

Lee Valley Regional Park Authority

Statement of Accounts

For the year ended 31 March 2009



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Foreword

These accounts for 2008/09 provide information about the costs of, 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.

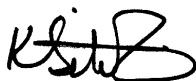
CIPFA has again this year issued further revisions to the statement of recommended accounting practice (the Code) to reflect legislative and other changes necessary to move towards International Financial Reporting Standards. The changes made this year will continue to improve inter-authority comparison and bring benefits in consistency and comparability between financial reports whilst continuing to follow private sector best practice

The accounts consist of:

- a statement of accounting policies, which describes the main principles used to prepare the accounts;
- the statement on the movement of the general fund, which shows the net effect of the net cost of services less the levy paid as a surplus or charge to the general fund balance;
- the income and expenditure account, which summarises expenditure and income on our main services;
- the balance sheet, which shows our overall financial position at 31 March 2009;
- a statement of total recognised gains and losses, which brings together all the recognised gains and losses of the Authority during the period;
- a cash flow statement, which shows the total cash we received and how we used it.

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

This document will be clarity-checked and will be awarded the Clear English Standard by the Plain Language Commission (<http://www.clearest.co.uk>), which promotes clear and concise communication in documents and on websites. The Clear English Standard does not apply to pages 5 to 7.



Kulvinder Sihota
Director of Finance and Resources

Summary of significant matters

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

Expenditure compared to budget

The 2008/09 budget was set in January 2008. Actual spending on our facilities and services was £0.26m less than budgeted, which excludes £0.7m carried forward from the previous year.

| | Budget | Actual |
|--------------------------------------|---------------|---------------|
| | £000's | £000's |
| Net Operating Expenditure | 11,317 | 14,592 |
| Lewy on Local Authorities | (12,053) | (12,053) |
| Net General Fund (Surplus) / Deficit | (736) | 2,539 |
| Non Financial Adjustments | 1,150 | (2,782) |
| Movement in General Fund | 414 | (243) |

At the end of the year we had general reserves of £4.5m.

Capital investment

Capital investment totalled £1.7m. This was financed by a contribution from revenue (£1.0m), and government grants and contributions from other bodies (£0.7m). In accordance with local authority accounting practice, accrued capital expenditure remained unfinanced at the year end. This has been further analysed in note 18 of the accounts.

Strategic Business Plan

Our financial strategy is embodied in our comprehensive and demanding ten-year Strategic Business Plan. The Plan is designed to deliver our vision of creating a regional park with a high regional standing and a national status.

The Plan is underpinned by a financial strategy that aims to optimise the use of financial resources to meet business objectives. The strategy includes maintaining a strong financial position, which these accounts demonstrate.

London Olympics 2012

In July 2005, London was awarded the 2012 Olympic Games. Under the current Olympic bid plans, some of our land and assets will be used and may be modified. However, this plan is subject to change, and discussions continue.

Velopark

The Olympic Agreement (dated 11th January 2005) contractually binds the London Development Agency (LDA) to deliver a VeloPark to the Authority at the end of the lease period. The lease period for this arrangement runs until 31st March 2015 or sooner if legacy works have been completed. It is likely that when this asset is transferred to the Authority the estimated depreciated replacement value will be approximately £90 million.

The current Olympic Agreement and draft supplementary agreements contain no specific legal obligations for the Authority to make good major future defects outside of the normal management and maintenance operations as specified in the legal agreements. In addition, the Authority will potentially have a liability of £5.25 million in relation to the lottery funding agreement between the Authority, Sport England and the ODA. As well as, a potential liability of £2 million in relation to a funding agreement with the London Marathon Trust. These potential liabilities are subject to the finalisation and completion of legal agreements.

White Water Canoe Course

It is likely that when this asset is transferred to the Authority the estimated depreciated replacement value will be approximately £32 million.

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 will have a potential liability of up to £4 million in relation to its funding agreement with East of England Development Agency (EEDA). The potential liability is subject to the finalisation and completion of a legal agreement.

The legal transactions set out above are within the remit of s.12 and s.13 of the Lee Valley Regional Park Act 1966.

Pension Scheme

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

Borrowing and Capital Funding

We have the facility to borrow funds for capital expenditure from the Public Works Loan Board (PWLB).

Short term borrowing is covered by our bank overdraft.

Statement of responsibilities

The Authority's responsibilities

We must:

- arrange for the proper administration of our financial affairs and ensure that one of our officers is responsible for administering those affairs – that officer is the Director of Finance and Resources;
- manage our affairs to secure economic, efficient and effective use of resources and safeguard our assets.

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 the accounts to present fairly our financial position at the accounting date and our income and expenditure for the year ended 31 March 2009.

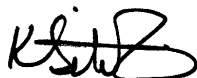
In preparing this statement of accounts, the Director of Finance and Resources:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with The Code.

The Director of Finance and Resources has also:

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

I certify that these statements of account present fairly the financial position of the Authority as at 31 March 2009 and the income and expenditure for the 2008/09 financial year.



Kulvinder Sihota
Director of Finance and Resources

These financial statements have been approved at the meeting of the Audit Committee on 30th September 2009.



Alan Searing
Chairman
Audit Committee

Independent Auditor's report to Members of Lee Valley Regional Park Authority

Opinion on the financial statements

I have audited the accounting statements and related notes of Lee Valley Regional Park Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Lee Valley Regional Park Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and Resources and Auditor

The Director of Finance and Resources responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Lee Valley Regional Park Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued the Audit Commission.

Andrea White
District Auditor
Audit Commission
1st Floor, Millbank Tower
Millbank
London, SW1P 4HQ

22 October 2009

Statement of accounting policies

General principles

The general principles adopted in compiling and presenting the accounts are those recommended in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, which is recognised by law as representing proper accounting practice. These have been revised to incorporate the changes specified in the 2008 Statement or Recommended Practice (SORP).

The accounting convention adopted is historical cost modified by the revaluation of certain assets.

Group accounts are not prepared as we do not hold any interest in companies.

Fixed assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts.

Fixed 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. Fixed assets are classified into the following groups as required by The Code:

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value, in existing use.
- Non-operational assets, including investment properties, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open-market value.
- Infrastructure assets and community assets are included in the balance sheet at historic cost, and do not suffer depreciation.

The capital value of any work we do on towpaths is included in the balance sheet as an asset, even though we do not usually own them. We have agreements with British Waterways, which allow public access to the towpaths and continuing use of the related facilities.

We have credited the surpluses arising on the initial valuation of fixed assets to the Revaluation Reserve. We revalue fixed assets every five years, but adjust the valuations in the interim to take account of significant changes as they occur. This year a full 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.

We account for our income from the disposal of fixed assets on an accruals basis. It is held in a usable capital receipts reserve that can be used to finance new capital expenditure.

Leases

The Authority holds a number of long-term leases which are shown as Investment Properties within the Financial Statements and are not depreciated.

Revaluation and Impairment

In addition to the full five-yearly revaluations, fixed assets are reviewed annually to ascertain whether their value has changed materially in the period. Where an impairment loss has been identified that clearly relates to physical damage or deterioration of a fixed asset leading to a reduction in the quality of the service provided, this loss is recognised in the asset management revenue account and the service revenue account. If the loss is reflecting a general fall in prices, it is recognised in the Revaluation Reserve.

Where an asset has increased in value since the last revaluation the gain is recognised through the Revaluation Reserve.

A Full Revaluation was undertaken at the end of 2008/09 and the next scheduled full revaluation will be 2013/14. In next financial year there will be a Fixed Asset review to ensure we are compliant with IFRS requirements.

Depreciation and useful economic life

Depreciation is provided for on the 'Building' element of all fixed assets with a finite useful life, except investment and community assets. We calculate it using the reducing balance method. Assets are not depreciated in the year of acquisition.

| 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 |
| Investment properties | 5 - 50 years |

Fixed assets 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.

Capital accounts and reserves

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

- Revaluation Reserve which replaced the Fixed Asset Revaluation Account in last years statements and contains revaluation gains recognised since 1 April 2007.
- Capital Adjustment Account, which replaced the Capital Financing Account in 2007/08 and shows amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets 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 closing balance on this account is £497,000.

We also have a capital fund, financed from contributions from the general fund, which can be used to finance future capital expenditure.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments include.

Liabilities

- Trade creditors
- Borrowings
- Financial guarantees

Assets

- Trade debtors
- Loans receivable
- Bank deposits

These are included at market value or in the event of stages payments by their discounted cash flow.

Provisions

Provisions are required for any incurred liabilities of uncertain timing or amount.

Provisions must be recognised when:

- we have a present obligation as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions should be recognised only if the event is more likely than not to occur.

Accruals basis of accounting

Debtors - sums due to us are provided for in the accounts when they become due.

Creditors - at the year end, we prepare estimates for goods and services received before 31 March and which at that date have not been paid for.

Stocks and stores

We value stocks and stores at the lower of actual costs and net realisable value, after allowing for obsolescent items. Facilities count their shop and café stocks then value them at historic cost price.

We use a qualified agricultural stock valuer to establish the value of our dairy herd and farm supplies and consumables. The herd is valued on a market price and the dry stock is valued at historic cost.

Grants

If the acquisition of a fixed asset is financed in some way by a grant or other contribution, the amount of this grant is credited to the government grants deferred account and written off to the asset management revenue account over the life of the asset, to match depreciation. Grants received but not yet used to finance capital expenditure are credited to the capital grants unapplied account, awaiting use to finance expenditure.

Cost of support services

We reallocate the salaries and associated costs of central support services to the various support-service users.

Pensions

We participate in the Local Government Superannuation Scheme, a funded defined benefit scheme. Employees' and employer's contributions are paid into a pension fund administered by the London Pension Fund Authority. 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 employer's contribution rate is set by the Fund's actuary based on three-yearly actuarial valuations.

The full adoption of FRS17 Retirement Benefits has meant that we need to recognise on the balance sheet the net asset/liability of our pension scheme and pensions reserve, and that we must recognise movements in the asset/liability on the income and expenditure account. The 2008 SORP requires far more disclosures around FRS17 and these are contained within the relevant notes.

An actuarial assessment of the pension fund is required to assess the level of assets and liabilities in the scheme and to determine the current and past service costs of employment. These differ from the current contributions as the current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a lump sum and pension when they retire. It estimates the full liability generated in the year and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

Earmarked reserves

We maintain renewal and repairs funds to replace equipment and for major 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.

We include transactions on these funds in the net cost of services and adjust the fund balance by a transfer to or from the general fund.

Provisions for bad and doubtful debts

The amount set aside to cover debts has been adjusted for doubtful debts that have been provided for. Known irrecoverable debts have been written off.

Post-balance sheet events

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

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

Value added tax

As a partially exempt authority, meaning we have vatable and non-vatable income, we would not normally be able to reclaim all the VAT we incur on expenditure. However, under our section 33 agreement with HM Customs and Revenue, we can calculate the level of non-claimable VAT. Currently, we can reclaim all VAT we incur on expenditure.

During the year legislation passed in 2007/08 came into effect reducing the basic rate of VAT from 17.5% to 15% until the 31st December 2009.

Contingent Assets and Liabilities

Contingent Assets and Liabilities are not recognised in the accounting statements. They are disclosed by way of a note to the Balance Sheet if there is a possible obligation to make or receive payments in the future.

Borrowing

We have a number of loans from the Public Works Loans Board (PWLB) to support the capital programme. These are repayable over several years and subject to not taking any new loans it is envisaged that these will be repaid by March 2016,

Changes in accounting policies

There have been no changes in accounting policies in the year.

Scope of responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and 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 which 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 *Good Governance in Local Government*. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 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 to 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 2009 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 A Vision to 2017 (working draft). 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 each department is required to prepare annually. The achievement of these objectives is monitored by the Senior Management Team, the Performance Team and the Finance & Audit Committee.

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 number of specific policies (e.g. on whistle blowing, IT usage, bullying and harassment) 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 provide for delegation to officers but within a policy framework laid down by the Authority, and with the more significant executive decisions being taken by the Authority's elected Members.

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 Finance & Audit Committee who receive quarterly reports on risk management and takes appropriate action to ensure that corporate business risks are up-to-date; being actively managed; and agree the soundness of the Authority's risk management arrangements.

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

The 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 of the Lee Valley Regional Park act 1966. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Authority's money laundering, whistle blowing and anti-fraud and corruption reporting officer.

The Authority has a performance management framework through which quality of service is measured through corporate performance indicators which in turn are reported through the Annual Performance Management Report. This is monitored by departmental management teams, Performance Team and the Senior Management Team and scrutinised on a six-monthly basis by the Finance & Audit 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 Finance & Audit Committee requires it will "monitor and review the Authority's system(s) of internal financial control and authorise/approve the annual Statement of Internal Control (now the Annual Governance Statement); it will also monitor and review the Authority's Health & Safety and risk management policies and programmes and make recommendations to Authority.

The Internal Auditor reports to the Authority's Chief Finance Officer, but in order to ensure independence has direct access to the Chief Executive, Monitoring Officer, and the Finance & 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 Finance & Audit Committee. The Annual Internal Audit Report for 2008/09, which has been presented to this Committee on 25 June 2009 (Paper FA/194/09), 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 2008/09 in accordance with the Accounts and Audit Regulations 2006. This was presented to this Committee on 25 June 2009 (Paper/FA197/09) and concluded that the Authority's system of Internal Audit was effective.

The review of the Authority's Risk Management framework was presented to the Finance & Audit Committee on 28 June 2007 (in which it was concluded that risk management arrangements are sound). The Strategic Risk register has undergone regular monitoring this year and Members have commented upon and amended the risk register at this committee. (26 June 2008, paper FA/161/08,

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

Reporting on performance management information has taken place to the Finance & Audit Committee over the course of the year. Based on the information provided during the year and reviews of data quality, controls are 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 Audit Service;
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

Probably the most significant area for governance will focus around the Olympics. The strategic risk register has identified the 2012 Olympics as a major risk that could affect all of our key business objectives into the future. The award of the Olympics to London impacts upon our land, business, financial and human resources.

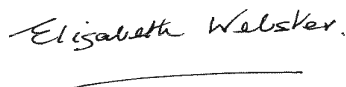
The Authority expects to receive significant assets as a result of the Olympic Development Authority's work. This includes a White Water Canoe Course, a Velopark, a range of facilities at Eton Manor and the Authority will be the landlord of the proposed Wind Turbine site. These assets are likely to exceed a value of £150m and with that comes a responsibility to manage and operate these as economically and efficiently as possible

We currently have an officer-led Olympic Project Team that is working on Olympic related issues. There is also Member involvement where key decisions are taken in relation to Olympic issues through the Upper and Lower Lee Valley Planning & Regeneration Committees. The Authority has undertaken its own Governance review to ensure its management and decision making processes remain robust, relevant and fit for purpose and will continue to review and monitor its own governance framework to ensure that it is fit for purpose. It is important that the Authority remains focused on the issues and related risk of the Olympics and its legacy; and that the new Strategic Business Plan reflects the effect of the Olympics risk on our business objectives.

We propose over the coming year to take the steps described above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Chief Executive Officer



Chairman

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Income and expenditure account

| | | 2008/09 | 2007/08 |
|---|------|---------------|---------------|
| | Note | £000's | £000's |
| Continuing operations | | | |
| Cultural, environmental and planning | 1 | 12,481 | 10,640 |
| Corporate and democratic core | 2 | 1,931 | 2,557 |
| Non-distributed costs | 2 | 215 | 44 |
| Net cost of services | | 14,627 | 13,241 |
| Net (gain)/loss on disposal of fixed assets | 4 | 0 | 0 |
| Internal insurance deficit/(surplus) | | (20) | (31) |
| Interest payable and similar charges | | 170 | 228 |
| Interest and investment income | | (417) | (409) |
| Pension interest cost and expected return on pension assets | 35 | 232 | (169) |
| Net operating expenditure | | 14,592 | 12,860 |
| Levies on local authorities | 12 | (12,053) | (11,875) |
| Net general fund (surplus)/deficit | | 2,539 | 985 |

Statement of the movement of the general fund balance

| | Note | 2008/09 £000's | 2007/08 £000's |
|---|------|-------------------|-------------------|
| (Surplus) / Deficit for the year on the income and expenditure account | | 2,539 | 985 |
| Net additional amount required by law and non-statutory proper practices to be debited or credited to the general fund balance for the year | 6 | (2,782) | (1,671) |
| (Increase)/ decrease in general fund in the year | | (243) | (686) |
| General fund balance brought forward | | (4,184) | (3,499) |
| General fund balance carried forward | | (4,427) | (4,185) |

Statement of total recognised gains and losses

| | Note | 2008/09 £000's | 2007/08 £000's |
|--|------|-------------------|-------------------|
| Surplus (Deficit) for the year in the income and expenditure account | | 2,539 | 984 |
| Surplus arising on revaluation of fixed assets | | (8,968) | (910) |
| Actuarial (gains) / losses on pension fund assets and liabilities | 18 | 4,172 | (1,066) |
| Other (gains) / losses required to be included in the STRGL | | 315 | (116) |
| Total recognised (gains) / losses for the year | | (1,942) | (1,108) |

Balance sheet

| | Note | 2008/09 £000's | 2008/09 £000's | 2007/08 £000's |
|---|------|-------------------|-------------------|-------------------|
| Fixed assets | | | | |
| Operational assets | | | | |
| Land and buildings | 19 | | 42,108 | 48,067 |
| Vehicles, plant and equipment | 19 | | 964 | 905 |
| Infrastructure | 19 | | 1,982 | 2,053 |
| Community assets | 19 | | 32,197 | 31,310 |
| Non-operational assets | | | | |
| Investment properties | 19 | | 5,529 | 6,923 |
| Assets under construction | 19 | | 0 | 310 |
| Non Operational Facilities | 19 | | 11,500 | 0 |
| Total fixed assets | | | 94,280 | 89,568 |
| Current assets | | | | |
| Stock and work in progress | 24 | 353 | | 347 |
| Debtors | 25 | 482 | | 1,424 |
| Payments in advance | 26 | 287 | | 114 |
| Investments | 27 | 9,913 | | 8,503 |
| Cash and bank | 28 | 21 | 11,056 | 109 |
| Total assets | | | 105,336 | 100,065 |
| Current liabilities | | | | |
| Short-term borrowing | 29 | (27) | | (527) |
| Creditors | 30 | (1,902) | | (2,964) |
| Receipts in advance | 31 | (163) | | (384) |
| Bank overdrafts | 32 | (194) | (2,286) | 0 |
| Total assets less current liabilities | | | 103,050 | 96,190 |
| Long-term borrowing | 34 | (1,261) | | (1,288) |
| Capital grants unapplied | 18 | (257) | | (137) |
| Government grants deferred | 18 | (17,046) | | (16,505) |
| Liability related to defined benefit pension scheme | 35 | (8,049) | (26,613) | (3,765) |
| Total assets less liabilities | | | 76,437 | 74,495 |
| Revaluation reserve | 18 | | 9,564 | 910 |
| Capital adjustment account | 18 | | 56,678 | 59,776 |
| Usable capital receipts reserve | 18 | | 497 | 497 |
| Pensions reserve | 18 | | (8,049) | (3,765) |
| Capital fund | 18 | | 4,591 | 4,437 |
| Earmarked revenue reserves | 18 | | 8,729 | 8,455 |
| General fund | | | 4,427 | 4,185 |
| Total net worth | | | 76,437 | 74,495 |

Cash flow statement

| | Note | 2008/09 £000's | 2007/08 £000's |
|--|------|-------------------|-------------------|
| Revenue activities | | | |
| Cash outflows | | | |
| Cash paid to and on behalf of employees | | (7,020) | (6,629) |
| Other operating payments | | (8,010) | (7,455) |
| Cash inflows | | | |
| Rents (after rebates) | | 702 | 641 |
| Levies received | | 12,053 | 11,875 |
| Cash received for goods and services | | 4,674 | 5,081 |
| Other revenue receipts | | 23 | 18 |
| Net cash inflow/(outflow) | 36 | 2,422 | 3,531 |
| Returns on investments and servicing of finance | | | |
| Cash outflows | | | |
| Interest paid | | (170) | (228) |
| Cash inflows | | | |
| Interest received | | 417 | 409 |
| Net cash inflow/(outflow) | | 247 | 181 |
| Capital activities | | | |
| Cash outflows | | | |
| Purchase of fixed assets | | (2,369) | (3,028) |
| Purchase of long-term investments | | 0 | 0 |
| Other capital cash payments | | (3) | (61) |
| Cash inflows | | | |
| Sale of fixed assets | | 0 | 0 |
| Capital grants received | | 1,357 | 1,680 |
| Other capital cash receipts | | 0 | 116 |
| Net cash inflow/(outflow) | | (1,015) | (1,293) |
| Net cash inflow/(outflow) before financing | 36 | 1,654 | 2,419 |
| Management of liquid resources | | | |
| Net (increase)/decrease in short-term deposits | 36 | (1,411) | (1,880) |
| Financing | | | |
| Cash outflows | | | |
| Repayment of amounts borrowed | 36 | (527) | (566) |
| Cash inflows | | | |
| New loans raised | | 0 | 0 |
| Net increase/(decrease) in cash | 36 | (284) | (27) |

Notes to the financial statements

1. Cultural, environmental and planning services

This statement shows gross expenditure, gross income and net expenditure of services and the extent of their financing from taxpayers (through the levy placed on local authorities) and from reserves.

We operate a wide range of facilities and services. The expenditure on and income from each of these is shown in the following table. Services have been analysed in accordance with the Best Value Accounting Code of Practice which came into effect in April 2000.

| | Gross expenditure 2008/09 £000's | Gross income 2008/09 £000's | Net expenditure 2008/09 £000's | Net expenditure 2007/08 £000's |
|--|--|-----------------------------------|--------------------------------------|--------------------------------------|
| Culture and heritage | | | | |
| Arts development and support | | | | |
| Arts development | 11 | 0 | 11 | 0 |
| Heritage | | | | |
| Rye House Gatehouse | 12 | (1) | 11 | 20 |
| Three Mills | 29 | 0 | 29 | 27 |
| Total culture and heritage | 52 | (1) | 51 | 47 |
| Recreation and sport | | | | |
| Leisure and environment management | 1,923 | (652) | 1,271 | 1,311 |
| London Olympics 2012 | 210 | 0 | 210 | 233 |
| Sports development and community recreation | | | | |
| Sports development | 98 | 0 | 98 | 105 |
| Sports and recreation facilities | | | | |
| Lee Valley Leisure Centre | 1,132 | (656) | 476 | 349 |
| Lee Valley Ice Centre | 1,484 | (855) | 629 | 801 |
| Lee Valley Leisure Pool | 1,368 | 0 | 1,368 | 2,042 |
| Lee Valley Cycle Circuit | 337 | 0 | 337 | 337 |
| Lee Valley Riding Centre | 934 | (591) | 343 | 302 |
| Lee Valley Waterworks Centre | 715 | (215) | 500 | 256 |
| Lee Valley Leisure Centre Common Areas | 200 | (120) | 80 | 297 |
| Lee Valley Athletics Centre | 1,553 | (309) | 1,244 | 868 |
| Total recreation and sport | 9,954 | (3,398) | 6,556 | 6,901 |

Continued...

| | Gross expenditure 2008/09 £000's | Gross income 2008/09 £000's | Net expenditure 2008/09 £000's | Net expenditure 2007/08 £000's |
|--|--|-----------------------------------|--------------------------------------|--------------------------------------|
| Open spaces | | | | |
| Park Services management | 0 | 0 | 0 | 0 |
| Countryside recreation and management | | | | |
| Fisheries management | 144 | (127) | 17 | 53 |
| Lee Valley Marina Springfield | 576 | (414) | 162 | 194 |
| Lee Valley Marina Stanstead Abbots | 374 | (329) | 45 | 138 |
| King George Reservoir South | 11 | (11) | 0 | 6 |
| Lee Valley Boat Centre | 25 | (11) | 14 | 19 |
| Lee Valley Farm Holyfieldhall | 640 | (475) | 165 | 176 |
| Lee Valley Farm Hayes Hill | 805 | (260) | 545 | 215 |
| Broxbourne Riverside Chalets | 3 | 0 | 3 | 4 |
| Lee Valley Campsite | 451 | (220) | 231 | 158 |
| Lee Valley Caravan Park | 333 | (144) | 189 | 53 |
| Youth and Schools | 196 | (44) | 152 | 166 |
| Myddelton House Gardens | 182 | (13) | 169 | 220 |
| East India Dock and Bow Creek | 42 | (8) | 34 | 43 |
| Countryside areas | 2,790 | (531) | 2,259 | 1,266 |
| Gunpowder Park | 1,132 | (1) | 1,131 | 349 |
| Abbey Gardens | 89 | (1) | 88 | 138 |
| Biodiversity Action Plan | 105 | 0 | 105 | 138 |
| Total open spaces | 7,898 | (2,589) | 5,309 | 3,336 |
| Tourism | | | | |
| Tourism policy, marketing and development | | | | |
| Corporate marketing | 26 | 0 | 26 | 1 |
| Visitor services | | | | |
| Lee Valley Information Centre | 56 | 0 | 56 | 70 |
| Total tourism | 82 | 0 | 82 | 71 |
| Planning policy | | | | |
| Planning | 747 | (320) | 427 | 122 |
| Total planning policy | 747 | (320) | 427 | 122 |

Continued...

| | Gross expenditure 2008/09 £000's | Gross income 2008/09 £000's | Net expenditure 2008/09 £000's | Net expenditure 2007/08 £000's |
|--|--|-----------------------------------|--------------------------------------|--------------------------------------|
| Housing services | | | | |
| Authority accommodation | 184 | (155) | 29 | 128 |
| Total housing services | 184 | (155) | 29 | 128 |
| Service management and support-services | | | | |
| Chief Executive | 825 | (825) | 0 | 0 |
| Finance | 2,205 | (2,203) | 2 | 0 |
| Human Resources | 368 | (335) | 33 | 37 |
| Performance Management | 281 | (281) | 0 | 0 |
| Myddelton House HQ Services | 607 | (615) | (8) | 0 |
| Total support-services | 4,286 | (4,259) | 27 | 37 |
| Total | 23,203 | (10,722) | 12,481 | 10,642 |

2. Corporate and democratic core and non-distributed costs

| | Gross expenditure 2008/09 £000's | Gross income 2008/09 £000's | Net expenditure 2008/09 £000's | Net expenditure 2007/08 £000's |
|--|--|-----------------------------------|--------------------------------------|--------------------------------------|
| Corporate and democratic core | | | | |
| Corporate management | 1,051 | (1) | 1,050 | 1,260 |
| Democratic representation and management | 882 | (1) | 881 | 1,297 |
| Total corporate and democratic core | 1,933 | (2) | 1,931 | 2,557 |
| Non-distributed costs | | | | |
| Non-distributed costs | 215 | 0 | 215 | 44 |
| Total non-distributed costs | 215 | 0 | 215 | 44 |

The corporate and democratic core deals with corporate policy-making and all other member-based activities and costs that relate to the general running of the Authority. Non-distributed costs include past service costs, settlements and curtailments relating to retirement benefits. These costs are specifically excluded from total service costs.

3. Support-service recharges

The net cost of services includes recharges from service management and support services. These costs are reallocated to the various support-service users based on several criteria.

4. Disposal of fixed assets

We did not dispose of any of our fixed assets during 2008/09.

5. Publicity expenditure

Under section 5(1) of the Local Government Act 1986, our spending on publicity was:

| | 2008/09 | 2007/08 |
|-------------------------|------------|------------|
| | £000's | £000's |
| Recruitment advertising | 60 | 64 |
| Other advertising | 222 | 213 |
| | <u>282</u> | <u>277</u> |

6. Reconciling items for the statement of movement on the general fund

| | Note | 2008/09 £000's | 2007/08 £000's |
|--|------|-------------------|-------------------|
| Amounts included in the income and expenditure account but required by law to be excluded when determining the movement on the general fund balance for the year. | | | |
| Depreciation and impairment of fixed assets | | (5,585) | (4,641) |
| Government grants deferrred amortisation | | 30 | 29 |
| Write-downs of Revenue Expend to be financed from capital resources | | 0 | 0 |
| Net gain/(loss) on sale of fixed assets | | 0 | 0 |
| Net charges made for retirement benefits in accordance with FRS 17 | | (944) | (553) |
| | | (6,499) | (5,165) |
| Amounts not included in the income and expenditure account but required by law to be excluded when determining the movement on the general fund balance for the year. | | | |
| Minimum revenue provision for capital financing | 9 | 495 | 497 |
| Capital financing charged in-year to the general fund balance | | 1,544 | 1,544 |
| Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners. | | 832 | 731 |
| | | (3,628) | (2,393) |
| Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year. | | | |
| Transfer to revenue reserves | | 274 | 149 |
| Transfer to capital reserves | | 572 | 573 |
| Transfer to pension reserve | | 0 | 0 |
| Capital grants released from government grants deferred | | 0 | 0 |
| Capital expenditure financed from revenue | | 0 | 0 |
| Reconciling amount for provisions for loan repayment | | 0 | 0 |
| Net additional amount required to be credited to the general fund balance for the year | | (2,782) | (1,671) |

7. 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.

An analysis of movements in the insurance fund is shown in note 18.

8. Disclosure of information about the movement in the net pensions asset/liability

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.

We recognise 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 following transactions have been made in the income and expenditure statement during the year:

| | 2008/09 | 2007/08 |
|--|---------|---------|
| | £000's | £000's |
| Net cost of services | | |
| Current service cost | (526) | (703) |
| Past service cost | (186) | 0 |
| Settlements and curtailments | 0 | (19) |
| Net operating expenditure | | |
| Interest cost | (1,901) | (1,597) |
| Expected return on assets in the scheme | 1,669 | 1,766 |
| Amount to be met from local taxpayers | | |
| Movement on the pensions reserve | (944) | (553) |
| Actual amount charged for pension in the year | | |
| Employer's contributions payable to scheme | 832 | 731 |
| Contribution to/(from) pension reserve | (112) | 178 |

Note 35 contains details of the assumptions made in estimating the figures included in this note. Note 18 details the costs that have arisen through the year based on estimates made in preparing figures for previous years that have had to be revised (eg the expected return on investments).

9. Minimum revenue provision

By law we must set aside a minimum provision from revenue to repay external debt, including this in the charge to taxpayers. The net cost of services includes a provision for depreciation that exceeds the minimum revenue provision. We make an adjustment in the income and expenditure account to ensure that only the minimum revenue provision is included in the charge to taxpayers. The MRP is calculated as 4% of the Authorities Capital Financing Requirement in accordance with current legislation.

This is detailed below:

| | 2008/09 £ | 2007/08 £ |
|--|------------|------------|
| Prior year closing balances | | |
| Operational assets | 82,334 | 82,999 |
| Non-operational assets | 6,923 | 6,367 |
| Asset Under Construction | 311 | 249 |
| Revaluation reserve | (910) | 0 |
| Capital adjustment account | (59,775) | (62,338) |
| Government grants deferred | (16,505) | (14,853) |
| Capital financing requirement as at 31/03/2008 | 12,378 | 12,424 |
| MRP Calculation (in accordance with regulation 28) | | |
| 4% of Capital Financing Requirement | 495 | 497 |
| Minimum revenue Provision for 2008/09 | 495 | 497 |

10. Staff remuneration

The following table shows the number of staff whose remuneration was at least £50,000.

| Range | No. of staff | |
|--------------------|--------------|---------|
| | 2008/09 | 2007/08 |
| £50,000 - 59,999 | 3 | 1 |
| £60,000 - 69,999 | 2 | 8 |
| £70,000 - 79,999 | 5 | 0 |
| £80,000 - 89,999 | 0 | 0 |
| £90,000 - 99,999 | 1 | 1 |
| £100,000 - 109,999 | 1 | 1 |
| £110,000 - 119,999 | 1 | 1 |
| £120,000 - 129,999 | 0 | 0 |
| £130,000 - 139,999 | 0 | 0 |
| £140,000 - 149,999 | 1 | 1 |

11. Members' allowances

During 2008/09 we paid £13,701 (2007/08 £11,196) in members' allowances and expenses.

12. Analysis of levy

By law we may charge a levy on certain local authorities in London, Hertfordshire and Essex. The amounts charged to each authority are shown below:

| | 2008/09 | 2007/08 |
|--|---------------|---------------|
| | £000's | £000's |
| Corporation of London | 18 | 18 |
| Inner London boroughs | | |
| Camden | 285 | 280 |
| Greenwich | 238 | 235 |
| Hackney | 214 | 208 |
| Hammersmith and Fulham | 240 | 234 |
| Islington | 255 | 251 |
| Kensington and Chelsea | 301 | 295 |
| Lambeth | 307 | 303 |
| Lewisham | 264 | 261 |
| Southwark | 282 | 279 |
| Tower Hamlets | 243 | 235 |
| Wandsworth | 367 | 360 |
| Westminster | 391 | 387 |
| Outer London boroughs | | |
| Barking and Dagenham | 157 | 154 |
| Barnet | 415 | 411 |
| Bexley | 255 | 252 |
| Brent | 289 | 285 |
| Bromley | 404 | 402 |
| Croydon | 385 | 377 |
| Ealing | 352 | 344 |
| Enfield | 331 | 328 |
| Haringey | 259 | 257 |
| Harrow | 261 | 258 |
| Havering | 270 | 266 |
| Hillingdon | 293 | 292 |
| Hounslow | 258 | 256 |
| Kingston Upon Thames | 187 | 185 |
| Merton | 222 | 220 |
| Newham | 222 | 217 |
| Redbridge | 269 | 267 |
| Richmond Upon Thames | 269 | 266 |
| Sutton | 223 | 220 |
| Waltham Forest | 229 | 226 |
| Hertfordshire and Essex authorities | | |
| Hertfordshire | 1,345 | 1,320 |
| Essex | 1,596 | 1,571 |
| Thurrock | 157 | 155 |
| Total levies on local authorities | 12,053 | 11,875 |

13. Related-party transactions

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. Material transactions in 2008/09 were as follows:

| 2008/09 | | |
|---|---------------|-------------------------------------|
| | £000's | Grant description |
| Income | | |
| Levies receivable | | |
| As per note 12, analysis of levy. | 12,053 | |
| | | 12 Lee Valley Waterworks Golf coach |
| Capital grants receivable over £10,000 | | |
| ALSF Grant | 84 | Clayton Hill |
| Transport for London | 34 | Leyton Marsh |
| ALSF Grant | 15 | Brittania Lake |
| ALSF Grant | 53 | Boyers Water |
| Countryside Stewardship | 9 | Biodiversity Action Plan |

Members and senior officers are required to complete a declaration of related-party transactions detailing any relationship they have. There are no relationships disclosed by Members or senior officers. Members are elected to the Authority by their local councils.

Where there are transactions with Borough and County Councils (for example road sweeping and planning applications) these are conducted at arm's length.

The pension fund is also a related party and disclosures about the pension fund are made in note 8 and note 35.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2009, in respect of related-party transactions. The Authority has prepared this disclosure in accordance with its current interpretation and understanding of FRS 8 and how it applies to the public sector, utilising current advice and guidance.

14. Financial instruments

As part of the transition to the new accounting arrangements for financial instruments the Authority has reviewed its portfolio of borrowings, investments and other financial instruments and identified the following issues:

Soft loans

The Authority provides interest-free season tickets loans to employees, which are repayable over a 12 month period. They have been fully paid in the year and are not material.

Borrowings

All long term capital borrowing by the Authority borrowing has been sourced from the PWLB at fixed rates, for which amortised cost is the same as principal outstanding recorded in the balance sheet at 1 April 2008. In these circumstances there is no need to carry out a formal effective interest-rate calculation, as the instruments carry the same interest rate for the whole term of the instrument. So no adjustment is

required to amounts in the balance sheet. The associated arrangement cost of the loans is not material and the interest chargeable to the Income & Expenditure account remains an amount payable under the loan agreements. The Authority also has use of an overdraft facility to cover short term operational needs.

Investments

Loans made by the Authority are short-term investments placed at fixed interest rates and as such require no formal effective rate calculation, as the instruments carry the same interest rate for the whole term of the instrument. Receivables are short duration receivables with no stated interest rate, which are measured at the original invoice amount.

Risk

We do not use complex financial instruments and as a result the Authority does not have significant exposure to risks such as credit or liquidity risk.

15. Disclosure of audit costs

In 2008/09 we incurred the following fees relating to external audit and inspection:

| | 2008/09 | 2007/08 |
|---|---------|---------|
| | £000's | £000's |
| Fees payable to the Audit Commission for external audit services carried out by the appointed auditor | 33 | 32 |
| Fees payable to the Audit Commission for statutory inspection | 0 | 0 |
| Fees payable to the Audit Commission for certifying grant claims and returns | 0 | 0 |
| Fees payable for other services provided by the appointed auditor | 0 | 4 |

16. Local Government Act 1972

No expenditure fell under section 137 of the Local Government Act 1972, which allows an authority to incur expenditure that it believes is in the area's best interests but is not otherwise authorised by law.

17. Local Authorities (Goods and Services) Act 1970

No work was done for other local authorities or public bodies under the Local Authorities (Goods and Services) Act 1970.

18. Note to statement of total recognised gains and losses

| | 2008/09 £000's | 2008/09 £000's | 2007/08 £000's |
|---|-------------------|-------------------|-------------------|
| Surplus/(deficit) for the year | | | |
| General fund | 243 | | 683 |
| Movements on specific reserves | 274 | | 149 |
| Appropriation from pensions reserve | (112) | | 178 |
| Actuarial gains and (losses) relating to pensions | (4,172) | | 1,066 |
| Total increase/(decrease) in revenue resources (a) | | (3,767) | 2,076 |
| Movement on capital reserves | 154 | | 573 |
| Total increase/(decrease) in capital resources (b) | | 154 | 573 |
| Increase/(decrease) in usable capital receipts | 0 | | 107 |
| Total increase/(decrease) in realised capital resources (c) | | 0 | 107 |
| Gains/(losses) on revaluation of fixed assets | 8,654 | | 910 |
| Total increase/(decrease) in unrealised value of fixed assets (d) | | 8,654 | 910 |
| Value of assets sold, disposed of or decommissioned (e) | | 0 | 0 |
| Capital receipts set aside | 417 | | 9 |
| Revenue resources set aside/(applied) | (3,516) | | (2,570) |
| Total increase/(decrease) in amounts set aside to finance capital investment (f) | | (3,099) | (2,561) |
| Total recognised gains and losses | | 1,942 | 1,105 |

| | General fund £000's | Earmarked revenue reserves £000's | Pensions reserve £000's |
|---|---------------------------|--|-------------------------------|
| a. Movements in revenue resources | | | |
| Surplus/(deficit) for 2008/09 | 243 | | |
| Appropriations to/(from) revenue | | 274 | (112) |
| Actuarial gains and (losses) relating to pensions | | | (4,172) |
| | 243 | 274 | (4,284) |
| Balance brought forward at 1 April 2008 | 4,184 | 8,455 | (3,765) |
| Balance carried forward at 31 March 2009 | 4,427 | 8,729 | (8,049) |

The actuarial gains identified as movements on the pensions reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts.

| | 31/03/09 £000's |
|---|--------------------|
| Actual return less expected return on pension-scheme assets | 0 |
| Experience gains and (losses) arising on the scheme liabilities | 0 |
| Changes in financial assumptions underlying the present value of the scheme liabilities | 0 |
| Actuarial gain/(loss) in pension plan | (4,172) |
| Increase/(decrease) in irrecoverable surplus from membership fall and other factors | 0 |
| Actuarial gain/(loss) recognised in statement | (4,172) |

As explained in the statement of accounting policies, we have set aside some revenue funds for specific purposes. Expenditure on these activities is shown in the net cost of services in the income and expenditure statement. Movements on these reserves are shown below.

| | Balance b/f | Contributions | Expenditure | Transfers | Balance c/f |
|--------------------------------|-------------|---------------|-------------|-----------|-------------|
| | 2008/09 | 2008/09 | 2008/09 | 2008/09 | 2008/09 |
| | £000's | £000's | £000's | £000's | £000's |
| Repairs and renewals funds | 7,716 | 967 | (600) | 0 | 8,083 |
| Insurance fund | 490 | 60 | (17) | 0 | 533 |
| LV Leisure Centre Common Areas | 249 | 8 | (144) | 0 | 113 |
| | 8,455 | 1,035 | (761) | 0 | 8,729 |

We have a capital fund and a facilities improvement fund, both of which are financed from contributions from the general fund. The funds can be used to finance future capital expenditure.

| | Capital fund | Facilities improvement fund |
|---|--------------|-----------------------------|
| | £000's | £000's |
| b. Movements in capital resources | | |
| Appropriations to/(from) revenue | 571 | 0 |
| | (417) | 0 |
| | 154 | 0 |
| Balance brought forward at 1 April 2008 | 4,307 | 130 |
| Balance carried forward at 31 March 2009 | 4,461 | 130 |

The useable capital receipts reserve contains the unused proceeds arising from disposal of assets that can be used to finance future capital expenditure.

Unapplied capital grants are grants that we have received to aid capital expenditure but, although they are earmarked for specific projects, they have come to us before we have incurred the relevant capital expenditure.

| | Usable capital receipts £000's | Unapplied capital grants and contributions £000's |
|---|--------------------------------------|---|
| c. Movements in realised capital resources | | |
| Amounts receivable in 2008/09 | 0 | 691 |
| Amounts applied to finance new capital investment in 2008/09 | 0 | (571) |
| Total increase/(decrease) in realised capital resources in 2008/09 | 0 | 120 |
| Balance brought forward at 1 April 2008 | 497 | 137 |
| Balance carried forward on 31 March 2009 | 497 | 257 |

The revaluation reserve mainly represents the difference between the valuation of assets under the previous capital accounting system and the revalued balance sheet at 31 March 1995. The reserve has been debited or credited with the deficits or surpluses arising on revaluations in 1999, 2004, 2007, 2008 and 2009. This reserve is not cash backed and we cannot use it to finance revenue or capital expenditure.

| | Revaluation reserve £000's |
|---|----------------------------------|
| d. Movements in unrealised value of fixed assets | |
| Gains/(losses) on revaluation of fixed assets in 2008/09 | 8,969 |
| Impairment losses on fixed assets due to general changes in prices in 2008/09 | 0 |
| Total increase/(decrease) in unrealised capital resources in 2008/09 | 8,969 |
| e. Value of assets sold, disposed of or decommissioned | |
| Amount written off in fixed asset balances for disposals in 2008/09 | 0 |
| Total movement on reserve in 2008/09 | 8,969 |
| Balance brought forward at 1 April 2008 | 910 |
| Balance carried forward at 31 March 2009 | 9,879 |

The capital adjustment account represents the amounts which, by law, we must set aside from revenue accounts and from capital receipts for repaying external loans, less the external loans repaid. This account is not cash backed and we cannot use it to finance revenue or capital expenditure.

Grants and contributions that we have used to fund capital expenditure are shown in 'government grants deferred'. Where assets have a finite life, we credit the grant to revenue over the estimated life of the asset.

| | Capital adjustment account £000's | Government grants deferred £000's | Total £000's |
|---|--|--|-----------------|
| f. Movements in amounts set aside to finance capital investment | | | |
| Capital receipts set aside in 2008/09 | | | |
| – reserved receipts | 0 | | |
| – usable receipts applied | 0 | | |
| – earmarked capital fund | 417 | | |
| Total capital receipts set aside in 2008/09 | 417 | | 417 |
| Revenue resources set aside in 2008/09 | | | |
| – capital expenditure financed from revenue | 1,544 | | |
| – reconciling amount for provisions for loan repayment | (5,060) | | |
| Total revenue resources set aside in 2008/09 | (3,516) | | (3,516) |
| Grants applied to capital investment in 2008/09 | | | |
| Amounts credited to the asset management revenue account in 2008/09 | | 571 | |
| | | (30) | |
| Movement on government grants deferred | | 541 | 541 |
| Total increase/(decrease) in amounts set aside to finance capital investment | | | (2,558) |
| Total movement on reserve in 2008/09 | (3,099) | 541 | |
| Balance brought forward at 1 April 2008 | 59,777 | 16,505 | |
| Balance carried forward at 31 March 2009 | 56,678 | 17,046 | |

19. Movement of fixed assets

| | Land and buildings | Vehicles plant and equipment | Infrastructure assets | Community assets | Investment properties | Non Operational Assets | Total 2008/09 £000's |
|----------------------------|-----------------------|------------------------------------|--------------------------|---------------------|--------------------------|------------------------------|----------------------------|
| Net book value at 31/03/08 | 48,067 | 905 | 2,053 | 31,310 | 6,923 | 0 | 89,258 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net book value at 01/04/08 | 48,067 | 905 | 2,053 | 31,310 | 6,923 | | 89,258 |
| Transfers | (5,109) | 0 | 0 | 0 | (356) | 5,743 | 278 |
| Additions | 993 | 214 | 0 | 432 | 0 | 0 | 1,639 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deletions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | (1,046) | (155) | (71) | 0 | 0 | 0 | (1,272) |
| Revaluation | 2,742 | 0 | 0 | 455 | 15 | 5,757 | 8,969 |
| Impairment | (3,539) | 0 | 0 | 0 | (1,053) | 0 | (4,592) |
| Net book value at 31/03/09 | 42,108 | 964 | 1,982 | 32,197 | 5,529 | 11,500 | 94,280 |

Capital expenditure relates to acquiring and improving assets of long-term value to us. The following table analyses capital expenditure and shows how it was financed.

| | 2008/09 £000's | 2007/08 £000's |
|---|-------------------|-------------------|
| Capital investment | | |
| Operational assets | 1,639 | 3,267 |
| Non-operational assets | 0 | 356 |
| Assets under construction | 3 | 61 |
| Deferred charges | 0 | 0 |
| | <u>1,642</u> | <u>3,684</u> |
| Sources of finance | | |
| Government grants and other contributions | 571 | 1,681 |
| Capital receipts | 0 | 9 |
| Revenue provision | 1,544 | 1,544 |
| Changes in capital creditors | (890) | 450 |
| Facilities improvement fund | 0 | 0 |
| Lee Valley Athletics Centre reserve | 0 | 0 |
| Capital fund | 417 | 0 |
| | <u>1,642</u> | <u>3,684</u> |

20. Fixed asset valuation

In the light of the changes in the property market it was decided to move forward the full valuation of the authorities property portfolio to the end of 2008/09. this was undertaken by Montagu Evans Chartered Surveyors as part of a five-year rolling programme. Valuations were made in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

Properties we regarded as operational were valued on the basis of open-market value for their existing use or, where this could not be assessed because there was no demand for that type of property, the depreciated replacement cost.

Properties we regarded as non-operational were valued on the basis of open-market value.

The following table shows the method used to value the fixed asset.

| | Historic Value £000 | Existing use valuation £000 | Market value £000 | Depreciated replacement Cost £000 |
|------------------------|------------------------|-----------------------------------|-------------------------|---|
| Operational Assets | 37,095 | 10,217 | 2,862 | 22,846 |
| Non Operational Assets | | | 17,914 | 1,500 |
| Total Valuation | 37,095 | 10,217 | 20,776 | 24,346 |

21. Fixed asset impairment

Fixed assets whose value has reduced due to consumption, physical damage or deterioration in the standard of the service, are said to have suffered impairment loss. This loss is charged to the income and expenditure statement and the asset value is reduced.

22. Investment Properties treated as Operating Leases

We have a number of properties that are have tenants on that pay a commercial rent. We are required to treat these as Operational Leases. They are not depreciated.

The rent generated from these assets was £412,000 for 2008/09.

23. 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 Leisure Pool, Broxbourne Lee Valley Ice Centre, Leyton Lee Valley Athletics Centre Lee Valley Velopark |
| Golf courses | Lee Valley Par 3 Golf Course, Leyton 18-hole golf course at Lee Valley Leisure Complex |
| Riding centre | Lee Valley Riding Centre, Leyton |
| Farms | Holyfieldhall Farm, Waltham Abbey Hayes Hill Farm, Waltham Abbey |
| Boatyards | Lee Valley Marina, Springfield, Clapton Lee Valley Marina, Stanstead Abbots |
| Campsites/caravan parks | Lee Valley Campsite, Sewardstone Lee Valley Caravan Park, Dobbs Weir Campsite at Lee Valley Leisure Complex |
| 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, Broxbourne |
| | 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. |

24. Stocks and stores

Agricultural stocks have been professionally valued and comprise livestock, produce and tenants' rights at our farms at Hayes Hill and Holyfieldhall. Other stocks are mainly goods held for sale at our facilities, such as books, sports equipment and travelcards.

| | 2008/09 | 2007/08 |
|--|------------|------------|
| | £000's | £000's |
| Stocks and work in progress | | |
| Agricultural, including livestock | 253 | 247 |
| Other stocks, including work in progress | 100 | 100 |
| | <u>353</u> | <u>347</u> |

25. Debtors

| | 2008/09 | 2007/08 |
|--------------------------------------|------------|--------------|
| | £000's | £000's |
| Debtors | | |
| General debtors | 193 | 255 |
| Customs and Excise | 266 | 359 |
| Local authorities | 32 | 118 |
| Land and property rents | 14 | 31 |
| Loans to staff | 0 | 3 |
| Contributions to capital projects | 0 | 667 |
| | <u>505</u> | <u>1,433</u> |
| Provision for bad and doubtful debts | (23) | (9) |
| | <u>482</u> | <u>1,424</u> |

26. Payments in advance

| | 2008/09 | 2007/08 |
|-----------------------------|------------|------------|
| | £000's | £000's |
| Payments in advance | | |
| General payments in advance | 287 | 114 |
| | <u>287</u> | <u>114</u> |

27. Short-term investments

We are permitted to place money on short-term deposit to earn interest. An analysis of deposits by maturity is given below.

| | 2008/09 | 2007/08 |
|--------------------------------------|--------------|--------------|
| | £000's | £000's |
| Short-term investments | | |
| Maturing within 7 days | 4,489 | 3,384 |
| Maturing between 7 days and 3 months | 3,176 | 2,994 |
| Maturing between 3 months and 1 year | 2,248 | 2,124 |
| | <u>9,913</u> | <u>8,502</u> |

28. Cash in hand and cash at bank

Cash in hand, in a bank account we hold, or which is immediately at call, is shown below.

Cash in hand comprises income held at our facilities in secure conditions awaiting cash collection or banking, and small amounts of cash held locally for petty items.

Cash at bank includes bank deposits and payments that have been made by 31 March, but are yet to appear on our bank statement. Also included is cash collected from our centres for banking by a cash-collecting company but not yet credited to a bank account.

Bank overdrafts are shown separately within current liabilities, and include commitments for payments not yet debited to our bank account.

Cash on short-term deposit is classified as an investment.

| | 2008/09 | 2007/08 |
|----------------------|-----------|------------|
| | £000's | £000's |
| Cash and bank | | |
| Cash at bank | 13 | 101 |
| Cash in hand | 8 | 8 |
| | <u>21</u> | <u>109</u> |

29. Short-term borrowing: loans maturing within one year

| | 2008/09 | 2007/08 |
|---------------------------------|-----------|------------|
| Description | £000's | £000's |
| Analysis of loan by type | | |
| Public Works Loan Board | 27 | 527 |
| | <u>27</u> | <u>527</u> |

30. Creditors

Amounts we owe are shown below.

| | 2008/09 | 2007/08 |
|-------------------|--------------|--------------|
| | £000's | £000's |
| Creditors | | |
| General creditors | 1,345 | 1,515 |
| Capital creditors | 338 | 1,228 |
| Deposits | 85 | 77 |
| Inland Revenue | 134 | 144 |
| | <u>1,902</u> | <u>2,964</u> |

31. Receipts in advance

Receipts in advance are payments our customers have made for goods and services that we have not yet provided.

| | 2008/09 | 2007/08 |
|-----------------------------|------------|------------|
| | £000's | £000's |
| Receipts in advance | | |
| General receipts in advance | 163 | 384 |
| | <u>163</u> | <u>384</u> |

32. Bank overdrafts

The bank overdraft reported on the balance sheet will often differ greatly from our actual bank balances because of uncleared items.

Funds are transferred to our current account from short-term investment sources when needed to finance operational expenditure.

| | 2008/09 | 2007/08 |
|------------------------|------------|----------|
| | £000's | £000's |
| Bank overdrafts | | |
| Bank overdrafts | 194 | 0 |
| | <u>194</u> | <u>0</u> |

33. Contingent Assets / Liabilities

There is evidence of contaminated land in the Park. At this stage the level of contamination and the associated costs of any remedial action cannot be quantified. A full investigation is being undertaken to establish the full extent of this problem and then to identify any possible contingent liability.

34. Long-term borrowing

Loans due for repayment after more than one year are analysed below:

| | 2008/09 | 2007/08 |
|-------------------------------------|--------------|--------------|
| Description | £000's | £000's |
| Analysis of loan by type | | |
| Public Works Loan Board | 1,261 | 1,288 |
| | <u>1,261</u> | <u>1,288</u> |
| Analysis of loan by maturity | | |
| Between 1 and 2 years | 527 | 27 |
| Between 2 and 5 years | 81 | 581 |
| Between 5 and 10 years | 653 | 680 |
| More than 10 years | 0 | 0 |
| | <u>1,261</u> | <u>1,288</u> |

35. Disclosure of net pensions assets and liabilities

We participate 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.

Note 8 contains details of our participation in the Local Government Pension Scheme in providing officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows.

| | 2008/09 | 2007/08 |
|---------------------------------------|-----------------|-----------------|
| | £000's | £000's |
| Estimated employer's assets | 18,774 | 23,849 |
| Present value of scheme liabilities | (25,778) | (26,474) |
| Present value of unfunded liabilities | (1,045) | (1,140) |
| Total value of liabilities | <u>(26,823)</u> | <u>(27,614)</u> |
| Net pension assets/(liabilities) | <u>(8,049)</u> | <u>(3,765)</u> |

The net liability (ie the amount by which the pensions liabilities exceed its assets) of £8.049m 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 Hymans Robertson, an independent firm of actuaries, their estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2007. The next full valuation is due in the financial year 2010/11.

The main assumptions used in their calculations are:

| | 2008/09 | 2007/08 |
|---|------------|------------|
| | % per year | % per year |
| Rate of inflation | 3.1% | 3.6% |
| Rate of increase in salaries | 4.6% | 5.1% |
| Rate of increase in pensions | 6.4% | 3.6% |
| Rate for discounting scheme liabilities | 6.9% | 6.9% |

The expected return on assets is based on the long term future expected investment for each asset class as at the beginning of the period (01 April 2008 or the date of joining the Fund if later)

FRS 17 requires that the expected return on assets is set by the employer having taken actuarial advice. Our Actuaries have advised the following returns for the year to 31 March 2009.

| | Long-term | Long-term | Assets at | Assets at |
|---------------------|-----------------|-----------------|-----------|-----------|
| | Return per year | Return per year | 31/03/09 | 31/03/08 |
| Assets (Whole Fund) | 31/03/09 | 31/03/08 | £000's | £000's |
| Equities | 7.0% | 7.5% | 10,701 | 14,245 |
| Bonds | 5.5% | 6.3% | 1,877 | 4,603 |
| Property | 6.0% | 6.7% | 4,694 | 4,286 |
| Cash | 4.0% | 4.8% | 1,502 | 715 |
| | | | 18,774 | 23,849 |

Comparative figures for previous years are as follows

| | 31/03/09 | 31/03/08 | 31/03/07 | 31/03/06 | 31/03/05 |
|--|----------|----------|----------|----------|----------|
| | £000's | £000's | £000's | £000's | £000's |
| Fair Value of Scheme Assets | 18,774 | 23,849 | 24,759 | 22,820 | 18,642 |
| Present Value of Defined Benefit Obligation | (26,823) | (27,614) | (29,588) | (29,831) | (25,222) |
| Surplus / Deficit | (8,049) | (3,765) | (4,829) | (7,011) | (6,580) |
| Experience Gains / Losses on Assets | (6,739) | (2,465) | 219 | 2,998 | 455 |
| Exp. Gains / Losses as a % of Scheme Assets | -35.90% | -10.34% | 0.88% | 13.14% | 2.44% |
| Experience Gains / Losses on Liabilities | 46 | (124) | (42) | (11) | 328 |
| Exp. Gains / Losses as a % of Scheme Liabilities | 0.17% | -0.45% | -0.14% | -0.04% | 1.30% |

The movement in the net pension liability for the year to 31 March 2009 is as follows:

| | 2008/09 | 2007/08 |
|--|---------|---------|
| | £000's | £000's |
| Surplus/(deficit) at start of year | (3,765) | (5,009) |
| Current service cost | (526) | (703) |
| Employer contributions (regular) | 756 | 658 |
| Employer contributions (special payment) | 0 | 0 |
| Contributions for unfunded benefits | 76 | 73 |
| Other income | 0 | 0 |
| Other outgoings (eg expenses) | 0 | 0 |
| Past service costs | (186) | 0 |
| Impact of settlements and curtailments | 0 | (19) |
| Net return on assets | (232) | 169 |
| Actuarial gains/(losses) | (4,172) | 1,066 |
| Surplus/(deficit) at end of year | (8,049) | (3,765) |

The following table shows a reconciliation of the fair value of the employers assets.

| | 31/03/09 | 31/03/08 |
|---------------------------------------|----------|----------|
| | £000's | £000's |
| Opening fair value of employer assets | 23,849 | 24,579 |
| Expected Return on assets | 1,669 | 1,766 |
| Contributions by members | 284 | 236 |
| Contributions by employer | 756 | 658 |
| Contributions for unfunded benefits | 76 | 73 |
| Actuarial gains/(losses) | (6,739) | (2,465) |
| Unfunded benefits paid | (76) | (73) |
| Benefits paid | (1,045) | (925) |
| Closing fair value of employer assets | 18,774 | 23,849 |

36. Notes to the cash flow statement

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purpose of this statement, as cash in hand and deposits repayable on demand less any overdrafts.

The table below shows a reconciliation of the net surplus on the general fund to the cash flow from revenue activities, and to the movement in cash.

| | 2008/09 | 2007/08 |
|--|---------|---------|
| | £000's | £000's |
| Net (deficit)/surplus in year | 243 | 685 |
| Depreciation of fixed assets | 1,273 | 2,098 |
| Impairment loss charged to revenue | 4,312 | 2,543 |
| Deferred charges written back to revenue | (30) | (29) |
| Minimum revenue provision | (5,060) | (4,115) |
| Long-term investments written off to revenue | 0 | 0 |
| Revenue expenditure recharged to capital | (160) | (145) |
| Contribution to/(drawing from) earmarked reserves | | |
| Renewals and repairs fund | 366 | 357 |
| Insurance fund | 44 | 57 |
| LV Leisure Centre Common Areas sinking fund | (136) | (264) |
| Other reserves | 0 | 0 |
| Capital fund | 571 | 573 |
| Direct revenue financing of capital expenditure | 1,544 | 1,544 |
| Movements in working capital | | |
| Decrease/(increase) in stocks | (6) | (47) |
| Decrease/(increase) in revenue debtors | 275 | (22) |
| Decrease/(increase) in payments in advance | (173) | (20) |
| Increase/(decrease) in revenue creditors | (172) | 275 |
| Increase/(decrease) in receipts in advance | (222) | 222 |
| Financing | | |
| Investment income | (417) | (409) |
| External interest | 170 | 228 |
| Net cash inflow/(outflow) from revenue activities | 2,422 | 3,531 |
| Net cash inflow/(outflow): servicing of finance | 247 | 181 |
| Net cash inflow/(outflow): capital activities | (1,015) | (1,293) |
| Net cash inflow/(outflow): liquid resources | (1,411) | (1,880) |
| Net cash inflow/(outflow): financing | (527) | (566) |
| Net increase/(decrease) in cash | (284) | (27) |

Our net debt is defined as the difference between cash and liquid resources, and amounts borrowed. A reconciliation of the movement in cash to the movement in net debt is given below.

| | 2008/09 | 2007/08 |
|--|---------|---------|
| | £000's | £000's |
| Cash at 1 April | 111 | 136 |
| Cash at 31 March | (173) | 109 |
| Increase/(reduction) in cash | (284) | (27) |
| New loans taken out | 0 | 0 |
| Loans repaid | 527 | 566 |
| Increase/(reduction) in borrowing | (527) | (566) |
| Liquid resources at 1 April | 8,502 | 6,622 |
| Liquid resources at 31 March | 9,913 | 8,502 |
| (Increase)/reduction in liquid resources | (1,411) | (1,880) |
| Increase/(reduction) in net debt | (1,654) | (2,419) |

Our liquid resources comprise short-term investments, as shown on the balance sheet.

| | 2008/09 | 2007/08 |
|---|---------|---------|
| | £000's | £000's |
| Movements in borrowing | | |
| Loans outstanding at 1 April | 1,816 | 2,382 |
| Loans outstanding at 31 March | 1,289 | 1,816 |
| | 527 | 566 |
| Movements in short-term deposits | | |
| Short-term deposits at 1 April | 8,502 | 6,623 |
| Short-term deposits at 31 March | 9,913 | 8,502 |
| | 1,411 | 1,879 |

Glossary of financial terms and abbreviations

Accruals

Sums included in the final accounts to cover income and expenditure attributable to the financial year, but for which payments had not been received or made as at 31 March.

Amortisation

The reduction in the value of an asset to zero over a period of years.

Appropriation

Allocation of money to or from a specific fund.

Arm's length transaction

A transaction between financially unrelated companies.

Capital charge

A charge to service revenue accounts to reflect the cost of fixed assets used in providing services.

Capital expenditure

Payments generally involving acquiring or improving a long-term asset such as land and buildings (including making grants and loans).

Capital receipts

Income from the sale of capital assets, including all sales of land, buildings and plant.

Capitalise

To treat expenditure as assets and include it on the balance sheet under fixed assets rather than as expenses, and include it on the income and expenditure account under net cost of services.

Carrying amount

The value at which a fixed asset is included on the balance sheet.

Central support services

Back-up activities that are not services in their own right, but give technical, professional and administrative support to those services.

Community assets

Assets that are held forever, with no determinable lifespan and perhaps with some restrictions over disposal. The open spaces in the Park used for public access are an example.

Creditors

People or organisations to whom we owe money for goods received or services provided.

Current assets

Assets we hold that we typically turn into cash within one year.

Current liabilities

Amounts we owe that fall due within one year, plus any income we receive before providing a service.

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.

Curtailements include:

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

Debtors

People or organisations that owe us money.

Depreciated replacement cost

An estimate of the market value for the existing use of the land, plus the gross replacement cost of improvement, less allowances for physical deterioration.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Discontinued operations

An operation is discontinued if the following conditions are met:

- It ends completely in the accounting year.
- The activities concerned have permanently stopped (whereas, if we no longer directly provide a service, then as long as we intend to ensure the service is provided, the operation is continuing).
- Terminating the operation has a material effect on the general level of services or the net expenditure of remaining continuing operations.
- Assets, liabilities, income and expenditure of the terminated service are clearly distinguishable.

Equities/company shares

Shares issued by a company, representing ownership in that company.

Excess

The first part of an insurance claim that we agree to pay under the policy.

Fair value

If available, the quoted market price on an active market is the best evidence of fair value, and this should be used as the basis for valuation.

Fixed assets

Tangible assets that provide a benefit to us and have a life of more than one year.

General fund

Our main revenue account. The net cost of all services paid for from the levy is charged to this account.

Government grants

Help from government, inter-governmental agencies and similar bodies, whether local, national and international, in the form of a donation of cash or transfer of assets in exchange for past or future compliance with certain conditions.

Historic cost

Amounts included in the accounts on the basis of actual costs incurred, not adjusted for the effect of subsequent changes in price or value.

Impairment loss

The reduction in the value of an asset included in the balance sheet. Examples of events that may indicate a reduction include: a significant decline in the asset's market value during the period; evidence of obsolescence or physical damage to the asset; a significant, adverse change in the laws or regulations under which an authority operates; or simply a general fall in prices.

Income and expenditure statement

This account summarises the revenue costs, government grants and other income relating to the provision of services, and indicates the sources of funding for such activities.

Infrastructure assets

Fixed assets, such as roadways and footpaths, which are part of the fabric of the Park and are valued in terms of the expenditure on constructing and improving them.

Investment properties

An interest we hold in a piece of land or a building that we own for its investment potential. Any rental income is negotiated on a commercial basis.

Levy

Income from local authorities to finance our work.

Liquid resources

Assets that are in cash or easily convertible to cash. They can include cash in hand and cash at banks and building societies.

Market value

The estimated price of a property on the date of valuation between a willing buyer and seller.

Net debt/funds

The difference between our borrowings and our cash and short-term investments.

Net realisable value

The open-market value of the asset in its existing use less the expenses to be incurred in its disposal.

Non-operational assets

Fixed assets that are held, but not directly occupied or used in delivering an authority's services. Examples are investment properties, or assets surplus to requirements, pending sale or redevelopment.

Operational assets

Fixed assets that are held, occupied or used by an authority in the direct delivery of the services for which it has responsibility.

Overage

Overage is an excess or surplus payment for a land transaction after certain agreed events have occurred or certain agreed conditions have been met.

Prior-year adjustments

Material adjustments to prior years arising from changes in accounting policy or from correcting fundamental errors.

Provision

An amount put aside in the accounts for liabilities or losses that are certain or very likely to occur but uncertain as to the amounts involved or the dates they will arise. We charge the amount put aside to the income and expenditure account in the year we identify the liability, recording the liability on the balance sheet. In the first instance, we will charge to the balance sheet the actual amounts we then pay.

Public Works Loan Board

A government agency that provides long-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

Reducing balance method of depreciation

The method of calculating depreciation of a fixed asset in which the same percentage rate is charged each year on the balance of the asset from the previous year.

Related parties

Two or more parties are related if one party has indirect or direct control over the other, influencing its financial and operational policies and potentially affecting that party's ability to pursue separate interests. Examples of our related parties are central government, local authorities contributing to the levy, Members and chief officers.

Related-party transactions

A related-party transaction is any performance of a service or transfer of assets or liabilities between related parties, whether or not a fee is charged or paid.

Remuneration

All sums paid to or receivable by employees as salary and taxable expenses, including non-cash benefits. Remuneration excludes social security and pension contributions that the employer makes on behalf of the employee.

Reserves

These result from events that have allowed money to be set aside, surpluses of income over expenditure or decisions causing expenditure to be postponed or cancelled. They are not allocated to specific liabilities in the way that provisions are. Earmarked reserves are allocated for a specific purpose. Expenditure from reserves is shown as a transfer on the statement in the movement of the general fund. This is paid back into the reserve, if necessary by transferring money from the general fund.

Revenue expenditure

Day-to-day payments involved in running the Authority, such as salaries and wages, heating and lighting, transport and charges for the use of assets.

Stocks

The amount of unused or unconsumed stock held in expectation of future use. Stocks are typically goods or other assets bought for resale.

The Code

The 2008 Code of Practice on Local Authority Accounting in the United Kingdom.

Abbreviations used in the accounts

| | |
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| CIPFA | Chartered Institute of Public Finance and Accountancy. |
| PWLB | Public Works Loan Board |
| RICS | Royal Institution of Chartered Surveyors |

