

**Lee Valley Regional Park Authority**

**Statement  
of  
Accounts**

**For the year ended 31 March 2015**



# Lee Valley Regional Park Authority

## Statement of Accounts 2015 Draft

For the year ended 31 March 2015

<b>Contents</b>	<b>Page</b>
Foreword	3
Summary of significant matters	5
Statement of responsibilities	9
Annual governance statement 2014/15	11
Independent auditor's report to members of Lee Valley Regional Park Authority	15
Movement in reserves statement	17
Comprehensive income and expenditure statement	18
Balance sheet	19
Cashflow Statement	20
Statement of Accounting Policies	21
Notes to the financial statements	33
Glossary of financial terms and abbreviations	92



## 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 2014/15 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 three years ago, allows inter-authority comparison and brings 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 2014/15;
- the Balance Sheet, which shows our overall financial position as at 31 March 2015;
- 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; and
- 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 5.

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 Legacy on the Authority as it moves to incorporate this within its normal business operating environment. The AGS highlights the risks and opportunities the Authority faces as it looks to move the majority of its venues into a charitable trust. The AGS again highlights the impact of the ongoing poor economic climate and demonstrates the Authority's response to the pressure on the public purse.

The unaudited accounts were issued on 25 June 2015 and the audited accounts were authorised for issue on 24 September 2015.

Simon Sheldon  
Director of Finance and Resources  
24 September 2015



## 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 2014/15 budget was set in January 2014. Actual spending on facilities and services was £0.1m less than budgeted, which included £0.6m carried forward from the previous financial year. At the end of the year the Authority had general reserves of £4.6m.

### Budget compared to actual

	Budget	Actual
2014/15	£'000s	£'000s
Net operating expenditure	16,101	16,030
Levy on local authorities	(11,284)	(11,284)
Net general fund deficit	4,817	4,746
Total financing costs	(1,769)	(1,833)
Movement in reserves	3,048	2,913

### Capital investment

Capital investment totalled £2.4m. This was financed by a contribution from revenue (£1.0m), government grants and contributions from other bodies (£0.3m) and earmarked reserves and receipts (£1.0m).

### 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 Olympic arrangements entered into with the Authority, some of the Authority's land and assets were used and developed. The Olympic Games were held during the summer of 2012 and the Authority retains some contingent liabilities.

### Velopark

The Authority retains 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 paid £3.5m during 2012/13 as its contribution to the construction of the Velopark.

We have taken independent advice to assess the appropriate value of the asset. The contingent liabilities are shown in note 38.

### Other Olympic Agreements

#### Third Supplemental Agreement

This agreement was completed on the 7<sup>th</sup> February 2013 following receipt of both Secretary of State and Sport England consents. The agreement covers arrangements for utilities and individual agreements for substation leases and high voltage cables are still being finalised. All substation leases have been completed together with one of the easements. There is one still outstanding which will be finalised as soon as the final documents are agreed. This will have no impact on the accounts.

## **Lee Valley White Water Centre**

This asset was transferred to the Authority on 17 December 2010 and the depreciated replacement cost is valued at £29m. 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 Authority enhanced this facility further in 2013/14 by investing £6.4m with contributions from the British Canoe Union (£0.8m), Sport England (£0.8m) and a reinstatement contribution from LOCOG (£0.7m). The Authority entered into a variation of its lottery funding agreement with Sport England to cover the additional amount of funding. The Authority retains these contingent liabilities.

The land and building valuation of this asset has been included in the statements. The contingent liabilities are shown in note 38.

## **Parklands in Queen Elizabeth Olympic Park**

The Authority has agreed that two separate plots of land in the North of the Park will 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 and this lease was completed in 2013. An agreement for lease of the land for the 25 year period will be completed once the land has all been registered to the Authority.

## **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.

## **Transfer of Venues to the Lee Valley Leisure Trust**

In November 2013 (Paper A/4176/13) Members of the Authority agreed to setting up the Lee Valley Leisure Trust Limited, an Industrial Provident Society for the purpose of managing the Authority's operations. It also established a Member Task and Finish Work Group to provide oversight and enable detailed discussions on the many aspects of this process. Members explored a variety of operational options including seeking discretionary rate relief for its venues from 'host' Local Authorities while assessing which venues should be included within the scope of a charitable Trust. The Local Authorities were not able to provide a sustainable solution through discretionary rate relief and this option was discounted. In February 2015 (paper A/4201/15) Members approved entering into the Leisure Services Contract commencing on 1 April 2015 between the Lee valley Regional Park authority and the Lee Valley Leisure Trust Limited. The contract is intended for a five year period to establish a "sound" operational profile before it goes through a full market testing exercise. All decisions relating to this process have been made by the full Authority board.

The Trust commenced full operation of the transferred Venues on the 1 April 2015. The challenge ahead is for the Trust to the deliver the services and to continually improve the quality and financial performance at these venues. The Authority will monitor performance at officer, senior management and Member level to ensure that performance targets are met and that the ethos of continuing improvement is maintained.



## 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

	2013/14 Actual	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
LVRPA	£15.5m	£14.9m	£14.3m	£13.8m	£13.2m	£12.7m

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, levering 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 £90,724 (including interest of £63,800), outstanding external borrowing at 31 March 2015 totalled £626,923. This full amount is due to be repaid within 2015/16 and subject to no further borrowing being undertaken all 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 2014/15 is £1.7m and is shown in the table below. This figure takes account of the resourcing requirements for the capital programme and is included annually in report to Members as part of the 2014/15 (revised) to 2018/19 capital programme.

	2013/14 Actual	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Direct Revenue	£0.9m	£0.9m	£1.0m	£1.0m	£1.0m	£1.0m
Capital Fund	£0.4m	£0.3m	£0.3m	£0.3m	£0.3m	£0.3m
R & R Fund	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m
Total:	£1.8m	£1.7m	£1.8m	£1.8m	£1.8m	£1.8m

## 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 plan 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 2015/16 (-2% for 2014/15) which was the fifth consecutive year of reduction by this amount. 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 its own core objectives detailed in the three year Business Plan 2013 – 2016. The levy for 2016/17 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. This in itself carries risks as budgeted sales, fees and charges income is projected to achieve over half of the funds required to support the 2015/16 planned budget. The Authority now charges 47.9 % of the maximum the Authority can legally charge, over achieving its Key Performance Indicator of 53% set five years ago. The Authority has further achieved its aspiration to reduce the burden on the tax payer ensuring that the levy costs no more than 98p per head of population per year. The 2014/15 cost per head of population was £1.01p.

An Authority/Trust officer led Capital Development Group is managing a variety of projects to create efficiencies and generate further income. The work of this group is regularly monitored by the Members of the Executive Committee and the Lee Valley Leisure Trust Board.

Financial liabilities relating to the Olympic venues were significant, in particular, the business rates attributed to the Velopark, the Lee Valley White Water Centre and LV Hockey & Tennis Centre. These liabilities were recognised within the medium term financial plan. Since April 2015 the business rate liability on venues transferred into the Trust have achieved 80% mandatory rate relief thus reducing the financial burden by £1.7m per year. Some of the operating and maintenance costs are supported by the investment of monies received from the option land sold on Olympic Park.

### **Revenue Reserves**

The Authority's current Reserves Policy states that the Authority should maintain a minimum general reserve balance of £4m. The individual usable reserves are explained below:-

#### **General Fund**

The general fund reserves currently stand at £4.6m. It is anticipated that if all the carry forwards from 2014/15 (£0.2m) are spent in 2015/16 the balance at the year end will be approximately £4.4m.

#### **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 £17.5m on this reserve primarily 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. A proportion of the capital fund has been ring-fenced to finance future capital expenditure on the Olympic assets, whilst the remainder of the fund has been drawn down to finance capital expenditure in 2014/15.

## 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 Director of Finance and Resources;
- must manage its affairs to secure economic, efficient and effective use of resources and safeguarding its assets; and
- approve the Statement of Accounts.

### The Director of Finance and Resources responsibilities

The Director of Finance and Resources 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 2015.

In preparing this statement of accounts, the Director of Finance and Resources:

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

The Director of Finance and Resources 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 2015 and the income and expenditure for the 2014/15 financial year.

Simon Sheldon  
Director of Finance and Resources  
24 September 2015

David Andrews  
Chair – Audit Committee  
24 September 2015



## **ANNUAL GOVERNANCE STATEMENT 2014/15**

### **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 6 (1) of the Accounts and Audit Regulations 2015 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 2015 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 Director of Finance & Resources leads on matters of risk for the Authority and reports directly to the Audit Committee who receive reports on risk management at each meeting 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 External Auditors, 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 Director of Finance & Resources 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, bribery & corruption reporting officer. Updated policies relating to whistle blowing anti-fraud, bribery & corruption were updated and approved by Members of the Audit Committee in February 2013 and approved by the full Authority in April 2013. This was supported by Authority wide awareness training for all staff and elected Members. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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 Director of Finance & Resources, 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 2014/15, which was presented to the Audit Committee on 25 June 2015 (Paper AUD/61/15), 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 2014/15 in accordance with the Accounts and Audit Regulations 2011. This was presented to the Audit Committee on 25 June 2015 (Paper AUD/61/15) 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 this year. A new Risk Management Strategy was approved by the Audit Committee on 28 June 2012 (Paper AUD/30/12). A fundamental review of the risk register will be undertaken in the summer of 2015 following the Authority transfer of the majority of its venues to the Lee Valley Leisure Trust Limited from 1 April 2015.

The Audit Committee also ensure a robust management framework for Health & Safety is maintained. Annually all sites are audited by the Health & Safety contractor - with a 90% (plus) approval rating and independent assurance from the internal 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. Health and Safety matters were reported separately to the Audit Committee in the Annual Health & Safety report to the Audit Committee on 25 June 2015 (Paper AUD/60/15).

Senior Managers continue to review the processes and controls they have in place to allow them to achieve their service objectives. 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**

The Authority has received significant assets as a result of the London 2012 Olympics The London Legacy Development Corporation completed the legacy transformation works at the Lee Valley VeloPark, and Lee Valley Hockey & Tennis between April 2013 and May 2014. These assets have now been transferred to the Authority and are recognised in the accounts. These additional asset transfers are valued in excess of £115m, and with that comes a responsibility to manage and operate these as economically and efficiently as possible and in line with the Lottery Funding Agreements that the Authority has entered into.

All senior officers are continuing to work on Olympic legacy related issues and these are discussed within the Senior Management Team (SMT). There is also Member involvement where key decisions are taken in relation to Olympic legacy issues through the Upper and Lower Lee Valley Planning & Regeneration Committees, Executive Committee and where necessary Full Authority. It is important that the Authority remains focused on legacy issues and the related risk of the Olympics legacy; this is reflected in the Strategic Business Plan 2010-2020 that shows the effect of the Olympics legacy 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's existing governance structure was put in place in 2009. It was reviewed in July 2010 to ensure management and decision making processes remained robust, relevant and fit for purpose. In support of the Full Authority there are now Executive, Audit and Scrutiny committees together with two Regeneration and Planning committees covering different areas of the Regional Park. The Authority agreed to review the committee structure again following the London 2012 Games after its Annual General Meeting in 2013 to ensure that its governance framework remains fit for purpose. This was considered at the AGM (Paper A4172/13) and it was agreed to keep the current governance structure in place. At the AGM in July 2015 Members will consider whether the Authority will undertake a review of its committee structure following the implementation of the Lee Valley Leisure Trust.

The Authority set up an Independent Review Panel in 2010 and it carried out a review of the remuneration paid to the Authority Chairman and Vice-Chairman. The Authority will consider an interim review of that Independent Review Panel report after the Annual General Meeting in 2013 (paper A4103/10) following the changes to the Authority brought about by the London 2012 Games. The Authority considered this at the AGM (Paper A4172/13) and noted that the Authority was still continuing to work on Olympic Legacy matters and the volume of work remained similar at that time to the work undertaken prior to the Games. It was agreed by Members that the Authority would not undertake a review until the end of the 4 year period in 2014. It has not been practical to complete a review of remuneration to Chairman and Vice-Chairman due to the implementation of the Lee Valley Leisure Trust and the need to understand fully the implications of that on the roles of both the Chairman and Vice-Chairman. The timing for a review will be considered again by Authority Members at the Annual General Meeting in July 2015.

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 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 upon them. The levy has been reduced by 2% for 2015/16 and for the previous four years (2014/15, 2013/14, 2012/13 and 2011/12) – a real term decrease in excess of 25% when accounting for inflation. 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 the 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 has been to ensure that the reliance on the levy falls to 53.0% of the maximum that the Authority can legally charge. This target has now been achieved and for 2015/16 it currently stands at 47.9% of the maximum chargeable – a cost per head of population of £0.98p. An officer led Capital Projects Development Group is managing a variety of projects to develop the Park and its Venues, create efficiencies and generate further income. The proposals from this group are considered by Members of the Executive Committee. The Authority now generates over half of its gross operating expenditure from charging its customers, property rentals and investment (£14m). This in itself carries greater risks for the Authority in achieving its own budget. To manage this risk monthly budget monitoring is a requirement for all cost centre managers with quarterly reports subject to Members who review at both the Executive and Scrutiny committees.

The Authority also faced significant business rates that came with the legacy facilities and senior officers, working with elected Members, have considered options to address this financial impact that was fully felt in 2014/15.

In November 2013 (Paper A/4176/13) Members of the Authority agreed to setting up the Lee Valley Leisure Trust Limited, an Industrial Provident Society for the purpose of managing the Authority's operations. It also established a Member Task and Finish Work Group to provide oversight and enable detailed discussions on the many aspects of this process. Members explored a variety of operational options including seeking discretionary rate relief for its venues from 'host' Local Authorities while assessing which venues should be included within the scope of a charitable Trust. The Local Authorities were not able to provide a sustainable solution through discretionary rate relief and this option was discounted. In February 2015 (paper A/4201/15) Members approved entering into the Leisure Services Contract commencing on 1 April 2015 between the Lee valley Regional Park authority and the Lee Valley Leisure Trust Limited. The contract is intended for a five year period to establish a "sound" operational profile before it goes through a full market testing exercise. All decisions relating to this process have been made by the full Authority board.

The Trust commenced full operation of the transferred Venues on the 1 April 2015. The challenge ahead is for the Trust to deliver the services and to continually improve the quality and financial performance at these venues. The Authority will monitor performance at officer, senior management and Member level to ensure that performance targets are met and that the ethos of continuing improvement is maintained.

The Authority will review the 2013-2016 business plan to ensure it continues to meet existing and new corporate priorities that are emerging and this will feed into the medium term financial planning of the Authority. Having established a new operational model for its 14 sport and leisure venues, the Authority will, as part of its next business plan, review all other service areas with the aim of determining the most cost efficient and effective delivery mechanisms.

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.

Shaun Dawson  
Chief Executive  
24 September 2015

Paul Osborn  
Chairman  
24 September 2015



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEE VALLEY REGIONAL PARK AUTHORITY**

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Lee Valley Regional Park Authority for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). 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 1 to 43. 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 2014/15.

This report is made solely to the members of Lee Valley Regional Park Authority, as a body, 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance and Resources and auditor**

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities set out on page 9, the Director of Finance and Resources 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and the overall presentation of the statement of accounts. We read all the financial and non-financial information in Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Lee Valley Regional Park Authority as at 31 March 2015 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 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Other matters on which we are required to conclude**

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

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2014, we have considered the results of the following:

- our review of the annual governance statement.

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

**Certificate**

We certify that we 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.

Debbie Hanson  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton

Date

## MOVEMENT IN RESERVES STATEMENT

	Note	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
<b>Balance as at 31 March 2014</b>		<b>(7,561)</b>	<b>(7,788)</b>	<b>(17,465)</b>	<b>(61)</b>	<b>0</b>	<b>(32,875)</b>	<b>(182,642)</b>	<b>(215,517)</b>
<b>Movement in Reserves 2014/15</b>									
(Surplus) / deficit on provision of services		16,060	0	0	0	0	16,060	0	16,060
Other comprehensive income & expenditure		0	0	0	0	0	0	14,522	14,522
<b>Total comprehensive income and expenditure</b>		<b>16,060</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,060</b>	<b>14,522</b>	<b>30,582</b>
Adjustments between accounting basis and funding basis under regulations	4	(13,236)	0	0	0	0	(13,236)	13,236	0
<b>Net increase/decrease before transfer to earmarked reserves</b>		<b>2,824</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,824</b>	<b>27,758</b>	<b>30,582</b>
Transfer to/from earmarked reserves	5	89	1,321	0	0	(250)	1,160	(1,160)	0
<b>Increase/decrease in 2014/15</b>		<b>2,913</b>	<b>1,321</b>	<b>0</b>	<b>0</b>	<b>(250)</b>	<b>3,984</b>	<b>26,598</b>	<b>30,582</b>
<b>Balance carried forward</b>		<b>(4,648)</b>	<b>(6,467)</b>	<b>(17,465)</b>	<b>(61)</b>	<b>(250)</b>	<b>(28,891)</b>	<b>(156,044)</b>	<b>(184,935)</b>
<b>Movement in Reserves 2013/14</b>									
(Surplus) / deficit on provision of services		(100,828)	0	0	0	0	(100,828)	0	(100,828)
Other comprehensive income & expenditure		0	0	0	0	0	0	(30,587)	(30,587)
<b>Total comprehensive income and expenditure</b>		<b>(100,828)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100,828)</b>	<b>(30,587)</b>	<b>(131,415)</b>
Adjustments between accounting basis and funding basis under regulations	4	100,923	0	(264)	0	0	100,659	(100,659)	0
<b>Net increase/decrease before transfer to earmarked reserves</b>		<b>95</b>	<b>0</b>	<b>(264)</b>	<b>0</b>	<b>0</b>	<b>(169)</b>	<b>(131,246)</b>	<b>(131,415)</b>
Transfer to/from earmarked reserves	5	1,091	2,010	0	0	2,638	5,739	(5,739)	0
<b>Increase/decrease in 2013/14</b>		<b>1,186</b>	<b>2,010</b>	<b>(264)</b>	<b>0</b>	<b>2,638</b>	<b>5,570</b>	<b>(136,985)</b>	<b>(131,415)</b>
<b>Balance carried forward</b>		<b>(7,561)</b>	<b>(7,788)</b>	<b>(17,465)</b>	<b>(61)</b>	<b>0</b>	<b>(32,875)</b>	<b>(182,642)</b>	<b>(215,517)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2014/15			2013/14		
		Expenditure	Income	Net Total	Expenditure	Income	Net Total
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cultural, environmental, regulatory and planning services	39	44,306	(19,439)	24,867	31,688	(16,984)	14,704
Corporate and democratic core	40	3,076	0	3,076	3,408	0	3,408
Non-distributed costs	40	39	0	39	39	0	39
<b>Cost of services</b>		<b>47,421</b>	<b>(19,439)</b>	<b>27,982</b>	<b>35,135</b>	<b>(16,984)</b>	<b>18,151</b>
Other operating income and expenditure	6	50	0	50	683	(15)	668
Financing and investment income and expenditure	7	2,327	(2,300)	27	3,803	(2,504)	1,299
Non-specific grant income	8	0	(11,999)	(11,999)	0	(120,946)	(120,946)
<b>(Surplus) / deficit on provision of services</b>				<b>16,060</b>			<b>(100,828)</b>
(Surplus)/deficit on revaluation of plant, property and equipment assets	9			6,882			(27,919)
Remeasurement of the net defined benefit liability/asset	29			7,640			(2,668)
<b>Other comprehensive income and expenditure</b>				<b>14,522</b>			<b>(30,587)</b>
<b>Total comprehensive income and expenditure</b>				<b>30,582</b>			<b>(131,415)</b>

LEE VALLEY PARK  
BALANCE SHEET

	Note	2014/15 £'000s	2013/14 £'000s
<b>Property, plant and equipment</b>			
Land and buildings	9	169,392	187,373
Vehicles, plant, furniture and equipment	9	4,304	5,610
Infrastructure	9	2,308	2,042
Community assets	9	34,398	34,353
Investment properties	9	3,424	3,404
Intangible assets		0	0
Biological assets	9	273	246
<b>Total non current assets</b>		<b>214,099</b>	<b>233,028</b>
<b>Long term investments</b>			
Long term investments	36	0	3,000
Long term debtors		882	882
<b>Long term assets</b>		<b>882</b>	<b>3,882</b>
<b>Short term investments</b>			
Short term investments	36	17,082	14,510
Inventories	12	193	228
Short term debtors	13	1,281	1,647
Payments in advance		252	163
Cash and cash equivalents	14	3,272	3,205
<b>Current assets</b>		<b>22,080</b>	<b>19,753</b>
<b>Bank overdraft</b>			
Bank overdraft	14	0	0
<b>Short term borrowing</b>			
Short term borrowing	37	(627)	(27)
<b>Short term creditors</b>			
Short term creditors	15	(5,770)	(3,557)
Receipts in advance		(1,179)	(639)
<b>Current liabilities</b>		<b>(7,576)</b>	<b>(4,223)</b>
<b>Provisions</b>			
Provisions		0	0
<b>Long term borrowing</b>			
Long term borrowing	37	0	(627)
<b>Net pension liability</b>			
Net pension liability	29	(25,712)	(17,043)
<b>Donated assets</b>			
Donated assets	23	0	0
<b>Capital grants received in advance</b>			
Capital grants received in advance	23	(18,838)	(19,253)
<b>Long term liabilities</b>		<b>(44,550)</b>	<b>(36,923)</b>
<b>NET ASSETS</b>		<b>184,935</b>	<b>215,517</b>
<b>Usable reserves</b>			
General fund	5	(4,648)	(7,561)
Earmarked revenue reserves	5	(6,467)	(7,788)
Capital receipts reserve	5	(17,465)	(17,465)
Capital grants unapplied	5	(61)	(61)
Capital fund	5	(250)	0
<b>Total usable reserves</b>		<b>(28,891)</b>	<b>(32,875)</b>
<b>Unusable reserves</b>			
Revaluation reserve	17	(27,486)	(34,368)
Pensions reserve	17	25,712	17,043
Capital adjustment account	17	(153,739)	(164,746)
Deferred capital receipts	17	(881)	(882)
Short-term accumulating compensated absences account	17	350	311
<b>Total unusable reserves</b>		<b>(156,044)</b>	<b>(182,642)</b>
<b>TOTAL RESERVES</b>		<b>(184,935)</b>	<b>(215,517)</b>

The unaudited accounts were issued on 25 June 2015 and the audited accounts were authorised for issue on 24 September 2015

LEE VALLEY PARK  
CASHFLOW STATEMENT

	Note	2014/15 £'000s	2013/14 £'000s
<b>Net surplus / (deficit) on the provision of services</b>		<b>(16,060)</b>	<b>100,828</b>
<b>Adjust net surplus or deficit on the provision of services for investing and financing activities</b>			
Proceeds from the sale of non-current assets	4	0	(15)
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>			
Depreciation/impairment of property, plant and equipment	9	4,191	6,725
Revaluation of non-current assets	9	10,188	0
Derecognition of non-current assets	9	70	344
Write-off of non-current assets	9	0	292
Other non-cash movement		0	0
Changes in the fair value of investment properties	9	(20)	1,490
Changes in the fair value of biological assets	9	(27)	(47)
Capital grants credited on recognition	8	(715)	(357)
Recognition of Donated Assets	8	0	(109,075)
Pension fund adjustments	29	1,029	1,257
(Increase)/decrease in long term debtors		1	1
(Increase)/decrease in stock	12	35	105
(Increase)/decrease in debtors	13	365	1,995
(Increase)/decrease in payments in advance		(88)	9
Increase/(decrease) in receipts in advance		540	148
Increase/(decrease) in creditors	15	2,214	1,171
<b>Net cash flows from operating activities</b>		<b>1,723</b>	<b>4,871</b>
<b>Investing activities</b>			
Purchase of non current assets	9	(2,355)	(7,963)
Recognition of non current assets (biological assets)	9	0	0
Proceeds from the sale of non-current assets	4	0	15
Repayment/(purchase) of long and short-term investments	36	428	4,281
<b>Net cash outflow from investing activities</b>		<b>(1,927)</b>	<b>(3,667)</b>
<b>Financing activities</b>			
Repayments of borrowings	37	(27)	(27)
Usable capital receipt received	4	0	0
Capital grants received in advance	23	298	876
<b>Net cash outflow from financing activities</b>		<b>271</b>	<b>849</b>
<b>Net increase or decrease in cash and cash equivalents</b>		<b>67</b>	<b>2,053</b>
Cash and cash equivalents at the beginning of the reporting period	14	3,205	1,152
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>3,272</b>	<b>3,205</b>
<b>Cash and cash equivalents at the end of the reporting period</b>			
Cash and cash equivalents	14	3,272	3,205
Bank overdraft	14	0	0
<b>Cash and cash equivalents</b>		<b>3,272</b>	<b>3,205</b>

## **NOTE 01**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **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**

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

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 appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

### **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 the following components:

#### **Service cost**

- 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 – net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement

#### **Remeasurements**

- the return on plan assets – the annual investment return on the fund assets attributable to the Authority, excluding amounts included in net interest on the net defined liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
- 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 as other comprehensive income and expenditure

#### **Contributions**

- 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 after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those 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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 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.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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.

#### **b. Available for sale assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **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.

#### **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.

### **Recognition**

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 three 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.
- Lee Valley Velodrome – the London 2012 Olympic Velodrome

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 lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

## 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 Property, Plant and Equipment 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.

## 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 2014/15 (SeRCOP). The total absorption



costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. The only exceptions to this being:

- Corporate and Democratic Core – costs relating to the Authority’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are specifically defined in SeRCOP and accounted for as separately in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **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.

### **Earmarked revenue 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.

## **Value added tax**

The figures in the statements are net of VAT.

## **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.

## **Biological Assets**

Under IAS41 Agriculture, living animals or plants are classified as biological assets, and agricultural produce is the harvested product of the entity's biological asset. A biological asset, or an item of agricultural produce, is classified as an asset when it is both controlled by, and future economic benefit will flow to, an entity, and that its fair value can be measured reliably.

The Authority operates a working dairy farm, with its dairy cattle classified as biological assets, and the milk produced as agricultural produce.

The Authority uses an independent specialist agricultural stock valuer to establish the values its biological assets at the balance sheet date using the fair value method as and active market exists and a value can be reliably measured. Changes in the fair value 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.

## **Group Accounts**

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

The Lee Valley Leisure Trust Limited is a charity set up as an Industrial and Provident Society to run the main leisure facilities owned by the Authority. Whilst the Authority is able to appoint up to three members to the board of the Trust, it does not have direct power to influence that operations and activities of the Trust. Therefore, the Authority has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, and is not required to prepare group accounts.

**NOTE 02**

**HERITAGE ASSETS**

The 2011/12 CIPFA Code of Practice on Local Authority Accounting 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 is classified 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**

In November 2013, the Authority agreed to create an Industrial Provident Society, subsequently named Lee Valley Leisure Trust Limited, to run all the sports facilities, plus a number of non-sport facilities, that are owned by the Authority. This charitable leisure trust took over the operations of the facilities on 1 April 2015.

The contract is for a period of five years, and all non current assets relation to these facilities remain the property of the Authority

## 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
<b>2014/15</b>						
<b>Adjustments involving the Capital adjustment account</b>						
<b>Reversal of items debited or credited to the Comprehensive income and expenditure statement:</b>						
Charges for depreciation and impairment of non current assets	(4,191)					(4,191)
Revaluation gains of property, plant and equipment	41					41
Revaluation losses of property, plant and equipment	(10,228)					(10,228)
Movements in the fair value of investment properties	20					20
Movements in the fair value of biological assets	27					27
Capital grants and contributions recognised	715					715
Income in relation to donated assets	0					0
Amounts of non current assets written off on disposal or sale as part of the gain/loss to the Comprehensive income and expenditure statement	0					0
Amounts of non current assets written off on derecognition as part of the loss to the Comprehensive income and expenditure statement	(70)					(70)
<b>Insertion of items not debited or credited to the Comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	622					622
Capital expenditure charged against the General fund	897					897
<b>Adjustments involving the Pensions reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and expenditure statement	(2,393)					(2,393)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,364					1,364
Actuarial (gains)/losses on pension liability	0					0
<b>Adjustment involving capital receipts</b>						
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	0		0			0
Transfer from capital receipts deferred			0			0
Other capital receipt			0			0
Use of capital receipts to finance new capital expenditure			0			0
<b>Adjustment involving capital grants unapplied</b>						
Capital of grants to capital grants receipt in advance				0		0
<b>Adjustment involving deferred capital receipts</b>						
Principal received in respect of long term debtors (finance leases)	(1)					(1)
<b>Adjustment involving the Short-term compensated absences account</b>						
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	(39)					(39)
	(13,236)	0	0	0	0	(13,236)

## 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
2013/14						
Adjustments involving the Capital adjustment account						
<b>Reversal of items debited or credited to the Comprehensive income and expenditure statement:</b>						
Charges for depreciation and impairment of non current assets	(6,725)					(6,725)
Revaluation gains of property, plant and equipment						
Revaluation losses on Property, plant and equipment	0					0
Movements in the fair value of investment properties	(1,490)					(1,490)
Movements in the fair value of biological assets	47					47
Capital grants and contributions recognised	357					357
Income in relation to donated assets	109,075					109,075
Amounts of non current assets written off on disposal or sale as part of the gain/loss to the Comprehensive income and expenditure statement	(292)					(292)
Amounts of non current assets written off on derecognised as part of the gain on disposal to the Comprehensive income and expenditure statement	(344)					(344)
<b>Insertion of items not debited or credited to the Comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	639					639
Capital expenditure charged against the General fund	946					946
<b>Adjustments involving the Pensions reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and expenditure statement	(2,390)					(2,390)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,133					1,133
Actuarial (gains)/losses on pension liability						
<b>Adjustment involving capital receipts</b>						
Transfer of cash proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	15		(15)			0
Transfer from capital receipts deferred			(650)			(650)
Other capital receipt			0			0
Use of capital receipts to finance new capital expenditure			401			401
<b>Adjustment involving capital grants unapplied</b>						
Capital of grants to capital grants receipt in advance				0		0
<b>Adjustment involving deferred capital receipts</b>						
Principal received in respect of long term debtors (finance leases)	(1)					(1)
<b>Adjustment involving the Short-term compensated absences account</b>						
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	(47)					(47)
	100,923	0	(264)	0	0	100,659

## NOTE 05

## TRANSFERS TO/FROM EARMARKED RESERVES

		B/Fwd 01/04/2014 £'000s	(Gains)/losses for the year £'000s	C/Fwd 31/03/2015 £'000s
Renewals Fund	i	(785)	(133)	(918)
Repairs Fund	ii	(6,228)	1,430	(4,798)
Insurance Fund	iii	(654)	26	(628)
Common Areas Fund	iv	(121)	(2)	(123)
<b>Earmarked revenue reserves</b>		<b>(7,788)</b>	<b>1,321</b>	<b>(6,467)</b>
Capital fund	v	0	(250)	(250)
<b>Total general fund earmarked reserves</b>		<b>(7,788)</b>	<b>1,071</b>	<b>(6,717)</b>

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

	B/Fwd 01/04/2014 £s	(Gains)/losses for the year £s	C/Fwd 31/03/2015 £s
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**Usable reserves**

Earmarked reserves (above)	(7,788)	1,071	(6,717)
Capital receipts reserve	(17,465)	0	(17,465)
Capital grants unapplied	(61)	0	(61)
General fund	(7,561)	2,913	(4,648)
<b>Total Usable reserves</b>	<b>(32,875)</b>	<b>3,984</b>	<b>(28,891)</b>

**NOTE 06****OTHER OPERATING EXPENDITURE**

	2014/15	2013/14
	£'000s	£'000s
Gains/losses on the disposal of non current assets	0	277
Loss on revaluation of non current assets	0	0
Loss on derecognition of non current assets	0	344
Pension administration expenses	50	47
<b>Total other operating expenditure</b>	<b>50</b>	<b>668</b>



## NOTE 07

## FINANCING AND INVESTMENT

		2014/15	2013/14
	Note	£'000s	£'000s
Interest payable and similar charges	11	77	79
Net interest on the net defined pension benefit liability/(asset)	29	737	807
Interest receivable on finance leases (lessor)	26	(116)	(117)
Investment interest	11	(316)	(600)
Changes in the fair value of investment properties	9	(20)	1,490
Changes in the fair value of biological assets	9	(27)	(47)
Rental received on investment properties	10	(308)	(313)
<b>Total</b>		<b>27</b>	<b>1,299</b>

**NOTE 08****NON SPECIFIC GRANT INCOME**

	2014/15	2013/14
	£'000s	£'000s
Levies on local authorities	(11,284)	(11,514)
Capital grants and contributions	(715)	(357)
Donated Assets	0	(109,075)
	<u>(11,999)</u>	<u>(120,946)</u>

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## 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 2014/15 £'000s
<b>Asset cost at 31 March 2014</b>	<b>187,373</b>	<b>7,324</b>	<b>2,739</b>	<b>34,353</b>	<b>231,789</b>	<b>3,404</b>	<b>235,193</b>
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	0	(1,714)	(697)	0	(2,411)	0	(2,411)
<b>Net book value at 01 April 2014</b>	<b>187,373</b>	<b>5,610</b>	<b>2,042</b>	<b>34,353</b>	<b>229,378</b>	<b>3,404</b>	<b>232,782</b>
Additions	1,719	249	342	45	2,355	0	2,355
Acquisitions	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Reclassified	0	0	0	0	0	0	0
De-recognised	(70)	0	0	0	(70)	0	(70)
Depreciation	(3,460)	(655)	(76)	0	(4,191)	0	(4,191)
Donated Assets	0	0	0	0	0	0	0
Revaluation	(16,170)	(900)	0	0	(17,070)	20	(17,050)
Impairment	0	0	0	0	0	0	0
<b>Net book value at 31 March 2015</b>	<b>169,392</b>	<b>4,304</b>	<b>2,308</b>	<b>34,398</b>	<b>210,402</b>	<b>3,424</b>	<b>213,826</b>

	Land and Buildings £'000s	Vehicles, plant and equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Total excluding Investment prop £'000s	Investment Properties £'000s	Total 2013/14 £'000s
<b>Asset cost at 31 March 2013</b>	<b>163,778</b>	<b>7,460</b>	<b>2,424</b>	<b>34,104</b>	<b>207,766</b>	<b>4,744</b>	<b>212,510</b>
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	(3,685)	(2,437)	(637)	0	(6,759)	0	(6,759)
<b>Net book value at 01 April 2013</b>	<b>160,093</b>	<b>5,023</b>	<b>1,787</b>	<b>34,104</b>	<b>201,007</b>	<b>4,744</b>	<b>205,751</b>
Additions	7,379	221	114	249	7,963	0	7,963
Acquisitions	0	0	0	0	0	0	0
Disposals	(292)	0	0	0	(292)	0	(292)
Reclassified	(350)	0	200	0	(150)	150	0
De-recognised	(344)	0	0	0	(344)	0	(344)
Depreciation	(3,033)	(593)	(59)	0	(3,685)	0	(3,685)
Donated Assets	0	0	0	0	0	0	0
Revaluation	26,960	959	0	0	27,919	(1,490)	26,429
Impairment	(3,040)	0	0	0	(3,040)	0	(3,040)
<b>Net book value at 31 March 2014</b>	<b>187,373</b>	<b>5,610</b>	<b>2,042</b>	<b>34,353</b>	<b>229,378</b>	<b>3,404</b>	<b>232,782</b>

**NOTE 09****CAPITAL COMMITMENTS**

At 31 March 2015, the Authority has no material capital commitments that it has currently entered into for construction or enhancement of Property, Plant and Equipment in 2015/16 and future years.

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**BIOLOGICAL ASSETS**

	2014/15	2013/14
	£'000s	£'000s
<b>Balance at 1 April</b>		
<b>Dairy Cattle</b>	<b>246</b>	<b>199</b>
Additions	0	0
Acquisitions	0	0
Sales	0	0
Movement in fair value	27	47
Other changes	0	0
<b>Balance at 31 March</b>	<b>273</b>	<b>246</b>

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**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**

	2014/15	2013/14
	£'000s	£'000s
Rental income from investment property	(308)	(313)
Direct operating expenses arising from investment property	0	0
<b>Net gain</b>	<b>(308)</b>	<b>(313)</b>

## FINANCIAL INSTRUMENTS

## Categories of Financial Instruments

	Long Term		Current	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
	£'000s	£'000s	£'000s	£'000s
<b>Investments</b>				
Loans and receivables	0	3,000	20,354	17,715
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
<b>Total investments</b>	<b>0</b>	<b>3,000</b>	<b>20,354</b>	<b>17,715</b>
<b>Debtors</b>				
Loans and receivables	0	0	1,281	1,647
Financial assets carried at contract amounts	882	882	0	0
<b>Total debtors</b>	<b>882</b>	<b>882</b>	<b>1,281</b>	<b>1,647</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	0	627	627	27
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Total borrowings</b>	<b>0</b>	<b>627</b>	<b>627</b>	<b>27</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	0	0	0	0
<b>Total other long term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	5,770	3,557
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>5,770</b>	<b>3,557</b>

## 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.

	2014/15		2013/14	
	Liabilities at amortised cost	Loans and receivables	Liabilities at amortised cost	Loans and receivables
	£'000s	£'000s	£'000s	£'000s
Interest payable and similar charges	77	0	79	0
Interest & investment income	0	(316)	0	(600)
	<b>77</b>	<b>(316)</b>	<b>79</b>	<b>(600)</b>

## 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 2015, for 2014/15 and 31st March 2014, for 2013/14

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

	2014/15		2013/14	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000s	£'000s	£'000s	£'000s
Financial liabilities	627	658	654	746
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

	2014/15		2013/14	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000s	£'000s	£'000s	£'000s
Loans and receivables	21,635	21,635	22,362	22,362
Long-term debtors	882	882	882	882

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Opening balance	131	115	97	218	228	333
Net movement	(16)	16	(19)	(121)	(35)	(105)
<b>Closing balance</b>	<b>115</b>	<b>131</b>	<b>78</b>	<b>97</b>	<b>193</b>	<b>228</b>



**NOTE 13****DEBTORS**

	2014/15	2013/14
	£'000s	£'000s
Central government bodies	0	481
Other local authorities	8	27
All other bodies	1,273	1,139
<b>Total debtors</b>	<b>1,281</b>	<b>1,647</b>

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**NOTE 14****CASH AND CASH EQUIVALENTS**

	2014/15	2013/14
	£'000s	£'000s
Bank current accounts	188	213
Short-term deposits with banks	3,084	2,992
<b>Total cash and cash equivalents</b>	<b>3,272</b>	<b>3,205</b>

**BANK OVERDRAFTS**

	2014/15	2013/14
	£'000s	£'000s
Bank current accounts overdrafts	0	0

**NOTE 15****CREDITORS**

	2014/15	2013/14
	£'000s	£'000s
Central government bodies	(301)	(194)
Other local authorities	(1,208)	(1)
All other bodies	(4,261)	(3,362)
<b>Total creditors</b>	<b>(5,770)</b>	<b>(3,557)</b>

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**NOTE 16**

**PROVISIONS**

No provisions are recognised the the accounts.

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**NOTE 17****UNUSABLE RESERVES**

	2014/15	2013/14
	£'000s	£'000s
Revaluation Reserve	(27,486)	(34,368)
Pensions reserve	25,712	17,043
Capital adjustment account	(153,739)	(164,746)
Deferred capital receipts	(882)	(882)
Short-term compensated absences account	350	311
<b>Total unusable reserves</b>	<b>(156,045)</b>	<b>(182,642)</b>

**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.

	2014/15	2013/14
	£'000s	£'000s
<b>Balance at 1 April</b>	<b>(34,368)</b>	<b>(6,449)</b>
Upward revaluation of assets	(109)	(28,671)
Downwards revaluation of assets	6,991	752
Surplus or deficit on revaluation of non-current assets not posted to the (surplus) or deficit on the provision of services	<b>(27,486)</b>	<b>(34,368)</b>
<b>Balance at 31 March</b>	<b>(27,486)</b>	<b>(34,368)</b>

## 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.

	2014/15	2013/14
	£'000s	£'000s
<b>Balance at 1 April</b>	<b>(164,746)</b>	<b>(56,393)</b>
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	4,191	6,726
- Revaluation losses on Property, plant and equipment	10,188	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	70	636
	<hr/>	<hr/>
<b>Net written out amount of the cost of non current assets consumed in year</b>	<b>14,449</b>	<b>7,362</b>
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	(715)	(357)
- Application of grants from Capital Receipts Unapplied Account	0	0
- Transfer from Usable Capital Grants Account	0	0
- Use of capital receipts to finance new capital expenditure	0	(401)
- Use of major repairs fund to finance new capital expenditure	(1,072)	(2,728)
- Use of capital fund to finance new capital expenditure	(89)	(3,012)
- Statutory provision for the financing of capital investment charged against the General fund	(622)	(639)
- Capital expenditure charged against the General fund	(897)	(946)
	<hr/>	<hr/>
	<b>(3,395)</b>	<b>(8,083)</b>
Movements in the fair value of Investment properties debited or credited to the Comprehensive income and expenditure statement	(20)	1,490
Movements in the fair value of Biological Assets debited or credited to the Comprehensive income and expenditure statement	(27)	(47)
Movement in the Donated Assets Account credited to the Comprehensive income and expenditure statement	0	(109,075)
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b>(153,739)</b>	<b>(164,746)</b>

## 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.

	2014/15	2013/14
	£'000s	£'000s
<b>Balance at 1 April</b>	<b>17,043</b>	<b>18,454</b>
Actuarial (gains) or losses on pensions assets and liabilities	7,640	(2,668)
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	2,393	2,390
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,364)	(1,133)
<b>Balance at 31 March</b>	<b>25,712</b>	<b>17,043</b>

## 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.

	2014/15	2013/14
	£'000s	£'000s
<b>Balance at 1 April</b>	<b>311</b>	<b>264</b>
Settlement or cancellation of accrual made at the end of the preceding year	(311)	(264)
Amounts accrued at the end of the current year	350	311
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
<b>Balance at 31 March</b>	<b>350</b>	<b>311</b>

**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.

	2014/15	2013/14
	£'000s	£'000s
<b>Balance at 1 April</b>	<b>(882)</b>	<b>(1,533)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal on the Comprehensive Income and Expenditure Statement	1	1
Transfer to the Capital Receipts Reserve upon receipt of cash	0	650
<b>Balance at 31 March</b>	<b>(881)</b>	<b>(882)</b>



**NOTE 18****CASHFLOW OPERATING ACTIVITIES**

The cash flows from operating activities includes the following items

	2014/15	2013/14
	£'000s	£'000s
Interest paid	77	79
Interest received	(316)	(600)

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## AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS

## Reconciliation between Management and Financial Reports

	Chief Executive	Resources and Development	Parkland and Venues	Non distributed Costs	Total
2014/15	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, charges and other income	(1,123)	(194)	(12,325)	0	(13,642)
Government grants	0	0	0	0	0
Total income	(1,123)	(194)	(12,325)	0	(13,642)
Employee expenses	1,545	1,574	8,361	76	11,556
Other service expenses	1,046	1,288	11,710	0	14,044
Total expenditure	2,591	2,862	20,071	76	25,600
Net expenditure	1,468	2,668	7,746	76	11,958

	Chief Executive	Resources and Development	Parkland and Venues	Non distributed Costs	Total
2013/14	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, charges and other income	(1,143)	(4)	(9,630)	0	(10,777)
Government grants	0	0	0	0	0
Total income	(1,143)	(4)	(9,630)	0	(10,777)
Employee expenses	1,581	1,577	6,649	76	9,883
Other service expenses	1,289	1,232	9,077	0	11,598
Total expenditure	2,870	2,809	15,726	76	21,481
Net expenditure	1,727	2,805	6,096	76	10,704

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

## Directorate analysis shown in comprehensive income and expenditure account

	2014/15	2013/14
	£'000s	£'000s
Net expenditure in the directorate analysis	11,958	10,704
Net expenditure of services and support not included in the analysis	751	(191)
Amounts in the CI&E statement not reported in the analysis	14,848	7,208
Amounts included in the analysis not included in the CI&E statement	425	430
Cost of service in CI&E statement	27,982	18,151

## AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus of Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

	Directorate Analysis	Not reported for decision making	Amounts not included in CI&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2014/15	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, charges and other income	(13,642)	0	425	(6,223)	(19,440)	(308)	(19,748)
Interest & investment income	0	0	0	0	0	(432)	(432)
Levies on local authorities	0	0	0	0	0	(11,284)	(11,284)
Capital grants and contributions	0	0	0	0	0	(715)	(715)
<b>Total income</b>	<b>(13,642)</b>	<b>0</b>	<b>425</b>	<b>(6,223)</b>	<b>(19,440)</b>	<b>(12,739)</b>	<b>(32,179)</b>
Employee expenses	11,556	281	0	0	11,837	787	12,624
Other services expenses	14,044	869	0	0	14,913	0	14,913
Support service recharges	0	0	0	6,223	6,223	0	6,223
Depreciation, amortisation and impairment	0	14,449	0	0	14,449	0	14,449
Interest payments	0	0	0	0	0	77	77
Change in fair value of investment properties	0	0	0	0	0	(20)	(20)
Change in fair value of biological assets	0	0	0	0	0	(27)	(27)
Gain or loss on non-current assets	0	0	0	0	0	0	0
<b>Total expenditure</b>	<b>25,600</b>	<b>15,599</b>	<b>0</b>	<b>6,223</b>	<b>47,422</b>	<b>817</b>	<b>48,239</b>
<b>Net expenditure</b>	<b>11,958</b>	<b>15,599</b>	<b>425</b>	<b>0</b>	<b>27,982</b>	<b>(11,922)</b>	<b>16,060</b>

	Directorate Analysis	Not reported for decision making	Amounts not included in CI&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2013/14	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, charges and other income	(10,776)	(3)	430	(6,634)	(16,983)	(313)	(17,296)
Interest & investment income	0	0	0	0	0	(717)	(717)
Levies on local authorities	0	0	0	0	0	(11,514)	(11,514)
Capital grants and contributions	0	0	0	0	0	(109,432)	(109,432)
<b>Total income</b>	<b>(10,776)</b>	<b>(3)</b>	<b>430</b>	<b>(6,634)</b>	<b>(16,983)</b>	<b>(121,976)</b>	<b>(138,959)</b>
Employee expenses	9,882	450	0	0	10,332	854	11,186
Other services expenses	11,598	(156)	0	0	11,442	0	11,442
Support service recharges	0	0	0	6,634	6,634	0	6,634
Depreciation, amortisation and impairment	0	6,726	0	0	6,726	0	6,726
Interest payments	0	0	0	0	0	79	79
Change in fair value of investment properties	0	0	0	0	0	1,490	1,490
Change in fair value of biological assets	0	0	0	0	0	(47)	(47)
Gain or loss on non-current assets	0	0	0	0	0	621	621
<b>Total expenditure</b>	<b>21,480</b>	<b>7,020</b>	<b>0</b>	<b>6,634</b>	<b>35,134</b>	<b>2,997</b>	<b>38,131</b>
<b>Net expenditure</b>	<b>10,704</b>	<b>7,017</b>	<b>430</b>	<b>0</b>	<b>18,151</b>	<b>(118,979)</b>	<b>(100,828)</b>

**NOTE 20****MEMBERS ALLOWANCES**

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

	2014/15	2013/14
	£'000s	£'000s
Allowances	9	9
Expenses	3	4
<b>Total</b>	<b>12</b>	<b>13</b>

## NOTE 21

## STAFF REMUNERATION

Position	Salary, fees		Compensation		Pension	Total	Total
	allowances	Bonuses	Expenses	loss of office	contribution	2014/15	2013/14
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Senior Officers receiving over £150,000</b>							
Chief Executive Officer (CEO) - S Dawson	150	0	3	0	28	181	178
<b>Senior Officers receiving between £50,000 and £150,000</b>							
Managing Director *	137	0	1	0	24	162	136
Corporate Director: Parkland & Venues / Deputy Chief Executive	122	0	3	65	22	212	145
Acting Director of Resources	86	0	3	0	16	105	100
Director of Venues (North) *	84	0	3	0	15	102	93
Director of Corporate Services	83	0	2	0	15	100	95
Director of Venues (South)	83	0	2	0	15	100	89
Assistant Director: Parkland & Venues	80	0	3	33	15	131	97
Head of Communications	73	0	1	0	13	87	85
Head of Planning & Strategic Partnership	72	0	3	0	13	88	86
Head of Property Services	67	0	3	0	12	82	65
Head of Performance & Information	64	0	2	0	12	78	75
Head of Parklands	60	0	2	0	11	73	66
Head of Venues	59	0	2	0	11	72	63
Head of Sport & Leisure	59	0	1	0	11	71	63
	1,279	0	34	98	233	1,644	1,436

Post titles are as at 31 March, or at date the employee left the Authority.

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

\* The positions of Managing Director and Director of Venues (North) were seconded to the Lee Valley Leisure Trust Limited from 1 September 2014. This was to ensure the Trust had senior management with the necessary level of financial, commercial and venue management experience from the start of the contract. The increase in salary reflects the change in role and responsibilities of the employees concerned.

For the duration of the contract, these employees will be paid by the Authority and funding with the Trust will be agreed via the management funding agreement.

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

Remuneration Bands *	2014/15	2013/14
	No. of Staff	No. of Staff
£50,000 - 54,999	4	2
£55,000 - 59,999	0	2
£60,000 - 64,999	4	1
£65,000 - 69,999	1	0
£70,000 - 74,999	3	3
£75,000 - 79,999	0	2
£80,000 - 84,999	2	2
£85,000 - 89,999	3	0
£110,000 - 114,999	0	1
£120,000 - 124,999	1	1
£135,000 - 139,999	1	0
£150,000 - 154,999	1	1

\* Remuneration Bands with no staff in have been excluded.

**NOTE 22****EXTERNAL AUDIT COSTS**

	2014/15	2013/14
	£'000s	£'000s
Fees payable to the Ernst and Young for external audit services carried out by the appointed auditor	19	31

The audit fee for 13/14 was £12,000 higher due to the payment for additional work undertaken in relation to Olympic asset valuations.

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**NOTE 23****GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15

	2014/15	2013/14
	£'000s	£'000s

**Credited to Services**

Improvement of open areas of the Authority	3	10
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**LONG TERM LIABILITIES**

	2014/15	2013/14
	£'000s	£'000s

**Grants Receipts in Advance (Capital Grants)**

Improvement of open areas of the Authority	0	0
Other grants	300	876
	<u>300</u>	<u>876</u>

**CAPITAL GRANTS RECEIVED IN ADVANCE**

	2014/15	2013/14
	£'000s	£'000s

<b>Balance at 1 April</b>	<b>19,253</b>	<b>18,734</b>
Capital Grants received in year	300	876
Grants credited to Comprehensive Income and Expenditure Account that have been used to fund capital expenditure	(715)	(357)
Transfer to Capital Adjustment Account	0	0
Transfer from Capital Grants Unapplied	0	0
<b>Balance at 31 March</b>	<b><u>18,838</u></b>	<b><u>19,253</u></b>

**NOTE 23****DONATED ASSETS**

The donated assets account holds the fair value of assets that have been transferred to us for nil consideration and there are still conditions of the transfer that have not been met. Once the conditions of the donation have been satisfied, the income will be transferred to the Comprehensive Income and Expenditure Statement.

The donated assets account only shows the difference between the fair value of the assets and any consideration given at the time of the donation. The assets will still be subject to valuation gains or losses, and the net book value shown in Non Current Assets on the balance sheet may differ from the value shown in the Donated Assets Account.

	2014/15	2013/14
	£'000s	£'000s
<b>Balance as at 1 April</b>	<b>0</b>	<b>109,075</b>
Donated Assets received in year	0	0
Income credited to Comprehensive Income and Expenditure Account on recognition of asset	0	(109,075)
<b>Balance as at 31 March</b>	<b>0</b>	<b>0</b>
<b>Analysis of Donated Assets Account</b>		
Lee Valley White Water Centre	0	0
Lee Valley VeloPark	0	0
Lee Valley Tennis and Hockey Centre	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>



**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 2014/15 were as follows:

	2014/15	2013/14
	£'000s	£'000s
<b>Income</b>		
<b>Levies receivable</b>		
As per note 33 for analysis levy	11,284	11,514
<b>Capital grants receivable over £10,000</b>		
Sport England lottery fund	250	876
London Legacy Development Corporation	48	650
<hr/>		
<b>Payments</b>		
Lee Valley Leisure Trust Limited	266	0
<hr/>		

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 March 2015 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

	2014/15	2013/14
	£'000s	£'000s
<b>Opening capital financing requirement</b>	<b>15,542</b>	<b>16,182</b>
<b>Capital investment</b>		
Property, plant and equipment	2,355	7,963
Investment properties	0	0
Intangible assets	0	0
Biological assets	0	0
<b>Sources of finance</b>		
Capital receipts	0	(401)
Capital Fund	(89)	(3,012)
Facilities Improvement Fund	0	0
Major Repairs Fund	(1,072)	(2,728)
Government grants and other contributions	(298)	(876)
Applied grants	0	0
Finance Leases	(1)	(1)
Direct revenue contributions	(897)	(946)
Minimum revenue provision	(622)	(639)
<b>Closing capital financing requirement</b>	<b>14,918</b>	<b>15,542</b>

**Explanation of movements in year**

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

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

(624) (640)

Assets acquired under finance leases

Assets acquired under PFI/PPP contracts

**Change in capital financing requirement**

**(624) (640)**

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:

	2014/15	2013/14
	£'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	18	28
	<u>68</u>	<u>78</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:

	2014/15	2013/14
	£'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	116	126
	<u>169</u>	<u>179</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

	2014/15	2013/14
	£'000s	£'000s
Minimum lease payments	10	10
Sub lease payments receivable	(11)	(11)
	<u>(1)</u>	<u>(1)</u>

## 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

	2014/15	2013/14
	£'000s	£'000s
Not later than one year	291	291
Later than 1 year and not later than 5 years	1,165	1,165
Later than 5 years	22,396	22,510
	<b>23,852</b>	<b>23,966</b>

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 2014/15 £88k contingent rents were receivable by the Authority (2013/14: £91k).

## 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:

	2014/15	2013/14
	£'000s	£'000s
Finance lease debtor as at 31 March	882	882
Unearned finance income	9,823	9,939
<b>Gross investment in lease as at 31 March</b>	<b>10,705</b>	<b>10,821</b>

## Gross investment in lease

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

	2014/15	2013/14
	£'000s	£'000s
Not later than one year	117	117
Later than 1 year and not later than 5 years	467	466
Later than 5 years	10,121	10,238
	<b>10,705</b>	<b>10,821</b>

**NOTE 27**  
**IMPAIRMENT**

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

	2014/15	2013/14
	Net Loss £'000s	Net Loss £'000s
Lee Valley Park Farm, Hayes Hill	0	763
Youth Hostel Site, Cheshunt	0	574
Myddelton House Gardens	0	430
Picketts Lock Golf Course	0	350
Lee Valley Campsite, Sewardstone	0	326
Lee Valley Caravan Park, Dobbs Weir	0	260
Lee Valley Riding Centre	0	161
Former Picketts Lock Bowls Hall Site	0	150
Wormley Kennels	0	11
Field Station Gunpowder Park	0	10
Lee Valley Marina, Springfield	0	5
	<b>0</b>	<b>3,040</b>

**NOTE 28**

**TERMINATION BENEFITS**

The Authority terminated the contracts of five employees during 2014/15.

As detailed in Note 21, £65,147 was payable to the Corporate Director: Parkland & Venues, and £32,778 to the Assistant Director: Parkland & Venues for loss of office. In addition, a sum of £180,855 was paid to the London Pension Fund Authority in respect of pension capital costs for early retirement of Corporate Director: Parkland & Venues

A further £57,647 was paid in relation to compensation for loss of office to two employees in the Parkland and Venues directorate, and one employee in the Chief Executive directorate.

The Authority terminated the contracts of two employees during 2013/14 at a total cost of £92,626.

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## 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 at 31 March 2013 for members receiving funded benefits, and as at 31 March 2015 for any members receiving unfunded benefits.

	Number	Salaries/ Pensions £000s	Average Age
Actives	193	5,501	43
Deferred pensioners	285	545	44
Pensioners	190	1,077	72
Unfunded pensioners	45	77	76

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 £25.712m 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 2013.

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**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 2013. The post retirement mortality is based on Club Vita mortality analysis which has then been projected using the CMI 2012 model and allowing for a long term rate of improvement of 1.5% per annum.

Life expectancy from age 65 years		31/03/2015	31/03/2014
Retiring today	Males	21.8	21.7
	Females	25.0	24.9
Retiring in 20 years	Males	24.1	24.0
	Females	27.2	27.1

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## NOTE 29

## DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

## Financial assumptions

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

Assumptions as at:	31 March 2015		31 March 2014		31 March 2013	
	% per year	Real %	% per year	Real %	% per year	Real %
RPI increases	3.2%	-	3.6%	-	3.4%	-
CPI increases	2.4%	(0.8%)	2.8%	(0.8%)	2.6%	(0.8%)
Salary increases	4.2%	1.0%	4.6%	1.0%	4.3%	0.9%
Pension increases	2.4%	(0.8%)	2.8%	(0.8%)	2.6%	(0.8%)
Discount rate	3.3%	(0.1%)	4.5%	0.9%	4.5%	1.1%

These assumptions are set with reference to market conditions at 31 March 2015.

## Balance sheet disclosure as at 31 March 2015

	31/03/2015	31/03/2014	31/03/2013
	£'000s	£'000s	£'000s
Present value of defined benefit obligation	60,586	49,443	48,841
Fair value of scheme assets	(36,001)	(33,468)	(31,506)
	<b>24,585</b>	<b>15,975</b>	<b>17,335</b>
Present value of unfunded obligation	1,127	1,068	1,119
Unrecognised past service cost	0	0	0
<b>Net liability in Balance Sheet</b>	<b>25,712</b>	<b>17,043</b>	<b>18,454</b>

The movement in the net pension liability for the year to 31 March 2015 is as follows:

	31/03/2015	31/03/2014
	£'000s	£'000s
<b>Surplus/(deficit) at start of year</b>	<b>17,043</b>	<b>18,454</b>
Current service cost	1,566	1,497
Employer contributions (regular)	(1,287)	(1,057)
Contributions for unfunded benefits	(77)	(76)
Past service costs	40	39
Interest cost	2,250	2,235
Interest income	(1,513)	(1,428)
Remeasurements	7,640	(2,668)
Administration expenses	50	47
<b>Surplus/(deficit) at end of year</b>	<b>25,712</b>	<b>17,043</b>



## DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

## Remeasurements in Other Comprehensive Expenditure and Income

	31/03/2015	31/03/2014
	£'000s	£'000s
Return on plan assets in excess of interest	748	(292)
Other actuarial gains/(losses) on assets	-	418
Change in financial assumptions	(8,379)	(1,643)
Changes in demographic assumptions	-	78
Experience gain/(loss) on defined benefit obligation	(9)	4,107
Changes in effect of asset ceiling	-	-
<b>Remeasurements</b>	<b>(7,640)</b>	<b>2,668</b>

## Profit &amp; Loss Account Costs for the Year to 31 March 2015

	31/03/2015	31/03/2014
	£'000s	£'000s
Service cost	1,606	1,536
Net interest on the defined liability (asset)	737	807
Administration expenses	50	47
<b>Total</b>	<b>2,393</b>	<b>2,390</b>
<b>Actual return on Scheme assets</b>	<b>2,261</b>	<b>1,136</b>

## Reconciliation of the present value of the defined benefit obligation

	31/03/2015	31/03/2014
	£'000s	£'000s
<b>Opening defined benefit obligation</b>	<b>50,511</b>	<b>49,960</b>
Current Service Cost	1,566	1,497
Interest cost	2,250	2,235
Change in financial assumptions	8,379	1,643
Changes in demographic assumptions	0	(78)
Experience (gain)/loss on defined benefit obligation	9	(4,107)
Estimated benefits paid	(1,465)	(998)
Past service costs	40	39
Contributions by employees	500	396
Unfunded pension payments	(77)	(76)
<b>Closing defined benefit obligation</b>	<b>61,713</b>	<b>50,511</b>

## DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

## Reconciliation of fair value of employer assets

	31/03/2015	31/03/2014
	£'000s	£'000s
<b>Opening fair value of employer assets</b>	<b>33,468</b>	<b>31,506</b>
Interest income on assets	1,513	1,428
Return on assets, excluding interest	748	(292)
Other actuarial gains/(losses)	0	418
Administration expenses	(50)	(47)
Contributions by employer including unfunded	1,364	1,133
Contributions by employees	500	396
Estimated benefits paid plus unfunded	(1,542)	(1,074)
<b>Closing fair value of employer assets</b>	<b>36,001</b>	<b>33,468</b>

## The estimated asset allocation as at 31 March 2015 is as follows

	31/03/2015		31/03/2014	
	£'000s	%	£'000s	%
Equities	15,620	43%	17,738	53%
LDI/Cashflow matching	2,702	8%	2,008	6%
Target Return Portfolio	10,407	29%	10,040	30%
Alternative Assets	-	-	-	-
Infrastructure	1,784	5%	1,339	4%
Commodities	335	1%	335	1%
Property	1,020	3%	1,004	3%
Cash	4,133	11%	1,004	3%
<b>Total</b>	<b>36,001</b>	<b>100%</b>	<b>33,468</b>	<b>100%</b>

## Sensitivity analysis

	31/03/2015	Increase in assumption	Decrease in assumption
	£'000s	£'000s	£'000s
<b>Adjustment to discount rate (increase/decrease by 1%)</b>		<b>+0.1%</b>	<b>-0.1%</b>
Present Value of Total Obligation	61,713	60,587	62,861
Projected Service Cost	1,700	1,661	1,740
<b>Adjustment to long term salary increase (increase/decrease by 1%)</b>		<b>+0.1%</b>	<b>-0.1%</b>
Present Value of Total Obligation	61,713	61,874	61,553
Projected Service Cost	1,700	1,701	1,699
<b>Adjustment to pension increases and deferred revaluation (increase/decrease by 1%)</b>		<b>+0.1%</b>	<b>-0.1%</b>
Present Value of Total Obligation	61,713	62,709	60,736
Projected Service Cost	1,700	1,739	1,662
<b>Adjustment to mortality age rating assumption (increase/decrease by 1 year)</b>		<b>+1 year</b>	<b>-1 year</b>
Present Value of Total Obligation	61,713	59,723	63,702
Projected Service Cost	1,700	1,647	1,753

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

Projected pension expense for the year to 31 March 2016

	31/03/2016
	£'000s
Service cost	1,700
Net Interest on the defined liability/(asset)	835
Administration expenses	54
<b>Total</b>	<b>2,589</b>
Employer contributions	835

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## 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 2015 was £9,042.

At 31st March 2015 amounts owed by customers stood at £916,000, (£747,000 31st March 2014). 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 £916,000 outstanding is analysed by age as follows.

## Aged debtor profile

	2014/15	2013/14
	£'000s	£'000s
Less Than 30 Days	791	649
31 to 60 Days	53	23
61 to 90 Days	30	10
91+ Days	42	65
Unallocated Credits	1	0
	<u>917</u>	<u>747</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.

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

## NATURE AND RISKS OF FINANCIAL INSTRUMENTS

The following analysis summarises the authority's potential maximum exposure to credit risk as at 31 March 2015.

## Credit rating of institutions holding investments

	Long Term Credit Rating	Sum Invested as at 31/03/15 £'000s	Sum Invested as at 31/03/14 £'000s
<b>FITCH rating agency</b>			
Upper Medium Grade	A	6,145	6,052
Lower Medium Grade	BBB+/BBB	9,000	5,450
Highly Speculative	B	5,020	9,000
<b>Total invested</b>		<b>20,165</b>	<b>20,502</b>

The following analysis summarises 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 31/03/2015 £'000s	Historical experience of defaults 31/03/2015 £'000s	Amount at Nominal Value 31/03/2014 £'000s	Historical experience of defaults 31/03/2014 £'000s
Deposits with banks and financial institutions at nominal value	20,165	0	20,502	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.

	2014/15 £'000s	2013/14 £'000s
Less than 1 year	627	27
Between 1 and 2 years	0	627
Between 2 and 5 years	0	0
More than 5 years	0	0
	<b>627</b>	<b>654</b>

**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.

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**NOTE 31****PUBLICITY EXPENDITURE**

	2014/15	2013/14
	£'000s	£'000s
Recruitment advertising	36	73
Other advertising	262	274
	<u>298</u>	<u>347</u>

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**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.

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**NOTE 33****ANALYSIS OF LEVY**

	2014/15	2013/14
	£'000s	£'000s
Corporation of London	20	20
<b>Inner London boroughs</b>		
Camden	263	269
Greenwich	214	218
Hackney	191	193
Hammersmith and Fulham	220	223
Islington	219	226
Kensington and Chelsea	288	298
Lambeth	290	289
Lewisham	233	237
Southwark	266	267
Tower Hamlets	236	235
Wandsworth	368	377
Westminster	380	388
<b>Outer London boroughs</b>		
Barking and Dagenham	128	131
Barnet	404	411
Bexley	238	241
Brent	249	253
Bromley	391	401
Croydon	348	353
Ealing	316	327
Enfield	279	287
Haringey	211	208
Harrow	247	252
Havering	252	261
Hillingdon	281	287
Hounslow	239	245
Kingston Upon Thames	184	190
Merton	214	220
Newham	198	195
Redbridge	248	255
Richmond Upon Thames	267	274
Sutton	210	215
Waltham Forest	206	203
<b>Hertfordshire and Essex authorities</b>		
Hertfordshire	1,309	1,352
Essex	1,531	1,564
Thurrock	146	149
<b>Total levies on local authorities</b>	<b>11,284</b>	<b>11,514</b>

**NOTE 34**

**NON-CURRENT ASSET VALUATIONS**

Following partial valuations in the previous four financial years, the Authority undertook a full asset valuation in 2013/14. 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 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.

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**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 Lee Valley Velopark Lee Valley Tennis and Hockey 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 Abbotts
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 Cathagena 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**

<b>Long term investments</b>	<b>31/03/2015</b>	<b>31/03/2014</b>
	<b>£'000s</b>	<b>£'000s</b>
NatWest enhanced fixed rate bond	0	3,000
Co-Operative Bank	0	0
Principality Building Society	0	0
	<hr/>	<hr/>
	0	3,000

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<b>Short term investments</b>	<b>31/03/2015</b>	<b>31/03/2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Maturing within 7 days	62	60
Maturing between 7 days and 3 months	13,020	14,450
Maturing between 3 months and 1 year	4,000	0
	<hr/>	<hr/>
	<b>17,082</b>	<b>14,510</b>

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## NOTE 37

## BORROWINGS

Long term borrowing	2014/15	2013/14
	£'000s	£'000s

## Analysis of loan by type

Public Works Loan Board	0	627
	<b>0</b>	<b>627</b>

## Analysis of loan by maturity

Between 1 and 2 years	0	627
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
More than 10 years	0	0
	<b>0</b>	<b>627</b>

Short term borrowing	2014/15	2013/14
	£'000s	£'000s

## Analysis of loan by type

Public Works Loan Board	627	27
	<b>627</b>	<b>27</b>

## ANALYSIS OF LOAN BY MATURITY

Loan maturity schedule	2014/15	2013/14
	£'000s	£'000s

## Short-term borrowing

Loans Maturity Within 1 Year	<b>627</b>	<b>27</b>
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## Long-term borrowing

Between 1 and 2 years	0	627
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
More Than 10 years	0	0
	<b>0</b>	<b>627</b>

Total Loans	<b>627</b>	<b>654</b>
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Amount applied to loan repayment	<b>27</b>	<b>27</b>
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## LOAN MOVEMENT SUMMARY

Total loans outstanding 01 April	654	681
New loans taken out	0	0
Loans repaid	27	27
Total loans outstanding 31 March	<b>627</b>	<b>654</b>

**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.

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	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
<b>Culture and heritage</b>						
<b>Heritage</b>						
Rye House Gatehouse	15	0	15	13	(1)	12
Three Mills	32	(2)	30	1,518	0	1,518
<b>Total culture and heritage</b>	<b>47</b>	<b>(2)</b>	<b>45</b>	<b>1,531</b>	<b>(1)</b>	<b>1,530</b>
<b>Recreation and sport</b>						
Leisure and environment management	2,331	(435)	1,896	2,084	(297)	1,787
London Olympics 2012	0	0	0	0	0	0
<b>Sports development and community recreation</b>						
Sports development	104	(7)	97	94	(1)	93
<b>Sports and recreation facilities</b>						
Lee Valley Leisure Centre	797	(753)	44	1,406	(760)	646
Lee Valley Ice Centre	1,614	(1,228)	386	1,583	(1,183)	400
Lee Valley Leisure Pool	55	(37)	18	38	(39)	(1)
Lee Valley Velopark	9,401	(2,212)	7,189	3,149	(182)	2,967
Lee Valley Hockey and Tennis Centre	1,695	(294)	1,401	198	0	198
Lee Valley Riding Centre	1,042	(883)	159	1,223	(852)	371
Lee Valley Waterworks Centre	141	(20)	121	185	(43)	142
Lee Valley Leisure Centre Common Areas	77	(84)	(7)	100	(105)	(5)
Lee Valley White Water Centre	11,157	(2,549)	8,608	3,749	(2,019)	1,730
Lee Valley Athletics Centre	1,437	(625)	812	1,368	(519)	849
<b>Total recreation and sport</b>	<b>29,851</b>	<b>(9,127)</b>	<b>20,724</b>	<b>15,177</b>	<b>(6,000)</b>	<b>9,177</b>

	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
<b>Open spaces</b>						
<b>Countryside recreation and management</b>						
Fisheries management	151	(158)	(7)	156	(144)	12
Lee Valley Marina Springfield	733	(656)	77	615	(558)	57
Lee Valley Marina Stanstead Abbots	716	(570)	146	562	(517)	45
King George Reservoir South	11	(11)	0	6	(11)	(5)
Lee Valley Boat Centre	21	(38)	(17)	12	(38)	(26)
Lee Valley Farm Holyfieldhall	812	(555)	257	732	(614)	118
Lee Valley Farm Hayes Hill	735	(533)	202	1,495	(534)	961
Broxbourne Riverside Chalets	2	0	2	2	0	2
Lee Valley Campsite	580	(552)	28	813	(515)	298
Lee Valley Caravan Park	421	(327)	94	848	(544)	304
Youth and Schools	231	(37)	194	287	(34)	253
Myddelton House Gardens	269	(32)	237	711	(14)	697
East India Dock and Bow Creek	64	(3)	61	58	(1)	57
Countryside areas	2,457	(416)	2,041	986	(536)	450
Gunpowder Park	198	(5)	193	205	(7)	198
Abbey Gardens	221	(1)	220	174	(2)	172
Biodiversity Action Plan	179	0	179	169	(3)	166
<b>Total open spaces</b>	<b>7,801</b>	<b>(3,894)</b>	<b>3,907</b>	<b>7,831</b>	<b>(4,072)</b>	<b>3,759</b>
<b>Tourism</b>						
<b>Tourism policy, marketing and development</b>						
Corporate marketing	996	(975)	21	1,112	(1,090)	22
<b>Visitor services</b>						
Lee Valley Information Centre	236	(139)	97	250	(138)	112
<b>Total tourism</b>	<b>1,232</b>	<b>(1,114)</b>	<b>118</b>	<b>1,362</b>	<b>(1,228)</b>	<b>134</b>
<b>Planning policy</b>						
Planning	838	(727)	111	1,137	(1,017)	120
<b>Total planning policy</b>	<b>838</b>	<b>(727)</b>	<b>111</b>	<b>1,137</b>	<b>(1,017)</b>	<b>120</b>
<b>Housing services</b>						
Authority accommodation	98	(229)	(131)	109	(181)	(72)
<b>Total housing services</b>	<b>98</b>	<b>(229)</b>	<b>(131)</b>	<b>109</b>	<b>(181)</b>	<b>(72)</b>



	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
<b>Service management and support services</b>						
Chief Executive	717	(717)	0	848	(848)	0
Finance	2,604	(2,604)	0	2,688	(2,688)	0
Human Resources	394	(301)	93	286	(230)	56
Performance Management	378	(378)	0	398	(398)	0
Myddelton House HQ Services	346	(346)	0	321	(321)	0
<b>Total support services</b>	<b>4,439</b>	<b>(4,346)</b>	<b>93</b>	<b>4,541</b>	<b>(4,485)</b>	<b>56</b>
<b>TOTAL</b>	<b>44,306</b>	<b>(19,439)</b>	<b>24,867</b>	<b>31,688</b>	<b>(16,984)</b>	<b>14,704</b>

## NOTE 40

## CORPORATE AND DEMOCRATIC CORE &amp; NON DISTRIBUTED COSTS

	Gross Expenditure 2014/15 £000s	Gross Income 2014/15 £000s	Net Expenditure 2014/15 £000s	Gross Expenditure 2013/14 £000s	Gross Income 2013/14 £000s	Net Expenditure 2013/14 £000s
<b>Corporate and democratic core</b>						
Corporate management	1,707	0	1,707	1,954	0	1,954
Democratic representation and management	1,369	0	1,369	1,454	0	1,454
<b>Total corporate and democratic core</b>	<b>3,076</b>	<b>0</b>	<b>3,076</b>	<b>3,408</b>	<b>0</b>	<b>3,408</b>
<b>Non-distributed costs</b>						
Non-distributed costs	39	0	39	39	0	39
<b>Total non-distributed costs</b>	<b>39</b>	<b>0</b>	<b>39</b>	<b>39</b>	<b>0</b>	<b>39</b>

**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 Management	Floor Space (m2)

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## **NOTE 42**

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

#### **Capital grants received in advance**

Officers have reviewed all grants that are classified as capital grants received in advance, to ensure that where conditions had been met, grants were correctly written off to the comprehensive income and expenditure statement. In numerous cases, for grants over ten years old, ie. those received before 2004/05, there is insufficient evidence to support the view that any conditions would still apply.

The majority of grants usually require management and maintenance for ten years, and it could reasonably be assumed that these conditions have now been met. Therefore, these grants have been written back to revenue in 2014/15 and the impact can be seen on the non-specific grant income line on the comprehensive income and expenditure statement. Amounts are then appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

#### **Pensions liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

The net pension liability can vary considerable year on year, due to the complex ways in which the assumptions interact.

A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

#### **Property, plant and equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The life of our assets vary considerable, due to the mature and age of particular assets; land and buildings vary between 5 and 60 years, with vehicles, plant and machinery between 5 and 15.

If the useful live of assets is reduced, then depreciation will increase and the net carrying amount of the assets falls.

We carry out a full review of our assets on a five yearly basis, although year on year we review a percentage of our assets for possible change in value and/or useful life.

#### **Group accounts**

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

The Lee Valley Leisure Trust Limited is a charity set up as an Industrial and Provident Society to run the main leisure facilities owned by the Authority from 1 April 2015. Whilst the Authority is able to appoint up to three members to the board of the Trust, it does not have direct power to influence that operations and activities of the Trust. Therefore, the Authority has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, and is not required to prepare group accounts.

## NOTE 43

### Accounting standards that have been issued but have not yet been adopted

- IFRS 13 Fair Value Measurement

Authorities will be required to measure their assets and liabilities and provide disclosures in accordance with Fair Value Measurement definition in IFRS 13, except where adaptations to fit the public sector are detailed in the Code.

CIPFA have consulted on the implications of proposed amendments to the fair value measurement standard set within IFRS 13 Fair Value Measurement. They are concerned that this standard will not reflect the value of some fixed assets to local authorities, especially those which are not profit-generating, and are more concerned with contributing to the delivery of public services rather than the market value of a fixed asset.

It is anticipated that IFRS 13 will not have a material impact on the financial statements, and as it is not a change in accounting policy, will not require the publication of a third balance sheet.

- Annual Improvements to IFRSs 2011–2013 Cycle

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The amendments are effective for annual periods beginning on or after 1 July 2014, although entities are permitted to apply them earlier.

The issues included in this cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

CIPFA/LASAAC considers it possible but unlikely that the amendments introduced by Annual Improvements to IFRSs 2011–2013 Cycle are a change in accounting policy that require publication of a third balance sheet

## 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.