with prior year's remuneration for previous roles

Bonuses are not paid by LVRPA

Expense allowances typically include a car allowance, healthcare and reimbursement for travel and subsistence expenses.

The Authority's employees receiving more than £50,000 remuneration for the year, excluding employer's pension contributions, were paid the following amounts.

Remuneration Bands *	2011/12	2010/11
	No. of Staff	No. of Staff
£50,000 - 54,999	2	1
£55,000 - 59,999	1	1
£60,000 - 64,999	2	2
£65,000 - 69,999	1	2
£70,000 - 74,999	4	3
£75,000 - 79,999	1	
£80,000 - 84,999	2	2
£105,000 - 109,999		1
£110,000 - 114,999	1	
£120,000 - 124,999	1	1
£150,000 - 154,999	1	
£155,000 - 159,999		1

* Remuneration Bands with no staff in have been excluded.

NOTE 22**EXTERNAL AUDIT COSTS**

	2011/12	2010/11
	£'000s	£'000s
Fees payable to the Audit Commission for external audit services carried out by the appointed auditor	36	44

NOTE 23**GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

	2011/12	2010/11
	£'000s	£'000s

Credited to Services

Improvement of open areas of the Authority	19	7
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CURRENT LIABILITIES

	2011/12	2010/11
	£'000s	£'000s

Grants Receipts in Advance (Capital Grants)

Improvement of open areas of the Authority	0	302
Other grants	531	1,672
	<u>531</u>	<u>1,974</u>

DONATED ASSETS

	2011/12	2010/11
	£'000s	£'000s

Lee Valley White Water Centre	20,875	20,875
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NOTE 24**RELATED PARTIES**

Related parties are organisations or individuals that, as a result of their relationship with us, may exert, or be seen as exerting, influence over our business. Significant transactions in 2011/12 were as follows:

	2011/12	2010/11
	£'000s	£'000s
Income		
Levies receivable		
As per note 33 for analysis levy	11,989	12,234
Capital grants receivable over £10,000		
National heritage lottery fund	47	385
Transport for London	86	0
Sport England lottery fund	184	508
Harlow Consortium Growth Area Funding	188	0
London Organising Committee of the Olympic Games	112	0
Olympic Development Authority	143	658
London Legacy Development Corporation	305	200
London Development Agency	0	563
London Marathon Trust	0	193
<hr/>		
Payments		
London Organising Committee of the Olympic Games	3	0
Olympic Development Authority	0	3,466
London Legacy Development Corporation	3	0

Members and senior officers are required to complete a declaration of related party transactions detailing any relationship that they may have.

Where there are transactions with borough and county councils (for example road sweeping and planning applications) these are conducted at arms length.

The pension scheme administered by the London Pensions Fund Authority (LPFA) is also a related party as it affects the authority and its officers directly. Disclosures about the pension fund are made in Note 29.

This disclosure note has been prepared on the basis of specific declarations obtained in May 2012 in respect of related party transactions. The Authority has prepared this disclosure in accordance with IAS 24 and how it applies to the public sector.

CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2011/12	2010/11
	£'000s	£'000s
Opening capital financing requirement	15,669	11,751
Capital investment		
Property, plant and equipment	2,737	7,730
Investment properties	0	514
Intangible assets	0	0
Sources of finance		
Capital receipts	0	(497)
Government grants and other contributions	(531)	(1,974)
Direct revenue contributions	(1,119)	(1,444)
Minimum revenue provision	(556)	(411)
Closing capital financing requirement	16,200	15,669

Explanation of movements in year

Increase in underlying need to borrowing (supported by government financial assistance)

Increase in underlying need to borrowing (unsupported by government financial assistance)

Assets acquired under finance leases

Assets acquired under PFI/PPP contracts

531 3,918

Change in capital financing requirement

531 3,918

The Capital Financing Requirement represents the underlying need of the Authority to borrow for capital purposes. It increases when capital expenditure in any year is not financed immediately by use of capital receipts, application of capital grants or a direct charge to revenue. It can be calculated from the balance sheet as the sum of non current assets, long term assets, donated assets, revaluation reserve, capital adjustment account and capital grants received in advance.

NOTE 26**LEASES****AUTHORITY AS A LESSEE****Operating leases**

The Authority has one significant operating lease relating to the land for the King George Reservoir.

The future minimum lease payments due under non-cancellable leases in future years are:

	2011/12	2010/11
	£'000s	£'000s
Not later than 1 year	10	10
Later than one year and not later than five years	40	40
Later than five years	40	50
	<u>90</u>	<u>100</u>

This land acquired under the operating lease is sub-let, and the future minimum sub lease payments expected to be received by the Authority in future years are:

	2011/12	2010/11
	£'000s	£'000s
Not later than 1 year	11	11
Later than one year and not later than five years	42	42
Later than five years	146	157
	<u>199</u>	<u>210</u>

The expenditure charged to the Cultural, Environmental, and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to this lease was

	2011/12	2010/11
	£'000s	£'000s
Minimum lease payments	10	10
Sub lease payments receivable	(11)	(11)
	<u>(1)</u>	<u>(1)</u>

NOTE 26**LEASES****AUTHORITY AS A LESSOR****Operating leases**

The Authority has a number of properties that have tenants who pay commercial rent. These are treated as operating leases, based on an assessment against the Code.

The future minimum lease payments receivable under non-cancellable leases in future years are

	2011/12	2010/11
	£'000s	£'000s
Not later than one year	119	119
Later than 1 year and not later than 5 years	478	478
Later than 5 years	7,370	7,489
	7,967	8,086

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £23k contingent rents were receivable by the Authority (2010/11: £23k).

The Authority recognises that in substance an operating lease exists between itself and the London Organising Committee of the Olympic Games (LOCOG) for the period of the Olympic Games separately for the use of the White Water Centre and also the Velopark

As no material value can be attached to these arrangements they are regarded by the Authority as a unique and one-off short term arrangement and so no accounting entries have been made in respect of these matters.

NOTE 26**LEASES****Finance leases**

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2011/12	2010/11
	£'000s	£'000s
Finance lease debtor as at 31 March	883	927
Unearned finance income	10,123	10,195
Gross investment in lease as at 31 March	11,006	11,122

Gross investment in lease

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	2011/12	2010/11
	£'000s	£'000s
Not later than one year	116	116
Later than 1 year and not later than 5 years	465	465
Later than 5 years	10,425	10,541
	11,006	11,122

NOTE 27**IMPAIRMENT**

The following assets have been impaired in the last financial year as a result of movements in Market Value.

	Net Loss £'000s
Connaught Close No.1	20
Field Station Gunpowder Park	24
Lee Valley Riding Centre	84
Springfield Marina	20
	<u>148</u>

NOTE 28**TERMINATION BENEFITS**

The Authority terminated the contract of two employees in 2011/12, incurring liabilities of £25,908 (£102,116 in 2010/11). Of this total £23,679 is payable directly to employees as follows:

Post	2011/12
	£'000s
Head of Business Development.	16
Assistant Construction Project Manager	8
	<u>24</u>

NOTE 29**DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES**

The Authority participates in the Local Government Pension Scheme, administered by London Pensions Fund Authority. This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund which are calculated to balance the pension liabilities with investment assets.

As part of the terms and conditions of employment of our officers and other employees, we offer retirement benefits. Although these benefits will not actually be payable until employees retire, we must disclose our commitment to make the payments at the time that employees earn their future entitlement.

The table below summarises the membership data as per the Triennial Actuarial Valuation as at 31 March 2010.

	Number	Salaries/ Pensions £000s	Average Age
Actives	154	4,781	43
Deferred pensioners	247	458	44
Pensioners	195	957	70

The Authority recognises the cost of retirement benefits in the net cost of services when the benefits are earned by employees, rather than when they are eventually paid. However, the charge we are required to make against local taxpayers is based on the cash payable in the year, so the real cost of retirement benefits is removed from the income and expenditure statement after net operating expenditure.

The net liability (ie the amount by which the pensions liabilities exceed its assets) of £17.715m affects the Authority's net worth as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the Authority's financial position remains healthy. The deficit on the pension scheme will be made good by increased contributions over the employees' remaining working life, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method. This estimates pensions that will be payable in future years depending on assumptions about factors such as mortality rates and salary levels. The scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, their estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2010. The next full valuation is due in the financial year 2013/14.

Demographic/Statistical assumptions

The following set of demographic assumptions have been used, and are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality is based on Club Vita mortality analysis which has then been projected using the medium cohort projection and allowing for a minimum rate of improvement of 1%.

Life expectancy from age 65 years		31/03/2012	31/03/2011
Retiring today	Males	20.5	20.4
	Females	23.6	23.5
Retiring in 20 years	Males	22.5	22.4
	Females	25.5	25.4

Financial assumptions

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

Assumptions as at:	31/03/2012	31/03/2011	31/03/2010
	% per year	% per year	% per year
RPI increases	3.3%	3.5%	3.9%
CPI increases	2.5%	2.7%	n/a
Salary increases	4.2%	4.5%	5.4%
Pension increases	2.5%	2.7%	3.9%
Discount rate	4.6%	5.5%	5.5%

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

These assumptions are set with reference to market conditions at 31 March 2012.

International Accounting Standard (IAS) 19 requires that the expected return on assets is set by the employer having taken actuarial advice. Our Actuaries have advised the following returns for the year to 31 March 2012.

Assets class	Expected Return at		
	01/04/2012	01/04/2011	01/04/2010
	% p.a.	% p.a.	% p.a.
Equities	6.3%	7.4%	7.5%
Target return portfolio	4.5%	4.5%	4.5%
Alternative assets	5.3%	6.4%	6.5%
Cash	3.0%	3.0%	3.0%
Other bonds	n/a	5.5%	5.5%
Total	5.9%	6.7%	6.8%

Reconciliation of fair value of employer assets

	31/03/2012	31/03/2011
	£'000s	£'000s
Opening fair value of employer assets	27,252	24,881
Expected return on scheme assets	1,832	1,726
Contributions by members	332	320
Contributions by employer (including unfunded)	934	954
Assets acquired in a business combination	0	0
Actuarial gains/(losses)	(1,561)	407
Receipt/(payment) of bulk transfer value	0	0
Benefits paid (net of transfers in & inc unfunded)	(1,420)	(1,036)
Closing fair value of employer assets	27,369	27,252

The movement in the net pension liability for the year to 31 March 2012 is as follows:

	31/03/2012	31/03/2011
	£'000s	£'000s
Surplus/(deficit) at start of year	(10,021)	(17,998)
Current service cost	(876)	(1,265)
Employer contributions (regular)	856	875
Employer contributions (special payment)	0	0
Contributions for unfunded benefits	78	79
Past service costs	0	4,057
Impact of settlements and curtailments	0	(66)
Net return on assets	(212)	(688)
Actuarial gains/(losses)	(7,540)	4,985
Surplus/(deficit) at end of year	(17,715)	(10,021)

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

Comparative figures for previous years are as follows:

	31/03/2012	31/03/2011	31/03/2010	31/03/2008	31/03/2007
	£'000s	£'000s	£'000s	£'000s	£'000s
Fair value of scheme assets	27,369	27,252	24,887	18,774	23,849
Present value of defined benefit obligation	(45,084)	(37,273)	(42,885)	(26,823)	(27,614)
Surplus / (Deficit)	(17,715)	(10,021)	(17,998)	(8,049)	(3,765)
Experience gains / (losses) on assets	(1,561)	407	4,340	(6,739)	(2,465)
Exp. gains / (losses) as a % of scheme assets	(5.70%)	1.50%	17.40%	(35.90%)	(10.30%)
Experience gains / (losses) on liabilities	18	2,652	153	46	(124)
Exp. gains / (losses) as a % of scheme liabilities	0.00%	7.12%	0.36%	0.17%	(0.45%)
Cumulative actuarial gain	(17,251)	(9,711)	(14,697)	(4,998)	(826)

Recognised actuarial gain

	31/03/2012	31/03/2011
	£'000s	£'000s
Actual return less expected return on pension-scheme assets	(1,561)	82
Experience gains and (losses) arising on the scheme liabilities	18	2,977
Changes in financial assumptions underlying the present value of the scheme liabilities	(5,997)	1,926
Actuarial gain/(loss) in pension plan	(7,540)	4,985
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial gain/(loss) recognised in statement	(7,540)	4,985

Balance sheet disclosure as at 31 March 2012

Net pension liability as at	31/03/2012	31/03/2011	31/03/2010
	£'000s	£'000s	£'000s
Present value of funded obligation	44,024	36,231	41,787
Fair value of scheme assets (bid value)	27,369	27,252	24,881
Net Liability	16,655	8,979	16,906
Present value of unfunded obligation	1,060	1,042	1,092
Unrecognised past service cost	0	0	0
Net liability in Balance sheet	17,715	10,021	17,998

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

Profit & Loss Account Costs for the Year to 31 March 2012

	31/03/2012	31/03/2011
	£'000s	£'000s
Current service cost	876	1,265
Interest on obligation	2,044	2,414
Expected return on Scheme assets	(1,832)	(1,726)
Past service cost	0	(4,057)
Losses (Gains) on curtailments & settlements	0	66
Total	1,088	(2,038)
Actual return on Scheme assets	270	1,807

Reconciliation of the present value of the defined benefit obligation

	31/03/2012	31/03/2011
	£'000s	£'000s
Opening defined benefit obligation	37,273	42,879
Service cost	876	1,265
Interest cost	2,044	2,414
Actuarial losses (gains)	5,979	(4,578)
Losses (gains) on curtailments	0	66
Estimated benefits paid (net of transfers in)	(1,342)	(957)
Past service cost	0	(4,057)
Contributions by scheme participants	332	320
Unfunded pension payments	(78)	(79)
Closing defined benefit obligation	45,084	37,273

Projected pension expense for the year to 31 March 2013

	31/03/2013
	£'000s
Current service cost	1,131
Interest on obligation	2,077
Expected return on Scheme assets	(1,613)
Total	1,595
Employer contributions	856

NATURE AND RISKS OF FINANCIAL INSTRUMENTS

Risks arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

The Authority carries out certain functions for which charges are levied and invoices have to be raised. Facilities should secure payment for provision of services before the date of the event. Where ongoing agreements are in place payment is collected at the beginning of the contract or by monthly instalments by direct debit. As a result of this Authority has a proportionally small Accounts Receivable Ledger for an organisation its size. The Authority's policy is to set aside a provision for bad debts in order to minimise the effect of default by customers and the provision made for debts as at 31st March 2012 was £54,440.

At 31st March 2012 amounts owed by customers stood at £328,000, (£230,000 31st March 2011). In this context a customer is any person or organisation for whom an invoice is raised in the Authority's main accounts receivable ledger. Ranging from small value invoices to individuals to multi-million pound invoices for contracted works. The Authority's standard terms are for payment within 30 days, and payment up front for hire of facilities. The £328,000 outstanding is analysed by age as follows.

Aged debtor profile

	2011/12	2010/11
	£'000s	£'000s
Less Than 30 Days	290	78
31 to 60 Days	38	10
61 to 90 Days	57	8
91+ Days	128	134
Unallocated Credits	(185)	0
	<u>328</u>	<u>230</u>

Generally no provision is made for debts less than 12 months old except where there are concerns about specific debts. Debts over 12 months old will usually be the subject of litigation or agreed payment plans and the decision on whether to provide for them, and for how much, will depend upon individual circumstances which include an assessment of current credit status, outstanding county court judgements and the progress of litigation. The Authority's biggest debtor is Picketts Lock Bowls Club owed £87,465 of the total outstanding, this has been passed to legal to recover.

Additional credit risk arises from deposits with banks and financial institutions and the Authority's general policy objective is to invest its surplus funds prudently. The Authority's investment priorities are:

- security of the invested capital
- liquidity of the invested capital
- an optimum yield which is commensurate with security and liquidity

The Authority sets limits on principal amounts invested and the duration of those investments, dependant on the financial standing of institutions and applied sector and country limits in line with their financial strength.

The Authority's Treasury Management Policy states that deposits can be made with banks and the top 7 listed Building Societies. Full details can be found in the Authorities Treasury Management Policy.

The operation of some building societies does not require them to have a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Authority uses such building societies that have a minimum asset size of £10,000 million, but restrict these types of investments.

The CLG's Guidance on Investments, revised during 2009/10, reiterated security and liquidity as the primary objectives of a prudent investment policy. Although the Guidance becomes operative on 1st April 2010, its principal recommendations run parallel to the credit risk management requirements in the revised Treasury Management Code. In the revised Guidance, Specified Investments are those made with a body or scheme of "high credit quality".

Both the Guidance and the revised Treasury Management Code emphasise that counterparty credit criteria should not rely on credit ratings alone but should include a wider range of indicators. The revised Code requires that ratings assigned by all three rating agencies – Fitch, Moody's and Standard & Poor's – be taken into account and the lowest rating be used

After the particularly torrid economic recession and a severe downturn in growth that extended into early 2009, there were some signs of a 'recovery'. In order to stimulate growth, the Bank of England maintained the Bank Rate at 0.5% throughout the year and also took extreme measures to revive the economy through its Quantitative Easing (QE) programme. The increased supply of money in the system due to QE did not however translate into an increase in the movement of money in the system as banks were, and still are, unwilling to lend.

Therefore during another year of economic uncertainty and the continued reluctance of 'bank to bank' lending, managing counterparty risk continued to be the Authority's overwhelming investment priority

The following analysis summarises the authority's potential maximum exposure to credit risk as at 31 March 2012.

NATURE AND RISKS OF FINANCIAL INSTRUMENTS

Credit rating of institutions holding investments

	Long Term Credit Rating	Sum Invested as at 31/03/12 £'000s	Sum Invested as at 31/03/11 £'000s
FITCH rating agency - banks	AA	3,213	3,214
FITCH rating agency - banks	AA-	5,735	5,360
		8,948	8,574
Moody's rating agency building societies	BAA3	0	0
Moody's rating agency building societies	AA3	3,267	3,244
		3,267	3,244
Total invested		12,215	11,818

The following analysis summaries the authority's potential maximum exposure to credit risk based on experience of default and non-collection over the last five financial years.

Default rate and non collection rate

	Amount at Nominal Value 31/03/2012 £'000s	Historical experience of defaults 31/03/2012 £'000s	Amount at Nominal Value 31/03/2011 £'000s	Historical experience of defaults 31/03/2011 £'000s
Deposits with banks and financial institutions at nominal value	12,215	0	11,818	0

The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Liquidity Risk

The authority ensures it has adequate though not excessive cash resources, borrowing arrangements, overdraft and standby facilities to enable it, at all times, to have the level of funds available which are necessary for the achievement of its business / service objectives.

The Authority has access to the following to assist with liquidity:

An overdraft facility of £50,000 overnight with our bankers – NatWest Bank.

A Special Interest bearing account with Natwest

A Call account with Santander PLC from which monies can be 'called back'

As the Authority has access to borrowings from the Public Works Loan Board, there is not thought to be a significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities at nominal value is as follows.

	2011/12 £'000s	2010/11 £'000s
Less than 1 year	27	27
Between 1 and 2 years	27	27
Between 2 and 5 years	654	681
More than 5 years	0	0
	708	735

NATURE AND RISKS OF FINANCIAL INSTRUMENTS

Market Risk

The Authority seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek protection from the effects of such fluctuations.

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

Borrowings at variable rates – the interest rate expense charge to the Income and Expenditure Account would rise

Borrowings at fixed rate – the fair value of the liabilities borrowings would fall

Investments at variable rate – the interest income credited to the Income and Expenditure Account would rise

Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure or Movement in Reserves. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound.

Price Risk

The Authority manages its exposure to fluctuations in prices so as to minimise any detrimental impact on its budgeted income / expenditure levels. The Authority does not invest in instruments such as equity shares as part of its Treasury function and thus has no exposure to loss arising from movements in price.

Foreign Exchange Risk

The Authority manages its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income / expenditure levels. The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

NOTE 31**PUBLICITY EXPENDITURE**

	2011/12	2010/11
	£'000s	£'000s
Recruitment advertising	32	23
Other advertising	164	154
	196	177

NOTE 32

INTERNAL INSURANCE

We manage insurable risk externally, through commercial insurance, and from our own resources. Services contribute to the insurance fund to cover agreed liabilities, such as storm damage to trees, and certain uninsured losses, particularly insurance-claim excesses. The surplus or deficit shown is the difference between total contributions from services, and claims made or provided for in the year. Surpluses are normally re-invested in (and deficits made good from) the insurance fund.

NOTE 33**ANALYSIS OF LEVY**

	2011/12	2010/11
	£'000s	£'000s
Corporation of London	18	18
Inner London boroughs		
Camden	285	291
Greenwich	235	239
Hackney	225	225
Hammersmith and Fulham	236	241
Islington	260	263
Kensington and Chelsea	294	304
Lambeth	315	316
Lewisham	261	267
Southwark	293	294
Tower Hamlets	263	257
Wandsworth	375	381
Westminster	384	395
Outer London boroughs		
Barking and Dagenham	156	158
Barnet	413	419
Bexley	249	254
Brent	288	294
Bromley	394	405
Croydon	378	386
Ealing	351	357
Enfield	326	335
Haringey	256	260
Harrow	258	264
Havering	265	272
Hillingdon	293	299
Hounslow	257	263
Kingston Upon Thames	186	189
Merton	220	227
Newham	224	228
Redbridge	269	276
Richmond Upon Thames	264	271
Sutton	219	225
Waltham Forest	224	230
Hertfordshire and Essex authorities		
Hertfordshire	1,328	1,360
Essex	1,574	1,614
Thurrock	153	157
Total levies on local authorities	11,989	12,234

NOTE 34**NON-CURRENT ASSET VALUATIONS**

Following a full valuation at the end of 2008/09 and partial valuations in 2009/10 and 2010/11, a further partial valuation was commissioned in 2011/12, this targeted properties whose values could have changed due to economic or policy changes. This exercise was undertaken by Montagu Evans, Chartered Surveyors, as part of a five year rolling programme. Valuation were made in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

The following table summarises when the authority's non-current assets, excluding vehicles plant and equipment, infrastructure and community assets will be valued as part of the five year rolling programme. Those assets which when valued in future will include values of components may include an equipment component.

The valuations comply with the reporting requirements to show, where appropriate, the separate value of land and the separate value of buildings for those prescribed categories of non-current assets together with the value of components of those specified non-current assets on the next occasion when one of the following events occurs with each of the specified non-current assets:- acquisition, significant additional spend or change to the economic life of the asset or the next time it is to be re-valued in the five year rolling programme.

	2009/10	2010/11	2011/12	2012/13	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Property (not community assets or investment property)	20,034	39,111	9,723	9,353	78,221
Investment properties	541	3,254	754	210	4,759
Total Valuation	20,575	42,365	10,477	9,563	82,980
Total land and buildings as per note 9 and balance sheet					73,849
Add engineering plant at Lee Valley White Water Course included in vehicles, plant and equipment as per note 9					4,372
Total Property - not community assets or investment property					78,221
Investment property as per note 9 and balance sheet					4,759
Grand Total					82,980

NOTE 35**INFORMATION ON ASSETS HELD**

Lee Valley Park was established in 1967 to help meet the leisure needs of the people of London, Hertfordshire and Essex. It stretches along 23 miles of the River Lea from east London to Ware in Hertfordshire. It was created to regenerate 4000 hectares of land and water for a wide range of sporting, leisure and nature conservation activities.

A breakdown of our significant fixed assets, excluding investment properties, is given below:

Leisure/sports centres	Lee Valley Ice Centre, Leyton Lee Valley Athletics Centre Lee Valley White Water Centre
Golf courses	Lee Valley Par 3 Golf Course, Leyton 18 - hole golf course at Lee Valley Leisure Complex
Riding centre	Lee Valley Riding Centre, Leyton
Farms	Holyfieldhall Farm, Waltham Abbey Hayes Hill Farm, Waltham Abbey
Boatyards	Lee Valley Marina, Springfield, Clapton Lee Valley Marina, Stanstead Abbots
Campsites/caravan parks	Lee Valley Campsite, Sewardstone Lee Valley Caravan Park, Dobbs Weir
Sports ground	Myddelton House sports ground
Heritage sites	Three Mills Centre Myddelton House Gardens, Enfield Rye House Gatehouse, Hoddesdon Lee Valley Waterworks Centre Gunpowder Park, Waltham Abbey Abbey Gardens, Waltham Abbey
The Park and its open spaces (Community assets)	Spitalbrook, Broxbourne Essex & Middlesex Filter Beds, Leyton Tottenham Marshes Waltham and Cheshunt Marshes Fishers Green, Waltham Abbey Cathagen Estate, Broxbourne Wharf Road, Wormley

We also directly own over 1,400 hectares of the land and water resources which make up a total of about 4,000 hectares of the Lee Valley from Ware in Hertfordshire to the Thames at East India Dock.

NOTE 36**INVESTMENTS**

Long term investments	31/03/2012	31/03/2011
	£'000s	£'000s

NatWest enhanced fixed rate bond - Issue 15	0	1,500
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Short term investments	31/03/2012	31/03/2011
	£'000s	£'000s

Maturing within 7 days	3,213	3,214
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Maturing between 7 days and 3 months	0	3,244
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Maturing between 3 months and 1 year	4,768	0
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	7,981	6,458
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NOTE 37**BORROWINGS**

Long term borrowing	2011/12	2010/11
	£'000s	£'000s

Analysis of loan by type

Public Works Loan Board	681	708
	681	708

Analysis of loan by maturity

Between 1 and 2 years	27	27
Between 2 and 5 years	654	681
Between 5 and 10 years	0	0
More than 10 years	0	0
	681	708

Short term borrowing	2011/12	2010/11
	£'000s	£'000s

Analysis of loan by type

Public Works Loan Board	27	27
	27	27

ANALYSIS OF LOAN BY MATURITY

Loan maturity schedule	2011/12	2010/11
	£'000s	£'000s

Short-term borrowing

Loans Maturity Within 1 Year	27	27
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Long-term borrowing

Between 1 and 2 years	27	27
Between 2 and 5 years	654	681
Between 5 and 10 years	0	0
More Than 10 years	0	0
	681	708

Total Loans	708	735
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Amount applied to loan repayment	27	527
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LOAN MOVEMENT SUMMARY

Total loans outstanding 01 April	735	1,262
New loans taken out	0	0
Loans repaid	27	527
Total loans outstanding 31 March	708	735

NOTE 38**CONTINGENT ASSETS AND LIABILITIES**

There is evidence of contaminated land in some areas of the Park. At this stage the level of contamination and the associated costs of any remedial action cannot be quantified, some work has been undertaken to review existing studies carried out on areas of land in the park. Action has been undertaken to restrict public access on some sites where recommended. The Authority has also approved the adoption of a Contaminated Land Policy Statement. In addition the Executive Committee set up a Contaminated Land Working Group of Authority Members and the next stage will be to progress a Contaminated Land Strategy. It is intended that an action plan will then be put in place for a review of the Authority's land holding over a 5 year period to consider the extent of this problem and then seek to estimate any contingent liability.

In respect of the Lee Valley White Water Centre, the Authority has a contingent liability of £0.9m in relation to its lottery funding agreement with Sport England and £4m in relation to its funding agreement with East of England Development Agency (EEDA).

There is also a contingent liability of £5.25m for the Velopark in relation to the joint lottery funding agreement between the Authority, Sport England and the Olympic Development Authority. In addition the Authority also has a contingent liability of £2m in relation to a funding agreement with the London Marathon Trust. It is anticipated the LVRPA will receive the Velopark back after the Olympic Games following transformation by no later than 2015.

	Gross Expenditure 2011/12 £000s	Gross Income 2011/12 £000s	Net Expenditure 2011/12 £000s	Net Expenditure 2010/11 £000s
Culture and heritage				
Heritage				
Rye House Gatehouse	12	0	12	12
Three Mills	30	(2)	28	27
Total culture and heritage	42	(2)	40	39
Recreation and sport				
Leisure and environment management	2,067	(523)	1,544	1,599
London Olympics 2012	179	(4)	175	149
Sports development and community recreation				
Sports development	95	0	95	102
Sports and recreation facilities				
Lee Valley Leisure Centre	994	(838)	156	337
Lee Valley Ice Centre	1,404	(931)	473	531
Lee Valley Leisure Pool	115	(44)	71	448
Lee Valley Cycle Circuit	51	0	51	8
Lee Valley Riding Centre	1,058	(773)	285	365
Lee Valley Waterworks Centre	314	(141)	173	211
Lee Valley Leisure Centre Common Areas	101	(53)	48	(80)
Lee Valley White Water Centre	4,064	(1,960)	2,104	1,350
Lee Valley Athletics Centre	1,207	(450)	757	876
Total recreation and sport	11,649	(5,717)	5,932	5,896

	Gross Expenditure 2011/12 £000s	Gross Income 2011/12 £000s	Net Expenditure 2011/12 £000s	Net Expenditure 2010/11 £000s
Open spaces				
Countryside recreation and management				
Fisheries management	155	(127)	28	63
Lee Valley Marina Springfield	551	(510)	41	95
Lee Valley Marina Stanstead Abbotts	497	(445)	52	63
King George Reservoir South	18	(11)	7	(2)
Lee Valley Boat Centre	26	(30)	(4)	(2)
Lee Valley Farm Holyfieldhall	741	(583)	158	169
Lee Valley Farm Hayes Hill	575	(426)	149	200
Broxbourne Riverside Chalets	2	0	2	6
Lee Valley Campsite	489	(504)	(15)	7
Lee Valley Caravan Park	92	0	92	42
Youth and Schools	244	(34)	210	192
Myddelton House Gardens	271	(10)	261	1,006
East India Dock and Bow Creek	58	(1)	57	58
Countryside areas	1,860	(354)	1,506	1,821
Gunpowder Park	271	(16)	255	95
Abbey Gardens	142	(9)	133	156
Biodiversity Action Plan	117	0	117	126
Total open spaces	6,109	(3,060)	3,049	4,095
Tourism				
Tourism policy, marketing and development				
Corporate marketing	987	(963)	24	28
Visitor services				
Lee Valley Information Centre	207	(91)	116	63
Total tourism	1,194	(1,054)	140	91
Planning policy				
Planning	767	(594)	173	110
Total planning policy	767	(594)	173	110
Housing services				
Authority accommodation	120	(135)	(15)	(4)
Total housing services	120	(135)	(15)	(4)

NOTE 39

CULTURAL, ENVIRONMENTAL AND PLANNING

	Gross Expenditure 2011/12 £000s	Gross Income 2011/12 £000s	Net Expenditure 2011/12 £000s	Net Expenditure 2010/11 £000s
Service management and support services				
Chief Executive	688	(688)	0	0
Finance	2,153	(2,153)	0	(27)
Human Resources	174	(151)	23	14
Performance Management	313	(313)	0	0
Myddelton House HQ Services	290	(290)	0	0
Total support services	3,618	(3,595)	23	(13)
TOTAL	23,499	(14,157)	9,342	10,214

NOTE 40

CORPORATE AND DEMOCRATIC CORE & NON DISTRIBUTED COSTS

	Gross Expenditure 2011/12 £000s	Gross Income 2011/12 £000s	Net Expenditure 2011/12 £000s	Net Expenditure 2010/11 £000s
Corporate and democratic core				
Corporate management	1,668	0	1,668	1,396
Democratic representation and management	1,286	0	1,286	1,148
Total corporate and democratic core	2,954	0	2,954	2,544
Non-distributed costs				
Non-distributed costs	3	0	3	(3,929)
Total non-distributed costs	3	0	3	(3,929)

NOTE 41**SUPPORT SERVICE RECHARGES**

The net cost of services includes recharges from service management and support services. These costs are re-allocated to the front line-services, corporate management and democratic management based on several criteria as shown below.

Criteria for Apportionment of Support Service Recharges

Service	Criteria
Chief Executive	Floor Space (m2)
PR and Communications	Floor Space (m2)
Finance	Employees (no)
Legal	Employees (no)
IT	Terminals (no)
Property	Floor Space (m2)
Myddleton House	Floor Space (m2)
Parklands and Venues Manangement	Floor Space (m2)

Glossary of financial terms and abbreviations

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- I. recognising;
- II. selecting measurement bases for; and
- III. presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the income and expenditure account or balance sheet it is to be presented.

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- I. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- II. the actuarial assumptions have changed.

Capital expenditure

Expenditure on the acquisition of a non-current (IFRS term – SORP term fixed) asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Class of long term assets

The classes of long term assets required to be included in the accounting statements are:

Property, plant and equipment, expected to be used in more than one period;

- Investment property;
- Intangible assets;
- Long term investment;
- Investment in associates and joint ventures; and
- Surplus assets, held for disposal.

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Operational assets Non-operational assets:

Community assets

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period, and from one period to the next is the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability

A contingent liability is either:

- I. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- II. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and democratic core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Current service cost (pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailement

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- I. termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and

- II. termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Revenue expenditure funded from capital under statute

Expenditure which may properly be capitalised, but which does not result in, or remain matched with, assets controlled by the Authority. For instance, capital grants given to external bodies, or loans awarded for capital purchases.

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost or re-valued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, the passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the local government (discretionary payments) regulations 1996.

Estimation techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example;

- I. methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period; or
- II. different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as whole rather than individual balances.

Events after the balance sheet date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the statement of accounts is authorised for issue.

Exceptional items

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected rate of return on pensions assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another.

Finance lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90 per cent or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90 per cent or more of the fair value of the leased asset, it should not be automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

IAS 19 (under SORP FRS17)

IAS 19 is the UK accounting standard relating to pensions accounting. It requires that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. IAS 19, the code standard covers a wider range of benefits than FRS17, the SORP standard, as it includes not only short term benefits but post employment, e.g. pensions, other long term employee benefits and termination benefits. It requires all short term benefits to be accounted for as they are earned. IAS 19 also distinguishes between accumulating and non accumulating benefits.

Going concern

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure assets

These are assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy, for example highways and footpaths

Interest cost (pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties

Interest in land and/or buildings:

- I. in respect of which construction work and development have been completed; and
- II. which is held for its investment potential, with any rental income being negotiated at arm's length.

Investments (non-pensions fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long-term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Liquid resources

Current asset investments that are readily disposal by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Net book value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net realisable value

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-operational assets

Non-current assets held by the Authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Authority. There are three categories of non-operational assets; investment properties; assets that are surplus to requirements and assets under construction. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it should be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arms length.

Operating leases

A lease other than a finance lease.

Operational assets

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Past service cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Prior period adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Related parties

Two or more parties are related parties when at any time during the financial period:

- I. one party has direct or indirect control of the other party; or
- II. the parties are subject to common control from the same source; or
- III. one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- IV. the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- I. central government;
- II. local authorities and other bodies' precepting or levying demands on the council tax;
- III. its subsidiary and associated companies;
- IV. its joint ventures and joint venture partners;
- V. its members;
- VI. its chief officers; and
- VII. its Pension Fund.

Examples of related parties of a pension fund include its:

- I. administering authority and its related parties;
- II. scheduled bodies and their related parties; and
- III. trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- I. members of the close family, or the same household, and
- II. partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Related party transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- I. the purchase, sale, lease, rental or hire of assets between related parties;
- II. the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- III. the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- IV. the provision of services to a related party, including the provision of pension fund administration services;
- V. transactions with individuals who are related parties of an authority or a pension fund, except that applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either

- I. an employer's decision to terminate an employee's employment before the normal retirement date or
- II. an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibilities for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- I. a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- II. the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- III. the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- I. goods or other assets purchased for resale;
- II. consumable stores;
- III. raw materials and components purchased for incorporation into products for sale;
- IV. products and services in intermediate stages of completion;
- V. long-term contract balances; and
- VI. finished goods.

Tangible non-current assets

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Useful life

The period over which the Authority will derive benefits from the use of a non-current asset.