

# GREATER LONDON AUTHORITY

## Statement of Accounts 2008/09



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## Explanatory Foreword

### 1. Introduction

The Greater London Authority is an organisation comprised of the Mayor of London, the London Assembly and staff appointed to work within the GLA. It is set up to enable the Mayor to deliver strategies dealing with London-wide issues, co-ordinate action on a London-wide basis and give effect to his priorities through four functional bodies and key external stakeholders. It is also set up to enable the Assembly to carry out its scrutiny and investigative role.

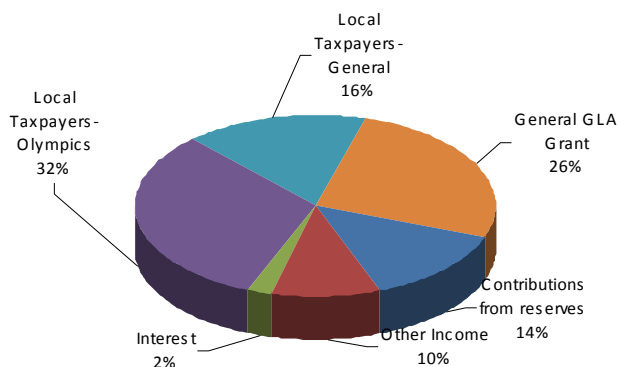
The Authority's accounts for the year ended 31 March 2009 consists of a number of statements:

- The **Explanatory Foreword** explains the more significant features in the accounts.
- The **Annual Governance Statement** describes the Authority's governance arrangements, significant governance issues and proposed corrective action.
- The **Statement of Accounting Policies** explains the accounting principles used to produce the figures in the accounts.
- The **Statement of Responsibilities for the Statement of Accounts** outlines the responsibilities of the Authority and the Executive Director of Resources.
- The **Income and Expenditure Account** details the income and expenditure of the Authority.
- The **Statement of the Movement on the General Fund Balance** reconciles the surplus on the income and expenditure account to the amount required to be raised through the precept.
- The **Statement of Total Recognised Gains and Losses** recognises all the gains and losses for the year and shows the aggregate increase in net worth.
- The **Balance Sheet** sets out the financial position of the Authority at 31 March 2009.
- The **Cash Flow Statement** summarises the flows of cash in and out of the Authority arising from transactions with third parties.
- The **Fund Account** details the income from government and council tax payers and expenditure between the Authority and its Functional Bodies.
- The **Group Accounts** detail Group Income and Expenditure, Reconciliation of the Single Entity Income and Expenditure Account Surplus or Deficit to the Group Income and Expenditure Surplus or Deficit, Group Statement of Recognised Gains and Losses, Group Balance Sheet, Group Cash Flow.

## 2. The Authority's spending in 2008/09

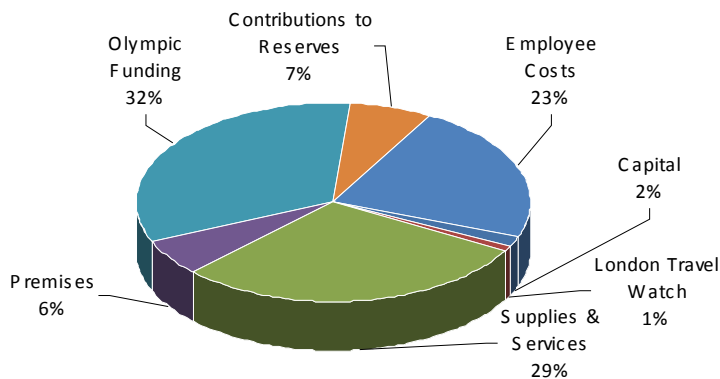
The following three charts show where the Authority's money comes from, what it is spent on and what functions are carried out.

Where the money came from:



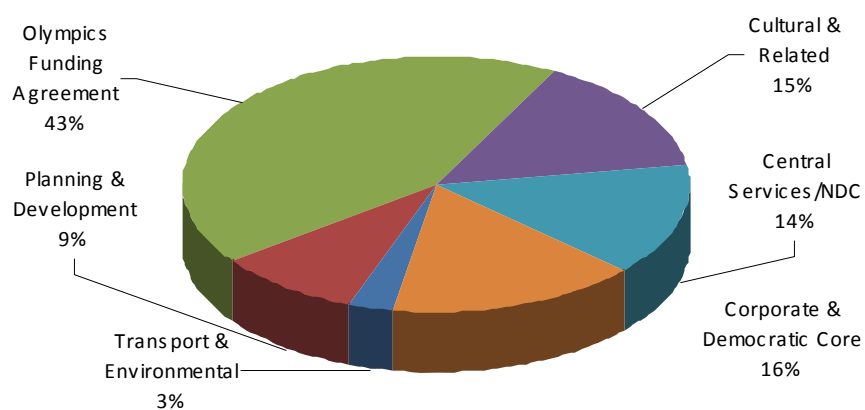
General GLA grant from central government accounted for 26% of the Authority's revenue requirement. Local taxpayers accounted for 48% of the Authority's revenue requirement, with 16% being general council tax and 32% the element of council tax earmarked for the Olympics. The remaining funding for the Authority came from contributions from earmarked reserves (14%), interest (2%) and other income (10%).

What the money was spent on:



The most significant area of spending was the financial contribution to support the cost of staging the 2012 Olympic and Paralympic Games, which accounted for 32% of gross expenditure. Employee costs accounted for 23% of the Authority's expenditure, or 34% when Olympic funding is excluded. Running costs, including accommodation, supplies and services, contributions to reserves and funding to London TravelWatch (the official watchdog for transport users in and around London) accounted for 43% of expenditure. The Authority has a relatively small capital programme and incurred expenditure on ICT infrastructure and development that accounted for 2% of gross expenditure.

What functions were carried out:



The Corporate and Democratic Core includes the costs of the Mayor, Assembly and corporate management of the Authority.

Central Services includes the costs incurred in running the 2008 elections (more details are given in note 2 to the core financial statements). Non Distributed Costs (NDC) includes the costs of early retirements.

Cultural and Related Services includes the costs of the cultural strategy, the management of Trafalgar and Parliament Squares, tourism policy, marketing and development, support for the arts and other cultural activities and the provision of a research library and information services.

Environmental Services includes the cost of health strategy work and community safety initiatives.

Planning and Development includes the costs of the Authority's planning and development control function, planning policy and urban renaissance work including the development of the spatial development strategy (the London Plan), environmental strategy development, economic development work and community development (housing, homelessness and social inclusion).

Transport Planning and Policy includes the costs of monitoring the transport strategy, the congestion charge adjudication scheme which is recouped from Transport for London, and funding for the London TravelWatch.

The Olympics Funding Agreement between the GLA and the Government sets out the contribution of the London taxpayer towards the costs of the 2012 Olympic and Paralympic Games.

### 3. Authority's Financial Position

The outturn for 2008/09 is a surplus of £3.9m against a budget of £136.5m. However, as the budget requirement assumed a £1m transfer from general reserves, there has been a net increase in reserves of £2.9m. At 31 March 2009 general reserves totalled £5.9m and earmarked reserves totalled £17.6m, of which £5.9m represents the funding set aside to date towards the 2012 Mayoral election.

#### **4. Pensions**

The accounts continue to comply with FRS17, and include the pension fund assets and liabilities on the balance sheet. The Authority's estimated liabilities for retirement benefits for the pension fund exceeded the assets in the fund by £15.1m as at 31 March 2009, when valued according to FRS 17. This is an increase of £9.5m on the net liability, which stood at £5.6m (as restated) on 31 March 2008. The increase in the net liability is mainly attributable to returns on investments being much lower than expected as a result of the global economic downturn.

The valuation is a 'snapshot' at a particular period in time and more significance should be attached to the triennial valuation results which set the employer contribution rates. The latest triennial valuation was on 31 March 2007 and it maintained the employer contribution rate at 14.8% for the three years, 1 April 2008 to 31 March 2011.

Statutory provisions require the Authority's reserves to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards (FRS17). The FRS17 transactions are therefore notional and do not impact on the Authority's cash flow or outturn. In the Statement of Movement on the General Fund Balance, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and these are replaced with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

#### **5. Group Accounts**

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Authority to determine whether it has any interests in subsidiaries, associates or joint ventures or the right to share in the gains or contribute to the losses of any other organisation or an obligation to contribute to debts or expenses if the entity is wound up. Of these, where it can be demonstrated that the Authority has control or a significant or dominant influence over the entities operating or financial policies, the Authority is required to prepare group accounts and these entities have to be included.

By preparing group accounts the accounts will present all the resources available to the Authority, how they have been used and the risks the Authority is exposed to by working with and through these organisations. The two organisations that meet the criteria for inclusion in the Authority's group accounts are London Connects and London Travel Watch. At 31 March 2009, London Connects ceased trading and the Board decided to transfer its projects and reserves to Capital Ambition at London Councils. The group accounts and notes can be found on pages 61 to 71.

#### **6. Funding of the 2012 Olympic and Paralympic Games**

The Memorandum of Understanding between the Mayor and the Government agreed in June 2007 provides the framework governing the funding for the Games. The GLA will raise a maximum of £625 million from council tax and the amount to be raised per year from the precept will be no more than £20 for a band D property spread over the period 2006-07 to 2016-17.

A total of £174.5 million of the £625 million has been raised to date: £57.7 million in 2006-07; £58.1 million in 2007-08; and £58.7 million in 2008-09, the increases due to buoyancy of the taxbase.

£173.8 million has been paid to the Olympic Delivery Authority, since it was established in April 2006 with the primary responsibility for creating the infrastructure for the Olympic Games and Paralympic

Games in London in 2012, as well as undertaking some operational work while the Games are underway, such as the provision of transport. The GLA's funding must be used within Greater London for capital expenditure, and to perform the obligations of the Mayor in the Host City Contract and the guarantees given to the International Olympic Committee.

£825,000 has been paid to date to the Department of Culture Media and Sport (DCMS) as the GLA's contribution towards the costs of programme-wide functions carried out by the Government Olympic Executive (GOE), including the Olympic Programme Programme Office (OPPO), which carries out programme/performance monitoring and assurance on behalf of all London 2012 stakeholders.

## **7. Exceptional items during the year**

Following the election of a new Mayor in May 2008, changes were made to the organisation as the new Mayor established his team and different ways of working to that of the previous administration. The Authority incurred termination costs, including early retirement costs of £3.5m. These costs are included in the cost of service to which they relate and were funded from reserves set aside for matters like this.

## **8. Changes going forward**

### **Organising for Delivery**

In September 2008, the Mayor announced a review of the size and nature of the Authority with a view to ensuring the effective delivery of new policies and objectives and to bring longer-term efficiency improvements and savings.

On 24 March 2009, the Chief Executive announced the detailed proposals and began formal consultations with staff and unions. Following the statutory 90 day consultation with staff and unions, which ends on 24 June, the final decisions on the structure will be communicated to staff and implementation of the new structure will commence and is expected to be completed by mid October 2009.

The number of employees will reduce and structural savings will start to be achieved from 2009/10 onwards but until the consultation is finalised and the new structure implemented it is not possible to quantify the costs of the review and the scale of on-going savings.

### **Olympic Park Legacy Company**

The Mayor and the Government have agreed to constitute the Olympic Park Legacy Company as lead agency on delivering the legacy commitments made as part of the bid to host the Olympic and Paralympic Games in London in 2012. The founder Members of the company will be the Mayor, the Secretary of State for Communities and Local Government and the Minister for the Olympics. Initially, the company will receive grant from the London Development Agency to enable it to commence business but longer term funding, and hence any potential financial implications for the GLA, will be reflected in the current strategic planning process that will determine resources for the year commencing 1 April 2010.

## **9. Further Information**

Further information concerning the accounts is available from the Executive Director of Resources, Greater London Authority, City Hall, The Queen's Walk, More London, London SE1 2AA.

**Martin Clarke**

Executive Director, Resources



## **Annual Governance Statement 2008-09**

### **1. Scope of responsibility**

The Greater London Authority (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 also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has a corporate governance framework consistent with the principles of the 2007 CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Authority delivers good governance and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **2. The purpose of the governance framework**

The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, and in accordance with legislative requirements.

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 not fully achieving 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 Greater London Authority for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

### **3. Governance Arrangements**

The key elements of the systems and processes that comprise the Authority's governance arrangements reflect the unique nature of the Authority with a number of 'agents' involved in the delivery of the Authority's objectives, including:

- The executive Mayor and the Mayor's appointed advisers
- The London Assembly
- The functional bodies
- The officers of the GLA and the functional bodies

- London borough councils and other external ‘stakeholder’ organisations

There is a clear separation of powers within the Authority between the Mayor, who has an executive role, making decisions on behalf of the Authority, and the Assembly, which has a scrutiny role. The policy decisions of the Mayor are scrutinised by the London Assembly. The Assembly is also able to investigate other issues of importance to Londoners, publish its findings and recommendations, and make proposals to the Mayor. The Assembly has a number of committees, the principal committee groups being that of Audit Panel, Budget Committee, and several Investigatory Committees.

### **Identifying and communicating the Authority’s vision of its purpose and intended outcomes for citizens and service users**

The Mayor identifies and communicates his vision and intended outcomes for citizens and service users through a number of published statutory strategies, programmes and project plans. These are informed by and reflect regular and meaningful consultation, and the Authority uses a number of communication means to present them including the website, press briefings and press releases, and documented meetings with stakeholders and agents.

The Mayor’s programme forms the basis of an Authority-wide corporate plan which has been refocused for 2009-10 and named the Strategic Plan. The Strategic Plan covers both the activities of the Mayor and the Assembly, and sets out their priorities in terms of plans for the year ahead and makes clear who is accountable for what. It is publicised to staff on the intranet, and externally to stakeholders and the public on the internet.

### **Reviewing the Authority’s vision and its implications for the Authority’s governance arrangements**

The Mayor’s vision and associated corporate planning documents are all reviewed annually, as part of a GLA group-wide business planning and budget process. This process, which is subject to continuous scrutiny by the Assembly, as well as consultations with key stakeholders, has an important purpose of seeking to ensure there are sound medium and longer term financial plans within which all Mayoral priorities and objectives are adequately funded, while recognising areas of risk and uncertainty will inevitably exist.

### **Measuring the quality of services for users, to ensure they are delivered in accordance with the Authority’s objectives and to ensure that they represent the best use of resources**

The Authority has systems for providing monthly management information and reporting to directors and cost centre managers. In addition, progress against corporate plan deliverables, a suite of corporate health indicators, and against budget is reported quarterly to the Mayor and the Assembly.

The Authority’s performance monitoring framework also include, annual strategy reviews, published annual reports, and assurances provided by internal and external auditors. Performance is also managed and monitored on a GLA group level, through quarterly reports to the Mayor and the Assembly detailing financial and service performance for each functional body.

In addition to the regular and/or periodic performance monitoring activities, the Assembly’s scrutiny function encourages constructive challenge and impetus for enhancing performance in respect of the areas it chooses to investigate.

## **Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Mayor's principal role as the executive of the strategic Authority for London is to promote economic development and wealth creation, social development, and the improvement of the environment. The Mayor has strong executive powers to provide strategic leadership and a range of duties and responsibilities designed to ensure that the programme on which he was elected can be delivered.

A documented scheme of delegation and a decision making framework reserves appropriate responsibilities to the Mayor and provides managers with the authority necessary to conduct routine business.

The Assembly's committees have published terms of reference and there is a documented scheme of delegation for the exercise of Assembly functions. Also there is a documented scheme of delegation in respect of the Head of Paid Service's statutory staffing responsibilities.

In accordance with his commitment to promote transparency and accountability within the Mayoralty and across the GLA group, the Mayor has published details of all of his senior appointments on the website.

A revised top tier management structure came into effect on 5 January 2009 with clearly defined documented roles and responsibilities for chief officers.

## **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff**

There is a Member Code of Conduct and the GLA Standards Committee, which comprises a mix of independent and elected Members, with an independent Member acting as chair, is required to promote and maintain high standards of conduct by the Mayor, Assembly Members, and co-opted members of the Assembly's committees and sub-committees and assisting them to observe the Code of Conduct of the Authority. From May 2008 the GLA Standards Committee became responsible for considering complaints that a GLA Member may have breached its Code of Conduct.

The Authority also has a Code of Ethics and Standards for its staff. This code seeks to promote the highest standards of conduct in public service and ensure that its standards and statutory obligations are fully met. It is published on the intranet and is regularly reviewed and monitored.

## **Reviewing and updating standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Authority's key corporate governance documents, which include the Authority's Standing Orders, Financial Regulations, the Contracts Code of Practice, GLA's Code of Ethics and Standards for Staff and the Expenses and Benefits Framework are reviewed periodically. Significant updates concluded during the last year were to the Financial Regulations, which were significantly revised and structured in accordance with a good practice guide issued by the Chartered Institute of Public Finance and Accountancy, and to the Expenses and Benefits Framework. The scheme of delegation of Mayoral functions was also revised substantially.

The Authority's Risk Management Strategy is an integral part of the corporate governance framework and was reviewed in 2008 and updated in accordance with best practice. The revised strategy sets out the process for managing risks – embedding risk management as a “top down” process, with a strategic

(corporate) risk register supported by operational (directorate) risk registers covering all business and service plans. Following the revised organisational structure changes introduced in January 2009, existing risk registers are being updated to reflect these changes and are due to be completed and agreed at chief officer level and member level by July 2009.

### **Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

The Assembly has an Audit Panel and its comprehensive terms of reference incorporate the core functions as identified by CIPFA. The Audit Panel raises the profile of internal control, risk management and financial reporting as well as providing a forum for the discussion of issues raised by internal and external auditors. The Panel also monitors the effective development of risk management, whistle-blowing and anti-fraud and corruption policies.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Authority's decision making framework requires compliance with relevant laws, internal policies and procedures, and the Authority's statutory finance and legal officers are responsible for ensuring that appropriate professional advice on finance and legal matters is available and properly recorded. With the change in administration following the 2008 elections, extensive briefings on the Authority's powers, procedures and policies were provided to the Mayor and his team as part of an initial induction programme and throughout the year as necessary.

During the past year developments have been made to improve openness and transparency with all payments over £1,000 being published on the website and a decision was taken on 6 April 2009 to publish all Mayoral decisions and the non-confidential facts and advice supporting those decisions, on the website within 1 working day of a decision being made (subject to approved deferrals in certain circumstances).

The Authority's Internal Audit Service carry out a risk based programme of audit work which in part is aimed at ensuring compliance with Authority policy, procedures rules and regulations.

### **Arrangements for whistle-blowing and for receiving and investigating complaints from the public**

The Authority is committed to the highest standard of openness and accountability. In line with that commitment the Authority encourages employees and others with serious concerns about any aspect of the Authority work to come forward and voice those concerns. The Authority publicises its whistle-blowing policy on its website and maintains a facility for people to report matters directly and confidentially. During 2009 a formal review of the whistle-blowing procedures will be concluded.

The Authority also has formally communicated guidance to all officers for dealing with complaints. The guidance includes the recording of complaints by the Public Liaison Unit, the monitoring by this group of how complaints are dealt with (in accordance with policy) and the timeliness of dealing with a complaint, and responsible officers. The guidance includes dealing with serious complaints, complaints about the legality of the Authority's actions, and complaints about the propriety or standard of conduct of the Mayor or members of the Assembly, which are matters for the GLA's Standards Committee.

During 2008-09, a programme of fraud awareness sessions has been undertaken, involving key budget holders and principal officers of the Authority, to help raise awareness of fraud related issues and to communicate channels for reporting suspicious activity. Attendance at these sessions has been recorded

and further sessions have been designed to help ensure all key officers have attended. As a result of the fraud awareness sessions, further anti-fraud work has been planned including a further staff survey and inclusion of fraud awareness as part of induction training.

### **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The Authority has robust and thorough processes for appraisal and development of its staff, and has training and development policies within its Human Resources framework. The policies aim to assist in the achievement of the organisation's aims and objectives by providing opportunities for staff to gain the necessary skills and knowledge required to deliver high level performance for the Authority.

Good corporate governance principles are incorporated into induction training for all staff and elected members. The members' training was more extensive in 2008-09 in light of the changes in elected members as a result of the 2008 Mayor and Assembly elections.

### **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

In addition to the considerable consultation required by statute on his statutory strategies and budget proposals, and consultation undertaken during the development of other programmes and plans, the Mayor has a range of arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the Authority.

The arrangements include People's Question Time, which are meetings that give Londoners an opportunity to ask the Mayor and the London Assembly about their plans, priorities and policies for London, and the State of London Debate, which is the Mayor's annual conference and largest mechanism for debate and direct engagement with policy makers, opinion formers and Londoners on key policies.

Each year there is also a major annual opinion survey of Londoners which is used to deliver evidence on the attitudes and opinions of Londoners of a wide range of issues, including policing, the environment and transport, in order to inform policy making and the setting of strategic priorities. In January 2009 the findings of the ninth Annual London Survey were published.

The Marketing and Publicity Unit within the Authority works to ensure that all communication to Londoners is audience-focused, meaning that it is relevant to the audience and is written in plain language. The Authority has also well developed arrangements for dealing with Mayoral correspondence and Freedom of Information requests. During 2008-09 the Mayor and the Public Liaison Unit received 93,000 letters and emails.

### **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements**

One of the key roles of the GLA is to ensure that, working through the GLA Group and other agencies, the Mayor's vision and priorities for London are delivered as effectively and efficiently as possible, and that the best use is made of the available resources. The Authority adds value by: bringing together expertise and specialist skills; providing coordination across a broad range of policy and service delivery areas vital to London; and providing a voice for Londoners both within and without the capital city.

The GLA has two distinct types of partnerships. The first is the partnerships as part of the GLA Group. These have strict governance controls in place, many defined by legislation. In addition, a recent review

of GLA Group governance has looked to strengthen this, through introduction of, among other things, framework agreements on governance issues between the members of the GLA Group. The second are less formal partnerships, which bring together key stakeholders to help inform or deliver key Mayoral priorities.

A review was carried out in 2008 to monitor governance arrangements, highlight best practice, and make recommendations for improvement. An annual review is now carried out to monitor partnerships, check governance arrangements are in place, and ensure that the Authority's guidance and toolkit for managing partnerships, which incorporates best practice such as the Audit Commission's report, is being used. This review is used to ensure best practice and continuous improvement is seen in the management of our partnerships.

#### **4. 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 results of the review are reported to the Mayor and the Assembly's Business Management. In doing this, the Authority is looking to provide assurance that its governance arrangements are adequate and operating effectively in practice, or where gaps are revealed, that actions are planned to ensure effective governance in future.

The review of effectiveness is informed by the work of the executive directors within the Authority, who have responsibility for the development and maintenance of the governance framework, the annual Head of Internal Audit Opinion and Internal Audit Performance report, and also by comments made by the external auditors and other review agencies and inspectorates.

In addition to the annual review, there are in year review mechanisms which include:

- The Mayor is responsible for considering overall financial and performance management and receives reports on a regular basis. He is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues
- The Assembly's comprehensive scrutiny function which holds the Mayor to account.
- The Standards Committee meeting regularly throughout the year to consider and review issues relating to the conduct of Members, including dealing with investigations into Members' conduct.
- The Audit Panel meeting throughout the year to provide independent assurance to the Authority in relation to the effectiveness of the risk management framework and internal control environment.
- Regular reports from the External Auditor, including the report to those charged with governance.
- Reports throughout the year from Internal Audit on its programme of reviews to provide an opinion on the internal control, risk management and governance arrangements. During 2008-09, all key financial systems were demonstrated to have strong systems of internal control with all related internal audit reports showing substantial or full assurance.

#### **5. Significant governance issues**

During 2007-08 some issues came to light over the non-compliance with certain of the Authority's procedures and policies in relation to funding agreements and the registering of interests, and in respect of influence over functional body activities. These gave rise to a wider corporate governance review led by the Authority's chief executive and its outcome was published in July 2008. The main recommendation was the establishment of a Framework Agreement between members of the GLA Group

to clarify roles and responsibilities and for that Agreement to be underpinned by the following Protocols and documents:

## **GLA**

- Code of practice for Mayoral appointments made under Section 67(1) of the GLA Act 1999 and to the boards of the relevant statutory bodies.
- The detailed terms of any appointment by the Mayor of any officer or elected GLA member, including: roles, responsibilities and objectives; notice of any areas where they are constrained in law or by particular circumstances from taking action; lines of accountability for each member of GLA staff and, if relevant, the Functional Bodies.
- The detailed terms of any appointment by the Mayor and London Assembly of any of the GLA's statutory officers, including roles, responsibilities and objectives.
- The Mayor's Scheme of Delegation of Functions.
- The system for immediate publication of decisions taken by the Mayor via the formal Mayoral Decision process; the record of each decision taken by the Mayor to provide statutory direction to the relevant Functional Bodies and/or other relevant agencies; the record of formal decisions made by Section 67(1) appointees in respect of the Functional Bodies.

## **GLA Group**

- Codes of conduct for elected/board members and staff.
- Codified systems to manage alleged breaches of the codes of conduct and complaints.
- A codified set of responsibilities and objectives that are undertaken either by its elected members, by its board and by its chief officers, to include the role of the organisation in respect of their role in delivering or ensuring delivery of Mayoral strategies and priorities.
- Details of either the role of its statutory Monitoring Officer and/or the other statutory officers, and/or senior officers responsible for corporate governance within the organisation and the systems in place to deal with Standards-related issues (including 'whistle-blowing' complaints).

## **Functional Bodies**

- A protocol setting down how each organisation will fulfil the requirement to have a demonstrably proactive and positive approach to engagement with the London Assembly.
- A protocol to manage the relationship between that organisation and the GLA (noting that contact on policy issues will ordinarily take place between senior officers of the respective organisations), to include confidential reporting arrangements for the board members and chief officers of a Functional Body to report to the Mayor in relations to actions taken by GLA officers.

The Framework Agreement and protocols have been produced and adopted by each member of the GLA Group boards of TfL, LDA, MPA, and LFEPa. The purpose of the agreement is to ensure that there is clarity and effective governance by codifying the terms on which interaction within the GLA Group takes place.

Over the past year the Audit Commission has also been continuing with their work in the areas of the non-compliance with certain of the Authority's procedures and policies. In advance of the publication of the Audit Commission's findings and recommendations in April and June 2009, improvements have been progressed during the last year, specific actions include:

- To ensure the Authority makes the most of its funds and is protected from risk when funding external organisations, a funding agreement toolkit has been developed following consultation with key stakeholders, with a set of principles for funding external organisations and standard forms and templates. The guidance is due to be adopted in early 2009-10 and the Authority is also working towards central management of an electronic funding agreements register.
- The Authority is currently reviewing the arrangements for the management of information, and in particular seeking to improve document retention and archiving arrangements.
- Arrangements for maintaining and controlling the register of staff interests have been improved. These include a stricter regime for new Mayoral appointees whose interests are published on the Authority's website to promote openness and transparency. Currently, a review is underway to help as to how best declarations of interests can be shared across the functional bodies.

The significant governance issues contributed to the Authority's external auditor judging internal control within the Authority to meet only minimum requirements – adequate performance (score 2 of 4). This compares with the overall assessment of use of resources of consistently above minimum requirements – performing well (score 3 out of 4).

Over the coming year, the Greater London Authority will take steps to address the above matters 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.

**Boris Johnson**  
Mayor of London

Date: 29 September 2009

**Leo Boland**  
Chief Executive

Date: 29 September 2009



## **Statement of responsibilities for the Statement of Accounts**

### **The Authority's responsibilities**

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### **The Executive Director of Resources' responsibilities**

The Executive Director of Resources is responsible for the preparation of the Authority's statement of accounts which complies with the Code of Practice on Local Authority Accounting in the United Kingdom 2008. The statement of accounts presents fairly the position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this statement of accounts, the Executive Director of Resources has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting in the United Kingdom 2008.

### **The Executive Director of Resources has also:**

- kept proper and up to date accounting records
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Executive Director of Resources

I certify that the accounts set out on pages 22 to 71 present fairly the financial position of the Greater London Authority as at 31 March 2009 and its income and expenditure for the year ended 31 March 2009. These financial statements replace the unaudited financial statements approved by the Mayor on 30 June 2009.

**Martin Clarke CPFA**

Executive Director of Resources

Date: 25 September 2009

## **Approval of the Statement of Accounts by the Mayor of London**

In accordance with Regulation 10(3) of the Accounts and Audit Regulations 2003, (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 & 2009). I approve the accounts of the Greater London Authority set out on pages 22 to 71.

**Boris Johnson**  
Mayor of London

Date: 29 September 2009

# **Independent auditor's report to the Greater London Authority**

## **Opinion on the financial statements**

I have audited the Authority and Group - which incorporates the Authority, London Connects and London Travel Watch - accounting statements and related notes of the Greater London Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Authority Fund Account 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 Greater London 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 Executive Director, Resources and auditor**

The Executive Director, Resource's 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 Authority and Group 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; and
- the financial position of the Group 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 Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group 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 Authority and Group 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 Authority and Group 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 Authority and Group 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 Authority and Group accounting statements and related notes.

### **Opinion**

In my opinion:

- The Authority 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; and
- The Group 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, the Greater London Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 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 by the Audit Commission.

Les Kidner  
District Auditor

Audit Commission  
1st Floor  
Millbank Tower  
Millbank  
London SW1P 4HQ  
30 September 2009

# Statement of Accounting Policies

## 1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP) issued by CIPFA, which is recognised by statute as representing proper accounting practices. The 2008 SORP contained changes in the accounting policies for the following areas:

### Retirement benefits

In December 2006, the Accounting Standards Board (ASB) issued an amendment to Financial Reporting Standard (FRS) 17-Retirement Benefits which increased the convergence between FRS17 and International Accounting Standard (IAS) 19 - Employee Benefits. These changes have been adopted in the 2008 SORP. The disclosure requirements of FRS17 have been replaced with those of IAS19 and there is a new requirement to value quoted securities at current bid price as opposed to mid market value. As per paragraph 95C of FRS17, this is to be accounted for as a change of accounting policy, and restatements have been made to the comparative figures in the 2007/08 accounting statements and relevant opening balances have been adjusted for the cumulative effect. The impact of the change on the 2007/08 accounts and prior years is detailed in Note 7b.

### Revenue expenditure funded from capital under statute

In order to further align local authority accounts with UK GAAP, the 2008 SORP has introduced a new accounting policy when accounting for expenditure that may be capitalised under statutory provisions but which does not result in the creation of a fixed asset

This expenditure is now referred to as Revenue Expenditure Funded from Capital Under Statute (previously Deferred Charges) and is charged as expenditure to the relevant service revenue account in the year. Where such expenditure is funded from capital grants or contributions, the grants or contributions (or the portions that relate to the expenditure) are recognised as revenue grants or contributions. Both the expenditure and the grant or contributions are reversed out to the Capital Adjustment Account and reported in the Statement of Movement on the General Fund Balance so there is no impact on the level of the precept.

Although this is a change in accounting policy, the Authority does not need to restate prior years' comparative figures or reserves because the Authority did not incur Revenue Expenditure Funded from Capital under Statute in 2007/08 and this change in accounting policy has no impact on reserves.

## 2. Fixed assets

Expenditure on the acquisition of fixed assets, on groups of IT infrastructure assets, on IT development projects, or expenditure which adds to and does not merely maintain the value of existing assets, is capitalised on an accruals basis unless the amount involved is less than £20,000, when a direct charge to revenue is made. Fixed Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Operational Assets are valued at the lower of net current replacement cost or net realisable value in existing use.

Gains or losses from the sale of fixed assets are recognised in the Income and Expenditure account but are reversed in the Statement of Movement on the General Fund Balance to ensure that there is a neutral impact on the precept levied.

### **3. Depreciation**

Depreciation is provided for on all fixed assets with a finite useful life that can be determined at the time of acquisition or revaluation according to the following policy:

- Newly acquired assets are depreciated when they are brought into use or on an average basis.
- Depreciation is calculated using the straight-line method and over the following useful lives: 5 years for IT infrastructure and development, and fixtures and fittings.

Depreciation is charged to services for the use of fixed assets. It is then reversed out in the Statement of Movement on the General Fund Balance, ensuring that there is a neutral impact on the precept levied.

### **4. Revenue grants and Contributions**

Whether paid on account, by instalments or in arrears, revenue grants or contributions are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in the service revenue accounts with the expenditure to which they relate. Grants to cover general expenditure (e.g. General GLA grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### **5. Deferred government grants**

Government grants relating to fixed assets are credited to a government grants deferred account and released to service revenue accounts over the useful life of the asset to match the depreciation of the asset to which it relates.

### **6. Interest**

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

### **7. Accruals of income and expenditure**

Revenue and capital transactions are recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for debtors and creditors at the year end.

Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **8. Stocks and work in progress**

Stocks and work in progress are valued at cost.

## 9. Overheads

Corporate management costs, which cover the central core of the Authority's activities, are treated in accordance with the CIPFA Best Value Accounting Code of Practice and are not recharged to services.

The costs of central support activities are recharged to operational services using bases of allocation appropriate to the nature of the support activity using the following:

- Human resources related costs – employee numbers
- Financial services – staff time allocations and gross expenditure allocations
- Legal services – staff time allocations
- IT costs – number of IT workstations
- Premises and facilities related costs – survey of desk usage.

## 10. Pension costs

Employees of the Authority are members of the Local Government Pensions Scheme and one employee is a member of the Principal Civil Service Pension Scheme (PCSPS).

### The Local Government Pension Scheme

The Local Government Pensions Scheme is administered by the London Pensions Fund Authority (LPFA) and is accounted for as a defined benefits scheme:

- The liabilities of the LPFA pension scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9%. (This is equal to the gross redemption yield at the FRS17 valuation date on the iBoxx Sterling Corporates Index, AA over 15 years. Due to the downturn in the economic environment there has been an increased number of company credit ratings being changed (mainly downgraded). Bonds that were previously rated AA which have been down graded are removed from the iBoxx AA index. Due to the way the index is calculated, the re-rated bonds drop out of the index at the beginning of the month following their re-rating therefore not affecting the end of month yields that are used for the FRS 17 valuations. Since re-rating during the previous month may have had a significant effect on the index, the actuaries have allowed for this by adjusting the previous end of month figure.
- The assets of the LPFA pension fund are included in the balance sheet at their fair value as follows:
  - Quoted securities-current bid price
  - Unquoted securities-professional estimate
  - Unitised securities-current bid price
  - Property-market value
- The change in the net pensions liability is analysed into seven components:



- Current service cost – the increase in liabilities, as a result of years of service, earned this year- allocated in the Income and Expenditure Account to the revenue accounts for which the employees worked
- Past service cost- the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move on year closer to being paid – debited to net operating expenditure in the Income and Expenditure Account
- Expected Return on Assets- the annual investment return on the fund assets attributable to the Authority, based on the average of the expected long term return- credited to Net Operating Expenditure in the Income and Expenditure Account
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees- debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- Contributions Paid to the London Pensions Fund Authority – cash paid as employer’s contributions to the pension fund

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

### **Discretionary benefits**

The Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff are accrued in the year of the decision and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **The Principal Civil Service Pension Scheme**

The Principal Civil Service Pension Scheme (PCSPS) is a multi-employer, unfunded, defined benefit scheme and it is therefore not possible for the Authority to identify its share of the underlying liabilities. The scheme is accounted for as if it were a defined contribution scheme – no liability for future payments is recognised in the balance sheet and revenue is charged with the employer’s contributions payable to the PCSPS in the year.

## **11. Financial assets**

The Authority's financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are stated at amortised costs using the effective interest rate method, subject to reduction for allowances for estimated irrecoverable amounts. For interest bearing assets, the carrying amount is the amount on initial recognition plus the accrued interest receivable less cash received both interest and principal.

Short duration receivables with no stated interest rate, such as trade debtors, are measured at original invoice amount.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the income and expenditure account.

Any gains or losses on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

## **12. Financial liabilities**

Financial liabilities are stated at amortised cost using the effective interest method and the carrying value includes accrued interest payable, where relevant. At present the Authority is not required to undertake the effective interest rate calculation as the financial instruments are short duration payables with no stated interest rate and these are measured at original invoice amount.

## **13. Provisions**

Provisions are made when an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefit, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of likely settlement.

## **14. Reserves**

Reserves are amounts set aside for future policy purposes or to cover contingencies and are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure is incurred, it is charged to the appropriate service revenue account in that year and the reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

## **15. Leases**

Rentals payable on operating leases are charged to revenue on an accruals basis. Property leases are treated as operating leases under Regulation 122 of the Local Authority (Capital Finance) Regulations 1997.

## **16. Mayor's delegated functions**

The Mayor, under section 38 of the Greater London Authority Act 1999, may delegate functions to the Functional Bodies and others. Any expenditure by the Functional Bodies on any such delegated

functions are included in their accounts and are excluded from the accounts of the Greater London Authority.

## **17. Companies**

A set of group accounts has been prepared and complies with the SORP's requirements for group accounting. The group accounts include London Connects and London TravelWatch. London Connects has been accounted for as a joint venture using the gross equity method. London TravelWatch has been consolidated as a subsidiary with income, expenditure, assets liabilities being consolidated on a line-by-line basis in accordance with FRS2. The group accounts do not however include the functional bodies, which sometimes are collectively called the "GLA Group". They are however consolidated within central government's Whole of Government Accounts.

## **18. VAT**

VAT is included in the income and expenditure accounts only to the extent that it is irrecoverable.

## **19. Contingent liabilities and assets**

Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the financial statements, but has been shown as a contingent liability in the disclosure notes. Contingent gains are not accrued for within the accounting statements.

## **20. Events after the balance sheet date**

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue and who gave authorisation is disclosed in the notes to the Statement of Accounts, including confirmation that this is the date up to which events after the balance sheet date have been considered.

Where a material event occurs after the balance sheet date, favourable or unfavourable, and it provides evidence of conditions that existed at the balance sheet event the amounts recognised in the Statement of Accounts are adjusted. Where an event, after the balance sheet date, is indicative of conditions that arose after the balance sheet date, the amounts in the Statement of Accounts are not adjusted but a disclosure is made of the nature of the event and if possible, includes an estimate of the financial effect.

## **21. Exceptional Items**

Exceptional items are included in the cost of service to which they relate or on the face of the income and expenditure account where it is necessary to do so to provide further understanding of the financial performance of the Authority. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

## Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

| 2007/08<br>Net<br>Expenditure<br>as restated<br>(see Note 7b)<br>£000 | 2008/09<br>Gross<br>Expenditure                               | 2008/09<br>Gross<br>Income | 2008/09<br>Net<br>Expenditure |                |                |
|---|---|----------------------------|-------------------------------|----------------|----------------|
| Note  | £000  | £000                       | £000                          |                |                |
| <b>CONTINUING OPERATIONS</b>  |   |                            |                               |                |                |
| <b>Central Services to the Public</b>                                 |   |                            |                               |                |                |
| 2,937   | Mayor & Assembly Elections                                    | 16,419                     | (329)                         | 16,090         | 16,090         |
| <b>Cultural and Related Services</b>                                  |   |                            |                               |                |                |
| 60,357  | Olympic Funding Agreement                                     | 58,850                     | 0                             | 58,850         |                |
| 4,557   | Arts Development & Support                                    | 10,002                     | (5,022)                       | 4,980          |                |
| 0   | Museums & Galleries   | 9,347                      | 0                             | 9,347          |                |
| 0   | Open Spaces   | 622                        | (200)                         | 422            |                |
| 1,504   | Trafalgar & Parliament Squares                                | 1,579                      | (121)                         | 1,458          |                |
| 3,983   | Library, Reference & Information Services                     | 6,211                      | (2,349)                       | 3,862          | 78,919         |
| <b>Environmental and Regulatory Services</b>                          |   |                            |                               |                |                |
| 318   | Health  | 2,563                      | (2,326)                       | 237            |                |
| 740   | Community Safety (Crime Reduction)                            | 1,029                      | (6)                           | 1,023          | 1,260          |
| <b>Planning and Development Services</b>                              |   |                            |                               |                |                |
| 2,065   | Development Control   | 2,210                      | (327)                         | 1,883          |                |
| 2,863   | Planning Policy   | 2,820                      | (254)                         | 2,566          |                |
| 5,052   | Environmental Initiatives                                     | 6,141                      | (1,243)                       | 4,898          |                |
| 504   | Economic Development  | 791                        | (135)                         | 656            |                |
| 3,112   | Community Development   | 2,913                      | (586)                         | 2,327          | 12,330         |
| <b>Highways and Transport Services</b>                                |   |                            |                               |                |                |
| 827   | Transport Planning, Policy and Strategy                       | 2,270                      | (1,273)                       | 997            |                |
| 1,586   | London Travel Watch   | 1,633                      | 0                             | 1,633          | 2,630          |
| <b>37,551</b>   | <b>Corporate and Democratic Core</b>                          | <b>38,465</b>              | <b>(2,920)</b>                | <b>35,545</b>  |                |
| <b>60</b>   | <b>Non Distributed Costs</b>                                  | <b>3,347</b>               | <b>0</b>                      | <b>3,347</b>   |                |
| <b>128,016</b>  | <b>Net Cost of Services</b>                                   | <b>167,212</b>             | <b>(17,090)</b>               | <b>150,121</b> |                |
| (4,669)   | Interest & Investment Income                                  |                            |                               |                | (4,373)        |
| (207)   | Pensions Interest Cost and Expected Return on Pensions Assets |                            |                               |                | 320            |
| <b>123,140</b>  | <b>Net Operating Expenditure</b>                              |                            |                               |                | <b>146,068</b> |
| (38,348)  | General GLA Grant   | 33                         |                               |                | (48,006)       |
| (87,252)  | Precepts  | 33                         |                               |                | (88,500)       |
| <b>(2,460)</b>  | <b>(Surplus)/Deficit for the Year</b>                         |                            |                               |                | <b>9,562</b>   |

## Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Authority's financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months, however the Authority is required to levy the precept on a different basis, the main differences being:

- Capital investment is accounted for when it is financed, rather than when the assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund balance compares the Authority's spending against the precept levied for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund balance.

| <b>2007/08</b>                  |   | <b>2008/09</b> |
|---------------------------------|---|----------------|
| as restated<br>(see Note<br>7b) |   |                |
| <b>£000</b>                     | <b>Note</b>   | <b>£000</b>    |
| (2,460)                         | (Surplus) / Deficit for the year on the Income and Expenditure Account  | 9,562          |
| 2,756                           | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year | (12,475)       |
| <b>296</b>                      | <b>(Increase) / Decrease in General Fund Balance for the year</b>   | <b>(2,913)</b> |
| <b>(3,297)</b>                  | <b>General Fund Balance brought forward</b>   | <b>(3,001)</b> |
| <b>(3,001)</b>                  | <b>General Fund Balance carried forward</b>   | <b>(5,914)</b> |

## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes the re-measurement of the net liability to cover the cost of retirement benefits.

| <b>2007/08</b><br><i>as restated</i><br><i>(see Note 7b)</i>                  | <b>2008/09</b>       |
|---|----------------------|
| <b>£000</b>   | <b>£000</b>          |
| (2,460) (Surplus)/Deficit for the year on the Income and Expenditure account  | 9,562                |
| (6,965) Actuarial (gains)/losses on pension fund assets and liabilities       | 9,274                |
| <b><u>(9,425)</u></b> <b>Total Recognised (Gains)/Losses for the Year</b>     | <b><u>18,836</u></b> |
| <br><b>Note on prior period adjustment</b>                                    |                      |
|   | <b>£000</b>          |
| Total recognised (gains)/ losses related to the year as above                 | 18,836               |
| Prior period adjustment (as explained in Note 7b)                             | 281                  |
|   | <hr/>                |
| <b>Total gains and losses recognised since the last Statement of Accounts</b> | <b><u>19,117</u></b> |

The total gains and losses recognised in 2007/08 have been restated following the adoption of the amended FRS17 - Retirement Benefits. There has been a cumulative increase of £0.281m on the net pensions liability and an offsetting increase in the pensions reserve. This prior period adjustment did not affect the balance held in the Authority's reserves.

## Balance Sheet

The Balance Sheet summarises the financial position of the Authority. It shows the value of the Authority's assets and liabilities at the end of the financial year.

| 31 March 08<br><i>as restated</i><br><i>(see Note 7b)</i> |                 | 31 March 09 |          |                 |
|---|-----------------|-------------|----------|-----------------|
| £000  | £000            | Note        | £000     | £000            |
| <b>Fixed Assets</b>                                       |                 |             |          |                 |
| <b>Tangible Fixed Assets</b>                              |                 |             |          |                 |
| <b>Operational Assets:</b>                                |                 |             |          |                 |
| 2,873   |                 | 17          | 2,292    |                 |
| <b>Non-Operational Assets</b>                             |                 |             |          |                 |
| 1,133   |                 |             | 1,383    |                 |
|   | <b>4,006</b>    |             |          | <b>3,675</b>    |
|   | 2,000           | 23          |          | 2,105           |
|   | <b>6,006</b>    |             |          | <b>5,780</b>    |
| <b>Total Long Term Assets</b>                             |                 |             |          |                 |
| <b>Current Assets</b>                                     |                 |             |          |                 |
| 73  |                 | 19          | 62       |                 |
| 10,420  |                 | 20          | 48,133   |                 |
| 145   |                 |             | 1,485    |                 |
| 27,000  |                 | 23          | 18,678   |                 |
| 9,102   |                 |             | 15,453   |                 |
|   | <b>46,740</b>   |             |          | <b>83,811</b>   |
|   | <b>52,746</b>   |             |          | <b>89,591</b>   |
| <b>Total Assets</b>                                       |                 |             |          |                 |
| <b>Current Liabilities</b>                                |                 |             |          |                 |
| (10,187)  |                 | 21          | (58,303) |                 |
| (4,118)   |                 |             | (3,790)  |                 |
| (1,530)   |                 |             |          |                 |
|   | (15,835)        |             |          | (62,093)        |
|   | <b>36,911</b>   |             |          | <b>27,498</b>   |
| <b>Total Assets Less Current Liabilities</b>              |                 |             |          |                 |
| <b>Long Term Liabilities</b>                              |                 |             |          |                 |
|   | (288)           | 22          |          | (311)           |
|   | (317)           |             |          | (246)           |
|   | (5,596)         | 7           |          | (15,067)        |
|   | <b>30,710</b>   |             |          | <b>11,874</b>   |
| <b>Total Assets Less Liabilities</b>                      |                 |             |          |                 |
| <b>Financed by:</b>                                       |                 |             |          |                 |
| (3,710)   |                 |             | (3,429)  |                 |
| (27)  |                 |             | (27)     |                 |
| 5,596   |                 | 7           | 15,067   |                 |
| (3,001)   |                 |             | (5,914)  |                 |
| (29,568)  |                 | 16          | (17,571) |                 |
|   | <b>(30,710)</b> |             |          | <b>(11,874)</b> |
| <b>Total Net Worth</b>                                    |                 |             |          |                 |

## Cash Flow Statement

The Cash Flow summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

| 2007/08<br>£000 |  | 2008/09<br>£000 |
|-----------------|--|-----------------|
| (1,520)         | <b>Revenue Activities Net Cash Flow</b>                              | 29              |
|                 | <b>Returns on Investments and Servicing of Finance</b>               |                 |
|                 | <i>Cash Outflows</i>   |                 |
| 0               | Interest Paid  | 0               |
|                 | <i>Cash Inflows</i>  |                 |
| (4,495)         | Interest Received  | (4,984)         |
| <b>(4,495)</b>  | <b>Returns on Investments and Servicing of Finance Net Cash Flow</b> | <b>(4,984)</b>  |
|                 | <b>Capital Activities</b>  |                 |
|                 | <i>Cash Outflows</i>   |                 |
| 1,794           | Purchase of Fixed Assets   | 1,724           |
| 0               | Increase in long term investments                                    | 0               |
|                 | <i>Cash Inflows</i>  |                 |
| (154)           | Other Capital Cash Receipts  | (330)           |
| <b>1,640</b>    | <b>Capital Activities Net Cash Flow</b>                              | <b>1,394</b>    |
| <b>(4,375)</b>  | <b>Net Cash (Inflow)/Outflow before Financing</b>                    | <b>1,119</b>    |
|                 | <b>Management of Liquid Resources</b>                                |                 |
| (5,500)         | Net Increase / (Decrease) in short term deposits                     | 30              |
| <b>(9,875)</b>  | <b>Net (Increase) / Decrease in cash</b>                             | <b>(7,881)</b>  |



## Notes to the Core Financial Statements

### 1. Note of Reconciling Items for the Statement of Movement on the General Fund Balance

| 2007/08<br>as restated<br>(see Note<br>7b) |   | 2008/09         |
|--|---|-----------------|
| <b>£000</b>                                |   | <b>£000</b>     |
|  | <b>Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the General Fund Balance for the year</b>     |                 |
| (1,621)                                    | Depreciation of Fixed Assets  | (1,507)         |
| 174  | Government Grants Deferred Amortisation   | 176             |
|  | Revenue Expenditure Funded From Capital Under Statute   | (1,940)         |
| (4,253)                                    | Net charges made for retirement benefits in accordance with FRS17   | (6,296)         |
| <b>(5,700)</b>                             |   | <b>(9,567)</b>  |
|  | <b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b> |                 |
| 2,031                                      | Capital expenditure charged in year to the General Fund balance   | 3,248           |
|  | Prior year reversal of revenue funding of capital   | (259)           |
|  | Employer's contributions payable to the Local Government Pension Scheme   |                 |
| 4,030                                      |   | 6,099           |
| <b>6,061</b>                               |   | <b>9,088</b>    |
|  | <b>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</b>          |                 |
| 2,395                                      | Net transfer to/(from) earmarked reserves   | (11,997)        |
| <b>2,756</b>                               | <b>Net additional amount to be (credited)/charged to the General Fund Balance for the year</b>  | <b>(12,475)</b> |

## 2. Elections

Mayoral, Assembly and European Elections were held in May 2008. Below is a summary of the expenditure and income (excluding support services recharges) for these elections:

| <b>2007/08</b> |   | <b>2008/09</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| (220)          | <b>Gross Income</b>                           | (329)          |
|                | <b>Gross Expenditure</b>                      |                |
| 555            | Staff   | 402            |
| 223            | Premises                                      | 76             |
| 2,077          | Supplies and Services                         | 15,909         |
| (18)           | Provision for claims                          |                |
| <u>2,837</u>   |   | <u>16,387</u>  |
| 2,617          | Net Payment / Refund of RO* Advances          | 16,058         |
| 2,783          | Contribution to/ (from) Reserves              | (11,043)       |
| <u>5,400</u>   | <b>Amount to be met by Grant and Taxpayer</b> | <u>5,015</u>   |

\* Returning Officer

## 3. Operating Leases – Rentals

Under Regulation 122 of the Local Authority (Capital Finance) Regulations 1997, the Authority has two property leases, which are deemed operating leases:

- City Hall, The Queen's Walk, London SE1 2AA which is the Authority's main headquarters
- London House, Leopold Plaza, Rue de Trône, Brussels which houses London's European Office

The amount of rent paid in the year and an estimate of outstanding un-discharged obligations is as follows:

|   | <b>2007/08</b> | <b>2008/09</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Rent paid this year</b>                                | 5,765          | 5,795          |
| <b>Outstanding Undischarged Leasing Obligations</b>       |                |                |
| Rent due within 1 year                                    | 5,789          | 5,824          |
| Rent due between 2 and 5 years                            | 23,716         | 24,631         |
| Rent due over 5 years                                     | 111,316        | 104,621        |
| <b>Total Outstanding Undischarged Leasing Obligations</b> | <u>140,821</u> | <u>135,076</u> |

#### 4. Publicity

A separate memorandum publicity account is kept to disclose the Authority's expenditure on publicity and consultation. Although this is not a statutory requirement for the Authority, as it is for other local authorities under section 5 of the Local Government Act 1986, the information is nevertheless disclosed.

| 2007/08      |   | 2008/09      |
|--------------|---|--------------|
| £000         |   | £000         |
| 1,282        | Staff whose duties relate wholly or mainly to publicity | 1,296        |
| 430          | Staff Recruitment Advertising                           | 197          |
| 1,092        | Other advertising (shown gross)                         | 1,105        |
| 203          | Public Consultation on Strategies                       | 156          |
| 445          | Londonwide published communications                     | 11           |
| <b>3,452</b> |   | <b>2,765</b> |

#### 5. Local Authorities (Goods & Services) Act 1970

The Authority carries out certain research and information services for other public bodies, including London Boroughs, under section 1 of the above act. The scale of these operations is small in relation to the Authority's expenditure generally and can be summarised as follows:

| 2007/08           |  | 2008/09           |              |
|-------------------|--|-------------------|--------------|
| Gross Expenditure | Gross Income                                   | Gross Expenditure | Gross Income |
| £000              | £000   | £000              | £000         |
| 68                | (63) Social Care & Housing Research & Advice   | 0                 | 0            |
| 134               | (91) Demographic & Statistical Research & Data | 79                | (82)         |
| 0                 | 0 Housing & Homelessness                       | 11                | (11)         |
| 12                | (12) Research Library Services                 | 18                | (18)         |
| <b>214</b>        | <b>(166)</b>                                   | <b>108</b>        | <b>(111)</b> |

## 6. Capital Standard

The Authority acts as the agent for the Capital Standard Partnership. The Capital Standard Partnership between the Mayor of London, the Association of London Government and participating London Boroughs aims to achieve sustained improvements in the cleanliness and general environmental condition of public spaces and streets in London. A summary of the income and expenditure of the partnership is as follows:

| <b>2007/08</b>                                   | <b>2008/09</b> |
|--|----------------|
| <b>£000</b>                                      | <b>£000</b>    |
| (557) Partnership Subscriptions                  | (516)          |
| 591 Expenditure                                  | 516            |
| <b>34 Balance (added to)/drawn from reserves</b> | <b>0</b>       |

## 7. Pensions

As part of the terms and conditions of employment of its elected members, officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments which needs to be disclosed at the time the employees earn their future entitlement.

### 7a. Local Government Pension Scheme

The Local Government Pension Scheme, administered by the London Pensions Fund Authority, is a defined benefit statutory scheme, where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

The Authority paid an employer's contribution of £3.87m (£3.96m in 2007/08) into the London Pension Fund Authority, representing 14.8% of pensionable pay. The contribution rate is determined by the Pension Fund's Actuary based on triennial actuarial valuations, the last review being 31 March 2007. Under Pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. The 31 March 2007 actuarial valuation maintained the employer contribution rate at 14.8% for the period 1 April 2008 to 31 March 2011.

### 7b. Change of accounting policy

Where there has been a change in accounting policy, there is a requirement to restate the previous year's figures in order to provide a meaningful comparison between financial years. Under the SORP 2008, the Authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

The effects of this change are as detailed below

- In the 2007/08 Balance Sheet the value of scheme assets at 31 March 2008 has been restated from £59.903m to £59.622m, a cumulative decrease of £0.281m, resulting in an increase in the

pension deficit of £0.281m (£5.315m in 2007/08 restated to £5.596m) and a commensurate movement on the pensions reserve;

- In the 2007/08 Income and Expenditure Account, the Pensions Interest Cost and Expected Return on Pension Assets, has been reduced from a net credit of £0.218m to £0.207m. This reduction of £0.11m reflects the restatement of the expected return on pensions assets from £3.551m to £3.540m;
- In the 2007/08 Statement of Recognised Gains and Losses, the actuarial gains/losses on pension fund assets, has been restated from £7.012m to £6.965m, a reduction of £0.047m.
- Any other notes or disclosures affected by this change have been restated to reflect the above-mentioned changes.
- The general fund surplus for 2008/09 and prior years has not been affected by this change.

### 7c. Transactions Relating to Retirement Benefits

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance during the year:

| 2007/08 as<br>restated (see<br>Note 7b)                  |   | 2008/09        |
|--|---|----------------|
| £000   | <b>Cost of Retirement Benefits</b>  | £000           |
| <b>Income and Expenditure Account</b>                    |   |                |
|  | <b>Net Cost of Services</b>   |                |
| 4,400  | Current service costs   | 2,629          |
| 0  | Curtailment costs   | 2,197          |
| 60   | Past Service Costs  | 1,150          |
| <b>4,460</b>   |   | <b>5,976</b>   |
|  | <b>Net Operating Expenditure</b>  |                |
| 3,333  | Interest cost   | 4,720          |
| (3,540)  | Expected return on assets in the scheme                                       | ( 4,400)       |
| <b>(207)</b>   | <b>Net Charge to the Income and Expenditure Account</b>                       | <b>320</b>     |
| <b>Statement of Movement on the General Fund Balance</b> |   |                |
| <b>(4,253)</b>   | Reversal of net charges made for retirement benefits in accordance with FRS17 | <b>(6,296)</b> |
| <b>4,030</b>   | Employer's contributions payable to the Local Government Pension Scheme       | <b>6,099</b>   |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £9.274m ( gains of £6.965m in 2007/08 as restated) are included in the Statement of Total

Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL total £10.401m.

## 7d. Assets and Liabilities in Relation to Retirement Benefits

### Reconciliation of present value of the scheme liabilities:

| <b>2007/08</b>   |                                      | <b>2008/09</b>   |
|------------------|--------------------------------------|------------------|
| <b>£000</b>      |                                      | <b>£000</b>      |
| <b>( 59,464)</b> | <b>1 April</b>                       | <b>( 65,218)</b> |
| ( 4,400)         | Current service cost                 | ( 2,629)         |
| ( 3,333)         | Interest cost                        | ( 4,720)         |
| ( 1,640)         | Contributions by scheme participants | ( 1,886)         |
| 2,171            | Actuarial (gains) / losses           | 8,335            |
| 1,508            | Estimated Benefits paid              | 1,389            |
| ( 60)            | Past service costs                   | ( 1,150)         |
| -                | Curtailments                         | ( 2,197)         |
| <b>( 65,218)</b> | <b>31 March</b>                      | <b>( 68,076)</b> |

### Reconciliation of fair value of the scheme assets:

| <b>2007/08</b>       |                                      | <b>2008/09</b> |
|----------------------|--------------------------------------|----------------|
| <i>as restated</i>   |                                      |                |
| <i>(see note 7b)</i> |                                      |                |
| <b>£000</b>          |                                      | <b>£000</b>    |
| <b>47,126</b>        | <b>1 April</b>                       | <b>59,622</b>  |
| 3,540                | Expected rate of return              | 4,400          |
| 4,794                | Actuarial gains / (losses)           | ( 17,609)      |
| 4,030                | Employer contributions               | 6,099          |
| 1,640                | Contributions by scheme participants | 1,886          |
| ( 1,508)             | Benefits paid                        | ( 1,389)       |
| <b>59,622</b>        | <b>31 March</b>                      | <b>53,009</b>  |

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as the beginning of the period (i.e. as at 31 March 2008).

The actual return on scheme assets in the year was £13.24m ( £1.24m in 2007/08).

The fair value of the Authority's assets is comprised of the following categories

| 31 Mar 2008          |              | 31 Mar 2009   |  |
|----------------------|--------------|---------------|--|
| <i>as restated</i>   |              |               |  |
| <i>(see Note 7b)</i> |              |               |  |
| £000                 |              | £000          |  |
| 35,612               | Equities     | 30,215        |  |
| 11,507               | Bonds        | 5,301         |  |
| 10,714               | Property     | 13,252        |  |
| 1,789                | Cash         | 4,241         |  |
| <b>59,622</b>        | <b>Total</b> | <b>53,009</b> |  |

## 7e. Scheme History

|   | 31.03.09         | 31.03.08           | 31.03.07           | 31.03.06           | 31.03.05           |
|---|------------------|--------------------|--------------------|--------------------|--------------------|
|   |                  | <i>as restated</i> | <i>as restated</i> | <i>as restated</i> | <i>as restated</i> |
|   | £000             | £000               | £000               | £000               | £000               |
| Present Value of Liabilities                  | ( 68,076)        | ( 65,218)          | ( 59,464)          | ( 55,195)          | ( 40,216)          |
| Fair value of assets                          | 53,009           | 59,622             | 47,126             | 39,029             | 27,754             |
| <b>Total Surplus/ (deficit) in the scheme</b> | <b>( 15,067)</b> | <b>( 5,596)</b>    | <b>( 12,338)</b>   | <b>( 16,166)</b>   | <b>( 12,462)</b>   |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The net deficit of £15.067m has a significant impact on the Authority's net worth, as recorded in the Balance Sheet. The year on year increase in the net deficit is mainly attributable to returns on investments being much lower than expected as a result of the global economic downturn.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit on the local government pension scheme will be made good by the Authority paying in contributions over the remaining life of employees, at levels assessed by the scheme's actuary.

### History of experience gains and losses

The experience adjustments arising on the scheme liabilities, expressed as a percentage of the liabilities and as a percentage of the scheme assets, at the balance sheet date are as follows:

|  | 31.03.09 | 31.03.08            | 31.03.07            | 31.03.06            | 31.03.05            |
|--|----------|---------------------|---------------------|---------------------|---------------------|
|  |          | <i>as restated*</i> | <i>as restated*</i> | <i>as restated*</i> | <i>as restated*</i> |
|  | £000     | £000                | £000                | £000                | £000                |
| Experience Gains / (Losses) on Assets      | -33.2%   | 8.0%                | 0.8%                | 12.3%               | 2.6%                |
| Experience Gains / (Losses) on Liabilities | 0.0%     | 16.7%               | 0.0%                | 0.0%                | 5.8%                |

\*see note 7b

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2010 is £3.777m.

## 7f. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The London Pensions Fund Authority has been assessed by Hymans Robertson, an independent firm of actuaries, estimates of the London Pensions Fund Authority's fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used in their calculations have been

| 2007/08<br>£000 |  | 2008/09<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Long-term expected rate of return on assets in the scheme:</b>                        |                 |
| 7.5%            | Equities   | 7.0%            |
| 6.3%            | Target Return Funds  | 5.5%            |
| 6.7%            | Alternative Assets   | 6.0%            |
| 4.8%            | Cash   | 4.0%            |
|                 | <b>Mortality Assumptions:</b>  |                 |
|                 | Longevity at 65 for current pensioners   |                 |
|                 | Men  | 19.6 years      |
|                 | Women  | 22.5 years      |
|                 | Longevity at 65 for future pensioners  |                 |
|                 | Men  | 20.7 years      |
|                 | Women  | 23.6 years      |
| 3.6%            | Rate of inflation  | 3.1%            |
| 5.1%            | Rate of increase in salaries   | 4.6%            |
| 3.6%            | Rate of increase in pensions   | 3.1%            |
| 6.9%            | Rate for discounting scheme liabilities  | 6.9%            |
| 20.0%           | Take up of option to convert annual pension into retirement lump sum (pre 1 April 2008)  | 20.0%           |
| n/a             | Take up of option to convert annual pension into retirement lump sum (post 1 April 2008) | 68.0%           |

## 7g. Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the Authority is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). During 2008/09, the Authority had one member of staff in the scheme. The Authority paid an employer's contribution of £20,274.63 (2007/08 - £21,146) into the Principal Civil Service Pension Scheme, representing 25.5% of pensionable pay. The contribution rate is determined by the Principal Civil Service Pension Scheme.



## 8. Mayor and Assembly Members' remuneration and expenses

The total below shows the total amount of remuneration and expenses payable to the Mayor, Assembly members and former elected members during 2008/09. The amount for travel cards is the cash value of travel cards issued during the year.

### CURRENT ASEMBLY MEMBERS

|                                     | Salary           | Travelcard    | Taxis         | Other Domestic Travel | Foreign Travel | Other Expenses | Phones & Faxes | Total            |
|-------------------------------------|------------------|---------------|---------------|-----------------------|----------------|----------------|----------------|------------------|
|                                     | £                | £             | £             | £                     | £              | £              | £              | £                |
| <b>Mayor</b>                        |                  |               |               |                       |                |                |                |                  |
| Boris Johnson                       | 126,378          | 0             | 4,760         | 91                    | 1,172          | 2,146          | 0              | 134,547          |
| <b>Deputy Mayor</b>                 |                  |               |               |                       |                |                |                |                  |
| R Barnes                            | 91,014           | 1,784         | 2,982         | 0                     | 757            | 210            | 0              | 96,747           |
| <b>Chair of the Assembly</b>        |                  |               |               |                       |                |                |                |                  |
| J Arnold                            | 62,178           | 1,784         | 1,152         | 0                     | 0              | 0              | 0              | 65,114           |
| <b>Deputy Chair of the Assembly</b> |                  |               |               |                       |                |                |                |                  |
| D Johnson                           | 52,756           | 1,784         | 52            | 81                    | 0              | 8              | 0              | 54,681           |
| <b>Assembly Members</b>             |                  |               |               |                       |                |                |                |                  |
| T Arbour                            | 52,756           | 1,784         | 32            | 0                     | 0              | 0              | 0              | 54,572           |
| G Bacon                             | 47,934           | 1,784         | 0             | 0                     | 0              | 0              | 0              | 49,718           |
| R Barnbrook                         | 47,934           | 1,784         | 35            | 0                     | 0              | 0              | 0              | 49,753           |
| J Biggs                             | 52,756           | 1,656         | 33            | 0                     | 0              | 0              | 0              | 54,445           |
| A Boff                              | 47,934           | 0             | 0             | 0                     | 0              | 0              | 0              | 47,934           |
| V Borwick                           | 47,934           | 1,784         | 86            | 0                     | 0              | 0              | 0              | 49,804           |
| J Cleverly                          | 47,934           | 1,784         | 0             | 0                     | 0              | 0              | 0              | 49,718           |
| B Coleman                           | 52,756           | 1,784         | 1,822         | 0                     | 0              | 0              | 0              | 56,362           |
| D Doocey                            | 52,756           | 1,784         | 92            | 10                    | 0              | 0              | 0              | 54,642           |
| L Duvall                            | 52,756           | 1,784         | 0             | 0                     | 0              | 0              | 0              | 54,540           |
| R Evans                             | 52,756           | 1,784         | 72            | 0                     | 0              | 0              | 0              | 54,612           |
| N Gavron                            | 56,812           | 268           | 244           | 0                     | 0              | 0              | 0              | 57,324           |
| J Jones                             | 52,756           | 1,784         | 117           | 33                    | 0              | 0              | 0              | 54,690           |
| K Malthouse                         | 47,934           | 968           | 0             | 0                     | 0              | 0              | 0              | 48,902           |
| J McCartney                         | 52,756           | 1,384         | 33            | 0                     | 0              | 0              | 0              | 54,173           |
| S O'Connell                         | 47,934           | 1,784         | 194           | 0                     | 0              | 0              | 0              | 49,912           |
| C Pidgeon                           | 47,934           | 1,784         | 27            | 33                    | 0              | 0              | 0              | 49,778           |
| M Qureshi                           | 52,756           | 1,784         | 44            | 81                    | 0              | 0              | 0              | 54,665           |
| N Shah                              | 47,934           | 1,784         | 161           | 0                     | 0              | 0              | 0              | 49,879           |
| V Shawcross                         | 52,756           | 1,384         | 188           | 0                     | 139            | 0              | 0              | 54,467           |
| R Tracey                            | 47,934           | 0             | 46            | 0                     | 0              | 0              | 0              | 47,980           |
| M Tuffrey                           | 52,756           | 1,517         | 27            | 4                     | 0              | 0              | 0              | 54,304           |
|                                     | <b>1,448,794</b> | <b>37,505</b> | <b>12,199</b> | <b>333</b>            | <b>2,068</b>   | <b>2,364</b>   | <b>0</b>       | <b>1,503,263</b> |
| 2007/2008                           | 1,444,497        | 33,759        | 17,850        | 349                   | 9,090          | 10,250         | 1,075          | 1,516,870        |

### FORMER MAYOR AND ASSEMBLY MEMBERS

|                                 | Salary        | Resettlement Grant | Travelcard  | Taxis      | Other Domestic Travel | Foreign Travel | Other Expenses | Phones & Faxes | Total          |
|---------------------------------|---------------|--------------------|-------------|------------|-----------------------|----------------|----------------|----------------|----------------|
|                                 | £             |                    | £           | £          | £                     | £              |                | £              | £              |
| <b>Former Mayor</b>             |               |                    |             |            |                       |                |                |                |                |
| K Livingstone                   | 13,178        | 71,746             | 0           | 149        | 0                     | 0              | 238            | 0              | 85,311         |
| <b>Former Chair of Assembly</b> |               |                    |             |            |                       |                |                |                |                |
| S Hamwee                        | 5,646         | 31,641             | 0           | 11         | 4                     | 0              | 14             | 0              | 37,316         |
| <b>Former Assembly Members</b>  |               |                    |             |            |                       |                |                |                |                |
| R Blackman                      | 4,706         | 26,378             | 0           | 0          | 0                     | 0              | 0              | 0              | 31,084         |
| A Bray                          | 4,706         | 26,378             | 0           | 0          | 0                     | 0              | 89             | 0              | 31,173         |
| D Hockney                       | 4,706         | 26,378             | 0           | 231        | 0                     | 0              | 0              | 0              | 31,315         |
| E Howlett                       | 4,706         | 26,378             | 0           | 0          | 0                     | 0              | 0              | 0              | 31,084         |
| P Hulme-Cross                   | 4,706         | 26,378             | 0           | 63         | 0                     | 0              | 0              | 0              | 31,147         |
| R Neill                         | 3,138         | 0                  | 0           | 0          | 0                     | 0              | 0              | 0              | 3,138          |
| A Pelling                       | 3,138         | 0                  | -301        | 14         | 0                     | 0              | 0              | 0              | 2,851          |
| G Pope                          | 4,706         | 26,378             | 0           | 0          | 0                     | 0              | 0              | 0              | 31,084         |
| G Tope                          | 4,706         | 26,378             | 0           | 0          | 0                     | 0              | 0              | 0              | 31,084         |
|                                 | <b>58,042</b> | <b>288,033</b>     | <b>-301</b> | <b>468</b> | <b>4</b>              | <b>0</b>       | <b>341</b>     | <b>0</b>       | <b>346,587</b> |

## 9. Officers' Remuneration

The number of employees whose remuneration was £50,000 or more in bands of £10,000 was:

| 2007/08             |                   | 2008/09                     |                            |
|---------------------|-------------------|-----------------------------|----------------------------|
| Number of Employees | Remuneration Band | Number of Current Employees | Number of Former Employees |
|                     | £                 |                             |                            |
| 56                  | 50,000 - 59,999   | 49                          | 6                          |
| 21                  | 60,000 - 69,999   | 19                          | 2                          |
| 26                  | 70,000 - 79,999   | 30                          | 1                          |
| 4                   | 80,000 - 89,999   | 5                           | 3                          |
| 2                   | 90,000 - 99,999   | 1                           | 2                          |
| 2                   | 100,000 - 109,999 | 4                           | 1                          |
| 1                   | 110,000 - 119,999 | 2                           | -                          |
| 8                   | 120,000 - 129,999 | 3                           | -                          |
| 3                   | 130,000 - 139,999 | 1                           | -                          |
| -                   | 140,000 - 149,999 | -                           | -                          |
| 1                   | 150,000 - 159,999 | 1                           | -                          |
| -                   | 160,000 - 169,999 | -                           | -                          |
| -                   | 170,000 - 179,999 | -                           | -                          |
| 1                   | 180,000 - 189,999 | -                           | -                          |
| -                   | 190,000 - 199,999 | -                           | -                          |
| -                   | 200,000 - 209,999 | -                           | -                          |
| -                   | 210,000 - 219,999 | -                           | -                          |
| -                   | 220,000 - 229,999 | -                           | -                          |
| -                   | 230,000 - 239,999 | -                           | -                          |
| -                   | 240,000 - 249,999 | -                           | -                          |
| -                   | 250,000 - 259,999 | -                           | 1                          |
| <b>125</b>          |                   | <b>115</b>                  | <b>16</b>                  |

The Authority operates an incremental salary scheme and the year on year movement of staff between salary bands mainly reflects the progression of staff up the salary scales.

Termination payments to leavers are included in the above table; further details of payments made in year are contained in Note 28, Exceptional Item.

## 10. Transactions with related parties

### Transactions with related parties

The Authority is required to disclose any material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to limit another party's ability to bargain freely with the Authority. Transactions of £5,000 or more are deemed material for these purposes.

### *Central Government*

Amounts received from Central Government in the form of grant payments are shown in the Fund Account.

In addition the value of the transactions reported in the Authority's Accounts in 2008/09 are as follows:

- £766,323 - Ordnance Survey for surveying and mapping services.
- £120,220 - The Stationery Office for reprographic and printing services.
- £101,636 - House of Commons for seconded staff and function for London Child Poverty Commission.
- £297,515 - Department for Culture Media and Sport for seconded staff and funding for cross programme activities undertaken by the Government Olympic Executive.
- £74,807 - Department for Environment, Food and Rural Affairs for seconded staff.

### *Functional Bodies*

Amounts payable to the Functional Bodies in the form of grants and precepts are shown in the Fund Account.

In addition the value of the transactions reported in the Authority's Accounts in 2008/09 are as follows:

- £483,408 - London Development Agency for secondment costs, Big Dance and GLA's contribution towards Urban Design training in 08-09 and Joint Stand at Thames Gateway Forum.
- £111,159 - Transport for London for refunds, seconded staff, funding for Climate Change Project and Olympics & Paralympics Parade Rd closure. The Mayor of London is Chair of Transport for London.
- £45,550 - London Underground Ltd, a subsidiary of TfL, for medical and physio appointment GLA staff.

### *Other Local Authorities*

Amounts received from London Boroughs are detailed in the Fund Accounts.

In addition the value of the transactions reported in the Authority's Accounts in 2008/09 are as follows:

- £5,000 - Essex County Council for GLA's contribution towards Green Arc project, aimed at improving the environment and accessibility of the open space and countryside in and around London.
- £94,509 - London Borough of Greenwich for seconded staff.
- £30,000 - London Borough of Brent for funding toward Brent's community event for Beijing Olympic Torch Relay.
- £121,971 - London Borough of Ealing for the GLA's contribution towards the costs of the London Mela event.
- £9,923 - London Borough of Hounslow to fund the Sustainability Standard Toolkit project.
- £35,705 - London Borough of Islington mainly for Contribution towards the Whittington Project, secondment costs and Criminal Records Bureau (CRB) checks.
- £12,189 - London Borough of Lewisham mainly for seconded staff.
- £1,545,485 - London Borough of Southwark for City Hall business rates and secondment costs.
- £30,325 - London Borough of Tower Hamlet for funding towards Access to Nature at Weaver fields, Olympic Torch Relay.
- £96,035 - London Borough of Waltham Forest to fund the 101 Project and Future Waltham Forest Report.

- £1,628,815 - London Councils for Congestion Charging and secondment costs. Other payments related to Capital Standards Flytipping Cluster Group event, room hire and copies of London Government Directory.
- £17,000 -Wandsworth Council in relation to funding for the Natural England, a pilot project and payments for 2M Newsletters (Airport Expansion).
- £13,037 - Westminster City Council for secondment costs.

Amounts owed to public sector bodies at 31 March 2009 are reported in Note 21.

Amounts owed by public sector bodies at 31 March 2009 are reported in Note 20.

### Other Parties

The Homelessness Policy Manager's partner is Research Director at IPSOS MORI. During 2008-09, the Authority commissioned market research services to the value of £57,435. Such services were awarded following a competitive tendering exercise in accordance with the Authority's Contracts Code of Practice. At 31 March 09, the Authority owed £ 19,306 to IPSOS MORI.

The Head of London Plan's partner is a Lead Officer – London Region – of the Audit Commission. Transactions with the Audit Commission are detailed in Note 14. At 31 March 09, the Authority owed £15,899 to Audit Commission.

The Principal Policy Officer - Biodiversity – and the Senior Policy Officer - Biodiversity – are respectively Greenspace Steering Group Chair and Trustee of the London Wildlife Trust, which has several contracts with the GLA. The Greenspace Information for Greater London is a ring-fenced project hosted by the London Wildlife Trust. The amount of £110,835 was payable to the London Wildlife Trust during 2008/09, and the officers are not involved in the procurement of those contracts. At 31 March 09, the Authority owed £12,000 to the London Wildlife Trust.

The Cultural Strategy Manager is on the board of Thames Festival Trust and the organisation contributed £62,792 in grants to the Trust. The GLA officer does not participate in any discussions or decision-making by the board in relation to GLA funding or any such involvement as a GLA employee.

The Deputy Mayor for Policy & Planning is a non-executive director of the Energy Saving Trust. The GLA has a Funding Agreement with the Trust concerning the Best Practice Guidance on Construction. £32,500 was paid to the Trust in 2008-09. At 31 March 09, the Authority owed £32,500 to the Energy Saving Trust.

The Mayor has a book-publishing contract with Harper Collins. The publisher received a total of £9,360 in payments from the Authority for supplying Raster data and user licenses. At 31 March 09, the Authority owed £4,180 to the Harper Collins.

The Executive Director of Resources' daughter is a trainee auditor at KPMG. During 2008-09, the Authority commissioned E-count audit services and consultancy for the value of £101,942. Such services were awarded following a competitive tendering exercise in accordance with the Authority's Contracts Code of Practice.

The Building Infrastructure Manager's son has a position in EMS (UK), which is contracted by Norland Managed Services Ltd to provide specialist-engineering equipments. The Authority commissioned services to the value of £1,073,025 from Norland Managed Services Ltd. The Building Infrastructure Manager manages the Norland contract. At 31 March 09, the Authority owed £173,617 to Norland.

The Mayor's brother is a Partner of PricewaterhouseCooper. During 2008-09 the Authority commissioned services in connection with PAYE/NIC, Forensic Audit Panel, VAT health checks and training sessions for the value of £81,235. Such services were awarded following a competitive tendering exercise in accordance with the Authority's Contracts Code of Practice. At 31 March 09, the Authority owed £27,875 to PricewaterhouseCooper.

The Mayor is the Chair of the London Waste and Recycling Board (LWRB). In 2008/09 £1,548,000 was receivable from the LWRB, being £1.5m to help fund the Recycle for London campaign and £48,014 for accommodation and staff costs.

The Mayoral Advisor on Arts and Culture is a board member of the Arts Council London. In 2008/09 £278,347 BIG Lottery Grant was payable to the Arts Council London for the Be Creative Be Well strand of the Well London Programme.

The Mayoral Advisor on Arts and Culture is a board member of the Museums, Libraries and Archives London. In 2008/09 the Authority paid £15,000 to commission a feasibility study on the London Fire Brigade Museum.

## **11. Museum of London**

From 1 April 2008, the Authority assumed the role of co-sponsor (along with the Corporation of London) of the Museum of London and has the right to appoint half of the Museum's Board. In 2008/09 the GLA provided £7.7m revenue funding and £1.6m capital funding to the Museum of London. The GLA's 2008/09 general grant from central government was increased commensurately to fund these payments.

## **12. Mayor's Fund**

The Mayor's Fund was established in June 2008 as a company limited by guarantee, with no share capital, and in July 2008 it was registered as a charity. The Fund was set up to raise the life chances and aspirations of disadvantaged children, young people and their families in London.

The Fund is an independent charity with a Board of ten Trustees led by Chairman, Sir Trevor Chinn. The Mayor of London is the Fund's Patron and he/she may nominate up to two candidates for membership of the board of trustees.

The Authority agreed to provide support to the Mayor's Fund during the start up period and this included the payment of £7,755 in legal fees, the provision of staff time and the provision of limited IT and telecommunication resources, such as the networked computer access and telephone services.

## **13. BIG Lottery Grant**

In 2007 the Authority was awarded funding of £9.46m from the BIG Lottery Fund for the Well London Programme. Working in partnership at the very local level in twenty of London's most deprived neighbourhoods, *Well London* is increasing physical activity and healthy eating, supporting culture and creativity, improving open spaces, and promoting positive mental well-being through a combination of integrated, community-led projects and strategic influence.

The programme started in October 2007 and will finish in March 2012 and involves working in partnership with the following six organisations – Central YMCA, Groundwork London, London

Sustainability Exchange, University of East London, Arts Council England (London) and South London and Maudsley NHS Trust.

In 2008/09 the Authority received £2.4m from the BIG Lottery Fund, of which £0.234m has been treated as income in advance; related expenditure totalled £2.1m.

#### 14. External Audit Fee

In 2008/09 the Greater London Authority incurred the following fees relating to external audit and inspection:

| 2007/08<br>£000 |  | 2008/09<br>£000 |
|-----------------|--|-----------------|
| 114             | Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor | 120             |
| 26              | Fees payable to the Audit Commission in respect of statutory inspection  | 27              |
| 50              | Fees payable to the Audit Commission in respect of other services provided by the appointed auditor              | 41              |
| <b>190</b>      |  | <b>188</b>      |

#### 15. Summary of Movement on Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

| Reserve                    | Net Movement                                  |               | Purpose of Reserve  |
|----------------------------|---|---------------|---|
|                            | 31 Mar 08<br><i>as restated</i><br><i>7b)</i> | in Year       |   |
|                            | £000  | £000          | £000  |
| Capital Adjustment Account | (3,710)                                       | 281           | <b>(3,429)</b> Store of capital resources set aside to meet past expenditure                      |
| Usable Capital Receipts    | (27)  | 0             | <b>(27)</b> Proceeds of fixed asset sales available to meet future capital investment             |
| Pensions Reserve           | 11,611  | 3,456         | <b>15,067</b> Balancing account to allow the inclusion of Pensions Liability in the Balance Sheet |
| General Fund               | (3,001)                                       | (2,913)       | <b>(5,914)</b> Resources available to meet the future running costs of services                   |
| Earmarked Reserves         | (29,568)                                      | 11,997        | <b>(17,571)</b> Resources set aside to fund future spending plans                                 |
| <b>Total</b>               | <b>(24,695)</b>                               | <b>12,821</b> | <b>(11,874)</b>   |

## 16. Earmarked Reserves

The Authority has earmarked reserves for specific revenue and capital purposes.

|   | 31 Mar 08       | Transfers<br>In | Transfers<br>Out | 31 Mar 09       |
|---|-----------------|-----------------|------------------|-----------------|
|   | £000            | £000            | £000             | £000            |
| 4 <sup>th</sup> Plinth                                  | (4)             | (50)            | 50               | (4)             |
| Accommodation, Asset Replacement and Adaptation Reserve | (4,578)         | (3,537)         | 2,122            | (5,993)         |
| Assembly Development & Resettlement Reserve             | (100)           | (631)           | 0                | (731)           |
| Directorate Programmes Reserve                          | (416)           | (688)           | 416              | (688)           |
| Directorate Non-Programmes Reserve                      | (318)           | (389)           | 194              | (513)           |
| GLA Economics Reserve                                   | (167)           | (183)           | 167              | (183)           |
| Election Reserve  | (17,031)        | (5,083)         | 16,126           | (5,988)         |
| Mayoral Resettlement Reserve                            | 0               | (330)           | 323              | (7)             |
| GLA Development Reserve                                 | (2,704)         | (401)           | 2,910            | (195)           |
| Grants and Funding Reserve                              | (286)           | (29)            | 4                | (311)           |
| Indemnities Reserve                                     | (170)           | 0               | 0                | (170)           |
| Legal Fees Reserve                                      | (704)           | 0               | 0                | (704)           |
| Library Information Resources Reserve                   | (78)            | 0               | 78               | 0               |
| London Canals Committee Reserve                         | (21)            | 0               | 21               | 0               |
| London Economy Reserve                                  | (7)             | 0               | 7                | 0               |
| London Research Centre Transferred Reserve              | (5)             | 0               | 5                | 0               |
| London Squares Works Reserve                            | (1,371)         | (161)           | 689              | (843)           |
| The Londoner  | (399)           | 0               | 399              | 0               |
| Long Term Absence Reserve                               | (210)           | 0               | 0                | (210)           |
| New Initiatives Reserve                                 | (150)           | 0               | 0                | (150)           |
| Olympics Reserve  | (399)           | (241)           | 167              | (473)           |
| Payroll/ HR Reserve                                     | (63)            | (28)            | 91               | 0               |
| Professional Witnesses Reserve                          | (333)           | 0               | 0                | (333)           |
| Self Insurance Fund Reserve                             | (54)            | 0               | 0                | (54)            |
| London Analysis Support Site                            | 0               | (21)            | 0                | (21)            |
|   | <b>(29,568)</b> | <b>(11,772)</b> | <b>23,769</b>    | <b>(17,571)</b> |

### The purpose of each reserve is detailed below:

The 4<sup>th</sup> Plinth Reserve has been set up to fund the exhibits on the 4<sup>th</sup> Plinth of Trafalgar Square.

The Accommodation, Asset Replacement and Adaptations Reserve exists to fund IT equipment infrastructure replacement, lease obligations and non-lease related capital expenditure on City Hall.

Assembly Development and Resettlement Reserve exists to ensure adequate funding is built up for future pay settlements, reviews and resettlement grants for Assembly Members.

The Directorate and Directorate Non-Programmes Reserves represent under spends on directorate programme (health, housing, social inclusion, culture, external relations, scrutiny) and non-programme budgets carried forward to fund projects that were delayed and are due to start or be completed within the next financial year.

The GLA Economics Reserve is the balance of funding from the GLA which is being carried forward to meet the costs of the GLA Economics unit.

The Election Reserve exists to fund the Mayor and Assembly elections when they fall due every four years.

The Mayoral Resettlement reserve was set up to fund the resettlement grants paid to the former Mayor and Assembly Members following the May 2008 election.

The GLA Development Reserve exists to fund pay settlements and reviews for all relevant staff and Members.

The Grants and Other Funding Reserve reflects revenue grants, contributions, donations and funding which is being carried forward to be used on specific projects in future years.

The Indemnity Reserve has been set up to cover any potential liabilities arising from a proposed scheme for officers and Members.

The Legal Fees Reserve exists to fund external legal advice or representation.

The Library Information Resources Reserve was released to revenue in year.

The London Canals Committee was released to revenue in year.

The London Economy Reserve was released to revenue in year.

The London Research Centre Transferred Reserve was released to revenue in year.

The London Squares Works Reserve (previously the Trafalgar Square Fountain Reserve) exists to fund repairs and maintenance works to Parliament and Trafalgar Squares.

The Londoner reserve was released to revenue in year.

The Long Term Absence Reserve exists to cover the internal costs of replacing staff on maternity leave or who are absent due to long term sickness.

The New Initiatives Reserve has been set up to progress new projects for which budget provision has not been made.

The Olympics Reserve represents funds to be paid over to the Olympic Delivery Authority for the 2012 Olympic and Paralympic Games.

The Payroll/ HR Reserve was released to revenue in year.

The Professional Witnesses Reserve exists to fund external professional witnesses that may be required during public enquiries into planning decisions.

The Self Insurance Fund Reserve exists to provide cover for minor claims where it would not be appropriate to claim on the Authority's insurance policies due to the level of excess payable.

The London Analysis Support Site (LASS) is responsible for data exchange and analysis projects for crime reduction in London. A reserve has been created to fund expenditure in future years.



## 17. Fixed Assets

Movements in Fixed Assets during the year were as follows:

|   | Land & Buildings<br>£000 | Vehicles & Plant<br>£000 | Fixtures,<br>Fittings,<br>Furniture & Equipment<br>£000 | Assets Under<br>Construction<br>£000 | TOTAL<br>£000       |
|---|--------------------------|--------------------------|---|--------------------------------------|---------------------|
| Gross Book Value as at 01.04.08         | -                        | -                        | 8,851   | 1,133                                | 9,984               |
| Additions                               | -                        | -                        | 975   | 487                                  | 1,462               |
| Other Movements                         | -                        | -                        | (49)  | (237)                                | (286)               |
| Gross Book Value as at 31.03.09         | <u>0</u>                 | <u>0</u>                 | <u>9,777</u>  | <u>1,383</u>                         | <u>11,160</u>       |
| Accumulated Depreciation as at 01.04.08 | -                        | -                        | (5,978)   | -                                    | (5,978)             |
| Depreciation for year                   | -                        | -                        | (1,507)   | -                                    | (1,507)             |
| Accumulated Depreciation as at 31.03.09 | <u>0</u>                 | <u>0</u>                 | <u>(7,485)</u>  | <u>0</u>                             | <u>(7,485)</u>      |
| <b>Net Book Value as at 31.03.09</b>    | <b><u>0</u></b>          | <b><u>0</u></b>          | <b><u>2,292</u></b>                                     | <b><u>1,383</u></b>                  | <b><u>3,675</u></b> |

## 18. Capital Expenditure and Financing Summary

Analysis of the sources of capital funding and a summary of capital expenditure is shown in the following tables.

| 31 Mar 08<br>£000 |   | 31 Mar 09<br>£000 |
|-------------------|---|-------------------|
|                   | <b>Expenditure</b>  |                   |
| 2,185             | Fixed Assets Additions  | 1,414             |
| 0                 | Revenue Expenditure Funded from<br>Capital under Statute                                | 2,140             |
| <u>2,185</u>      | <b>Total Capital Expenditure</b>  | <u>3,554</u>      |
|                   | <b>Financed by:</b>   |                   |
| (2,031)           | Revenue   | (3,249)           |
| (154)             | Capital Grant Applied   | (105)             |
| 0                 | Capital Grants used to Fund Revenue<br>Expenditure Funded from Capital<br>Under Statute | (200)             |
| <u>(2,185)</u>    | <b>Total Financing</b>  | <u>(3,554)</u>    |

## 19. Stock

The cost of unsold or unconsumed stock is carried forward as stock until the period in which it is sold or consumed.

| <b>31 Mar 08</b> |                    | <b>31 Mar 09</b> |
|------------------|--------------------|------------------|
| <b>£000</b>      |                    | <b>£000</b>      |
| 70               | Publications Stock | 60               |
| 3                | Other Stock        | 2                |
| <b>73</b>        |                    | <b>62</b>        |

## 20. Debtors

Debtors are financial instruments, classified as Loans and Receivables. The Balance Sheet carrying amount is detailed in the table below.

| <b>31 Mar 08</b> |                                     | <b>31 Mar 09</b> |
|------------------|-------------------------------------|------------------|
| <b>£000</b>      |                                     | <b>£000</b>      |
|                  | Amounts falling due within one year |                  |
| 2,772            | Sundry Debtors                      | 693              |
| 1,599            | HMRC                                | 1,057            |
| 6,124            | Other Public Funding                | 46,553           |
| 138              | Staff and Assembly Members          | 104              |
| 10,633           |                                     | 48,407           |
| (213)            | Provision for bad debts             | (274)            |
| <b>10,420</b>    |                                     | <b>48,133</b>    |

## 21. Creditors

Creditors are financial instruments, classified as Financial Liabilities at Amortised Cost. The Balance Sheet carrying amounts are detailed in the table below.

| <b>31 Mar 08</b> |                                  | <b>31 Mar 09</b> |
|------------------|----------------------------------|------------------|
| <b>£000</b>      |                                  | <b>£000</b>      |
| 0                | Metropolitan Police Authority    | (24,150)         |
| (517)            | London Fire & Emergency Planning | (611)            |
| (80)             | Transport for London             | (23,081)         |
| (555)            | Inland Revenue                   | (798)            |
| (545)            | London Pension Fund Authority    | (834)            |
| (1,028)          | London Development Agency        | (942)            |
|                  | Other Public Sector              | (3,399)          |
| (7,462)          | Sundry Creditors                 | (4,488)          |
| <b>(10,187)</b>  |                                  | <b>(58,303)</b>  |

## 22. Provisions

Provisions are amounts set aside at the year-end to cover expenditure in the future. Provisions are for liabilities or losses, which are likely or certain to be incurred, but the amounts or dates on which they will arise are uncertain.

|              | 31 Mar 08    |                          |                          | 31 Mar 09    |
|--------------|--------------|--------------------------|--------------------------|--------------|
|              |              | Decrease in<br>provision | Increase in<br>provision |              |
|              | £000         |                          |                          | £000         |
| Legal fees   | (288)        | 92                       | (115)                    | (311)        |
| <b>Total</b> | <b>(288)</b> | <b>92</b>                | <b>(115)</b>             | <b>(311)</b> |

The legal fees provision is to meet costs arising from the following decisions:

- Northway Garage - The Mayor challenged costs awarded against him with regard to a direction issued to refuse planning permission on the site of the former Northway Garage in Brent in 2002. A judicial review application was refused so the Authority is now liable for the other parties' costs as well as Treasury Solicitor's costs. Discussions are underway to agree the final amount and it is expected that payment will be made within the next twelve months.
- Post Office Closures Judicial Review - The Authority was refused permission to pursue a judicial review on the closure of Post Offices and has been ordered to pay the other parties legal costs. Discussions are underway to agree the final amount and it is expected that payment will be made within the next twelve months.
- Carterhatch Lane, Enfield - The Mayor issued a direction under his waste powers against the London Borough of Enfield with regard to the Carterhatch Lane Waste Transfer Site but the borough successfully challenged this in February 2008. As a consequence the Authority has had costs awarded against it. The matter has been settled in full and no further provision is required.

## 23. Investments

Investments are financial instruments, classified as Loans and Receivables. The Balance Sheet carrying amounts are detailed in the table below.

| 31 Mar 08     |              | 31 Mar 08        |  | 31 Mar 09     |           | 31 Mar 09    |  |
|---------------|--------------|------------------|--|---------------|-----------|--------------|--|
| £000          |              | £000             |  | £000          |           | £000         |  |
| Short Term    | Long Term    |                  |  | Short Term    | Long Term |              |  |
|               |              | Maturing:        |  |               |           |              |  |
| 15,000        |              | Within 1 Month   |  | 2,000         |           |              |  |
| 2,000         |              | Within 3 Months  |  | 2,000         |           |              |  |
| 0             |              | Within 6 Months  |  | 2,000         |           |              |  |
| 4,000         |              | Within 9 Months  |  | 12,000        |           |              |  |
| 6,000         |              | Within 12 Months |  |               |           |              |  |
|               | 2,000        | Over 12 Months   |  |               |           | 2,000        |  |
|               |              | Accrued Interest |  | 678           |           | 105          |  |
| <b>27,000</b> | <b>2,000</b> |                  |  | <b>18,678</b> |           | <b>2,105</b> |  |

## 24. Fair Value of Assets and Liabilities

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

- estimated interest rate at 31 March 2009 of 2.28% for long term investments
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables and payables is taken to be the invoiced or billed amount.

The fair values calculated for long term financial assets are as follows:

| 31 Mar 08       |            | 31 Mar 09       |                       |
|-----------------|------------|-----------------|-----------------------|
| £000            | £000       | £000            | £000                  |
| Carrying Amount | Fair Value | Carrying Amount | Fair Value            |
| 2,000           | 2,118      | 2,105           | 2,217                 |
|                 |            |                 | Long Term Investments |

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

## 25. Nature and Extent of Risks arising from Financial Instruments

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

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

The Authority aims to achieve the optimum return on its investments whilst minimising the risk to the principal sums invested and maintaining liquidity. The Authority is debt free and its capital programme is fully funded by revenue funding and grants. Treasury management is integral to the Authority's wider risk management strategy and is carried out by a corporate treasury team, under policies approved by the Mayor in the annual treasury management strategy. This strategy sets out the principles for overall risk management, as well as covering specific areas such as the Authority's authorised limit for external debt and the investment of surplus cash.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Credit ratings form the backbone of the investment policy for selecting institutions with which the Authority will invest surplus funds, based on knowledge and understanding of the risks involved. Although no combination of ratings can be viewed as entirely fail-safe, the credit criteria have been selected based on Fitch and Moody's long and short-term ratings and Fitch's individual and support ratings. Ratings and approved institutions are regularly reviewed by reference to regular updates provided by the Authority's treasury advisors.

Following the problems with the Northern Rock Bank in September 2007, the Authority tightened the criteria for inclusion on its counter party list. Only those institutions with a long term credit rating of AA- or higher, a short term rating F1+ is included. In addition, following the recent banking crisis, the Authority has also included the countries' sovereign rating, which will be no lower than AA+.

If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Authority's minimum criteria, the further use of that counterparty /investment scheme will be withdrawn immediately. If a counterparty is upgraded so that it fulfils the Authority's criteria, its inclusion will be considered by the Executive Director of Resources. The counter party list will be reviewed immediately any changes occur and on a monthly basis and amendments will be made when those institutions are put on credit rating alert.

The maximum the Authority will invest with any one institution is £150m (the Royal Bank of Scotland, the Authority's own bank). However this is regularly reviewed to reflect cash flow requirements. All the Authority's investments will be sterling denominated.

However, in view of the current banking crisis, the Executive Director of Resources has temporarily restricted investments to institutions with the higher credit rating (minimum AA) rather than the minimum criteria. These restrictions will remain in place until such time as the banking system returns to "normal" conditions. In practice this is likely to mean that investments will only be made with institutions supported by the UK government bail out package and the use of the Government Debt Management Agency Deposit Facility.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and inability to collect over the last three financial years

| Amount as at 31 March 2008<br>£000 | Historical Experience adjusted for market conditions at 31 March 2008 | Estimated maximum exposure to default and uncollectability<br>£000 |  | Amount as at 31 March 2009<br>£000 | Historical Experience adjusted for market conditions at 31 March 2009 | Estimated maximum exposure to default and uncollectability<br>£000 |
|------------------------------------|---|--|--|------------------------------------|---|--|
|                                    |   |  |  |                                    |   |  |
| A                                  | B   | (A x B)  |  | A                                  | B   | (A x B)  |
| 38,102                             | 0.0%  | 0  | Deposits with banks and financial institutions | 36,236                             | 0.0%  | 0  |
| 3,333                              | 4.50%   | 150  | Trade Debtors                                  | 1,818                              | 7.14%   | 130  |
|                                    |   | <u>150</u>   |  |                                    |   | <u>130</u>   |

At 31 March 2009, all the Authority's investments were placed with institutions supported by the United Kingdom and Irish government support package. The Authority does not therefore expect any losses from any institutions in relation to investments placed.

Sales invoices are due for payment on receipt of invoice and an analysis of the trade debtor balance of £1.8m as at 31 March 2009 is provided below.

| 31 Mar 08    |                        | 31 Mar 09    |  |
|--------------|------------------------|--------------|--|
| £000         |                        | £000         |  |
| 2,209        | Less than three months | 941          |  |
| 66           | Three to six months    | 460          |  |
| 321          | Six months to one year | 127          |  |
| 737          | More than one year     | 290          |  |
| <u>3,333</u> |                        | <u>1,818</u> |  |

### Liquidity Risk

The Authority's treasury management policy requires the timing of investments to be mindful of current and future cash flow requirements, thereby ensuring the availability of funds to meet regular outgoings such as creditors, functional body payments and salaries.

The Authority does not have any borrowings and all trade and other payables are due to be paid in less than one year.

### Interest Rate Risk

At present the Authority does not have any investments at variable rates and the effective interest rate, credited to the Income and Expenditure Account, for fixed rate investments equates to the contractual interest rate. Therefore, the Authority's risk exposure is minimal.

## **26. Contingent Liabilities**

There remains an unresolved dispute with an employee for which negotiations and investigations are underway. A liability will arise if either the Authority settles the case and agrees to pay compensation, or the case goes to an Employment Tribunal and a decision is made in favour of the applicant and the Authority is ordered to pay compensation. An estimate of costs has not been disclosed as it is difficult to determine and any disclosure could prejudice the position of the Authority. If the claim is taken to a tribunal it could be concluded within the next nine months.

## **27. Post Balance Sheet Events**

### **Organising for Delivery- Authority Wide Restructure**

In September 2008, the Mayor announced a review of the size and nature of the Authority with a view to ensuring the effective delivery of new policies and objectives and to bring longer term efficiency improvements and savings.

The first major step of the review was the establishment of six new Directorates, with the most significant change being the realignment of policy development into two new Directorates; Communities and Intelligence which will strengthen communities, tackle deprivation and improve social mobility and Development and Environment which will ensure that London's growth and infrastructure needs are met in a sustainable way. On 5 January 2009, Executive Directors of the new Directorate structure assumed their new roles.

On 24 March 2009, the Chief Executive announced the detailed proposals and began formal consultations with staff and unions. Following the statutory 90 day consultation with staff and unions, which ended on 24 June, the final decisions on the structure were communicated to staff and implementation of the new structure has commenced and is expected to be completed by mid October 2009.

The number of employees will reduce and structural savings will start to be achieved from 2009/10 onwards but until the consultation is finalised and the new structure implemented it is not possible to quantify the costs of the review and the scale of on-going savings.

## **28. Exceptional Item**

Following the election of a new Mayor in May 2008, changes were made to the organisation as the new Mayor established his team and different ways of working to that of the previous administration. The Authority incurred termination costs, including early retirement costs of £3.5m. These costs are included in the cost of service to which they relate.

## 29. Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

| <b>2007/08</b> |   | <b>2008/09</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| (2,460)        | (Surplus) / Deficit for the period                                      | 9,562          |
|                | <i>Non-Cash Transactions</i>  |                |
| (1,621)        | Depreciation of Fixed Assets  | (1,507)        |
| 174            | Government Grants Deferred amortisation                                 | 176            |
| (4,253)        | Net charges made for retirement benefits in accordance with FRS17       | (6,296)        |
| 4,030          | Employer's contributions payable to the Local Government Pension Scheme | 6,099          |
|                | Prior year capital expenditure expensed to revenue                      | (239)          |
| (1,670)        |   | (1,767)        |
|                | <i>Movement in Accruals</i>   |                |
| 13             | Stocks  | (11)           |
| 1,181          | Debtors/Payments in Advance   | 40,447         |
| (157)          | Provisions  | (23)           |
| (3,096)        | Creditors/Income in Advance   | (47,872)       |
| (2,059)        |   | (7,459)        |
|                | <i>Items in another classification on the Cash Flow Statement</i>       |                |
| 4,669          | Interest Receivable   | 4,373          |
| <b>(1,520)</b> | <b>Net Cash (Inflow)/ Outflow from Revenue</b>                          | <b>4,709</b>   |

The 2007/08 reconciliation of the Income and Expenditure Account to the Revenue Activities Cash Flow has been amended to comply with the SORP and provide comparative figures for the 2008/09 reconciliation.

## 30. Reconciliation of the Movement in Liquid Resources

Liquid resources are investments held for one year or less which are readily converted into known amounts of cash.

| <b>Reconciliation of the Movement in Liquid Resources to Investments Held</b> |   |                  |
|---|---|------------------|
| <b>31 Mar 08</b>  |   | <b>31 Mar 09</b> |
| <b>£000</b>   |   | <b>£000</b>      |
| 32,500  | Opening Balance on Short Term Investments | 27,000           |
| (5,500)   | Movement in Liquid Resources              | (9,000)          |
| <b>27,000</b>   | <b>Short Term Investments - Principal</b> | <b>18,000</b>    |
|   | <b>Short Term Investments - Accrued</b>   | <b>687</b>       |
| <b>27,000</b>   |   | <b>18,687</b>    |





## Fund Account

The Fund Account is a memorandum account to show transactions under sections 102 and 103 of the Greater London Authority Act 1999 which requires all government grants and monies from local taxpayers for the Greater London Authority and its Functional Bodies to be paid to the Greater London Authority, which then passes them onto the Functional Bodies.

| 2007/08<br>£000 | 2007/08<br>£000           |   | Note | 2008/09<br>£000 | 2008/09<br>£000           |
|-----------------|---------------------------|---|------|-----------------|---------------------------|
|                 |                           | <b>Income</b>   |      |                 |                           |
|                 |                           | Specific Grants:  |      |                 |                           |
| (388,469)       |                           | Development Grants  |      | (348,267)       |                           |
| (15,224)        |                           | Fire Grants   |      | (10,831)        |                           |
| (1,599,076)     |                           | Police Grants   |      | (1,522,708)     |                           |
| (4,261,300)     |                           | Transport Grant   |      | (3,163,545)     |                           |
| (1,900)         |                           | Tourism Grant   |      | (1,900)         |                           |
|                 | (6,265,969)               |   |      |                 | (5,047,251)               |
|                 | (38,348)                  | General GLA Grant   |      |                 | (48,006)                  |
|                 | (159,737)                 | Revenue Support Grant   |      |                 | (138,540)                 |
|                 | (951,757)                 | Distribution from Non Domestic Rate Pool                      |      |                 | (995,203)                 |
|                 | (885,247)                 | Precepts from London<br>Boroughs and Corporation<br>of London | 32   |                 | (913,391)                 |
|                 |                           | Other Income  |      |                 | (181)                     |
|                 | <b><u>(8,301,058)</u></b> | <b>Total Income</b>   |      |                 | <b><u>(7,142,572)</u></b> |
|                 |                           | <b>Expenditure</b>  |      |                 |                           |
|                 | 125,650                   | Greater London Authority                                      | 33   |                 | 136,556                   |
|                 | 390,319                   | London Development Agency                                     |      |                 | 350,682                   |
|                 | 406,724                   | London Fire & Emergency Planning Authority                    |      |                 | 415,931                   |
|                 | 3,105,065                 | Metropolitan Police Authority                                 |      |                 | 3,064,423                 |
|                 | 4,273,300                 | Transport for London  |      |                 | 3,174,980                 |
|                 | <b><u>8,301,058</u></b>   | <b>Total Expenditure</b>                                      |      |                 | <b><u>7,142,572</u></b>   |

## Notes to the Fund Account

### 32. Precepts

Amounts received as precept income were as follows:

| 2007/08          |                          | 2008/09          | 2008/09                                      | 2008/09          |
|------------------|--------------------------|------------------|--|------------------|
| Net Precept      | Greater London Authority | Precept Demand   | Share of Collection Fund (Surplus) / Deficit | Net Precept      |
| £000             |                          | £000             | £000   | £000             |
| (505)            | Corporation of London    | (489)            | (34)   | (523)            |
| (15,100)         | Barking & Dagenham       | (15,934)         | 138  | (15,796)         |
| (40,740)         | Barnet                   | (42,118)         | (73)   | (42,191)         |
| (24,985)         | Bexley                   | (25,868)         | 0  | (25,868)         |
| (28,185)         | Brent                    | (29,304)         | 351  | (28,953)         |
| (40,240)         | Bromley                  | (41,036)         | 0  | (41,036)         |
| (28,470)         | Camden                   | (28,993)         | (944)  | (29,937)         |
| (37,760)         | Croydon                  | (39,040)         | 0  | (39,040)         |
| (34,403)         | Ealing                   | (35,693)         | 5  | (35,688)         |
| (32,840)         | Enfield                  | (33,570)         | 0  | (33,570)         |
| (24,077)         | Greenwich                | (24,176)         | (1,245)                                      | (25,421)         |
| (22,614)         | Hackney                  | (21,741)         | (1,126)                                      | (22,867)         |
| (23,753)         | Hammersmith & Fulham     | (24,404)         | (439)  | (24,843)         |
| (25,668)         | Haringey                 | (26,352)         | (26)   | (26,378)         |
| (25,713)         | Harrow                   | (26,479)         | 371  | (26,108)         |
| (26,807)         | Havering                 | (27,370)         | 48   | (27,322)         |
| (29,085)         | Hillingdon               | (29,784)         | 253  | (29,531)         |
| (25,469)         | Hounslow                 | (26,246)         | 332  | (25,914)         |
| (25,313)         | Islington                | (25,847)         | 0  | (25,847)         |
| (29,479)         | Kensington & Chelsea     | (30,518)         | (152)  | (30,670)         |
| (18,556)         | Kingston Upon Thames     | (18,971)         | (50)   | (19,021)         |
| (30,868)         | Lambeth                  | (31,160)         | (578)  | (31,738)         |
| (26,161)         | Lewisham                 | (26,773)         | (9)  | (26,782)         |
| (22,276)         | Merton                   | (22,504)         | (328)  | (22,832)         |
| (21,404)         | Newham                   | (22,564)         | 0  | (22,564)         |
| (26,320)         | Redbridge                | (27,365)         | 337  | (27,028)         |
| (26,730)         | Richmond Upon Thames     | (27,288)         | (256)  | (27,544)         |
| (27,664)         | Southwark                | (28,650)         | (394)  | (29,044)         |
| (22,227)         | Sutton                   | (22,617)         | (283)  | (22,900)         |
| (24,031)         | Tower Hamlets            | (24,694)         | (545)  | (25,239)         |
| (22,017)         | Waltham Forest           | (23,303)         | 372  | (22,931)         |
| (37,015)         | Wandsworth               | (37,292)         | (1,422)                                      | (38,714)         |
| (38,772)         | City of Westminster      | (39,670)         | 119  | (39,551)         |
| <b>(885,247)</b> | <b>TOTAL</b>             | <b>(907,813)</b> | <b>(5,578)</b>                               | <b>(913,391)</b> |

### 33. Funds paid to the Greater London Authority

| <b>2007/08</b>                                | <b>2008/09</b>        |
|---|-----------------------|
| <b>£000</b>                                   | <b>£000</b>           |
| 38,348 Greater London Authority General Grant | 48,006                |
| 29,152 Greater London Authority Precept       | 29,800                |
| 58,100 Olympic Precept                        | 58,700                |
| 50 Tourism Grant                              | 50                    |
| <b><u>125,650</u></b>                         | <b><u>136,556</u></b> |

## **GROUP ACCOUNTS**

The summarised group accounts that follow show the consolidated position of the Authority , London Connects Ltd and London Travel Watch. London Connects ceased trading on 31 March 2009, further information is provided in Note 36.

In considering the group relationships, the following approach was taken for each company/organisation in which the Authority is involved, as prescribed by the Local Authorities Accounting Code of Practice:

- Establish whether the Authority has an interest in the organisation
- Establish whether an organisation is delivering a trade or business of its own
- Establish whether the Authority has access to benefits or exposure to the risk for potential loss
- Establish whether the Authority controls the majority of the equity capital or equivalent voting rights or appoints the majority of the governing body

## GROUP INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2009

| 2007/08 Net<br>Expenditure<br><i>as restated</i><br><i>(see Note 7b)</i><br>£000 | 2008/09<br>Gross<br>Expenditure<br>£000 | 2008/09<br>Gross<br>Income<br>£000 | 2008/09 Net<br>Expenditure<br>£000 |
|--|---|------------------------------------|------------------------------------|
| <b>CONTINUING OPERATIONS</b>   |   |                                    |                                    |
| 2,937 Central Services to the Public   | 16,419                                  | (329)                              | 16,090                             |
| 70,400 Cultural & Related Services   | 86,611                                  | (7,692)                            | 78,919                             |
| 1,058 Environmental Services   | 3,592                                   | (2,332)                            | 1,260                              |
| 13,596 Planning & Development Services   | 14,875                                  | (2,545)                            | 12,330                             |
| 2,335 Transport Planning, Policy & Strategy                                      | 3,794                                   | (1,316)                            | 2,478                              |
| 37,649 Corporate and Democratic Core   | 38,567                                  | (2,902)                            | 35,665                             |
| 60 Non Distributed Costs   | 3,347                                   | 0                                  | 3,347                              |
| <b>DISCONTINUED OPERATIONS</b>   |   |                                    |                                    |
| Share of the operating results of Joint<br>146 Venture                           | 1,257                                   | (1,225)                            | 32                                 |
| <b>128,181 Net Cost of Services</b>  | <b>168,461</b>                          | <b>(18,340)</b>                    | <b>150,121</b>                     |
| 0 Share of Interest Payable by Joint Venture                                     |   |                                    | 0                                  |
| (4,674) Interest & Investment Income   |   |                                    | (4,380)                            |
| (19) Share of Interest Receivable by Joint Venture                               |   |                                    | (8)                                |
| Pensions Interest Cost and Expected Return<br>(207) on Pensions Assets           |   |                                    | 320                                |
| 0 Share of Joint Venture Corporate Tax   |   |                                    | 0                                  |
| <b>123,281 Net Expenditure</b>   |   |                                    | <b>146,053</b>                     |
| (38,348) General GLA Grant   |   |                                    | (48,006)                           |
| (87,252) Precepts  |   |                                    | (88,500)                           |
| <b>(2,319) (Surplus)/Deficit for the Year</b>                                    |   |                                    | <b>9,547</b>                       |

## Reconciliation of the Authority's Surplus/Deficit to the Group Surplus/Deficit

| 2007/08 Net<br>Expenditure<br>as restated (see<br>Note 7b)<br>£000 |  | 2008/09<br>£000     |
|--|--|---------------------|
| (2,460)  | <b>(Surplus)/Deficit on the Authority's single entity Income and Expenditure Account</b>   | 9,562               |
| <u>(1,595)</u>   | Adjustments for transactions with other group entities   | <u>(1,616)</u>      |
| <b>(4,055)</b>   | <b>Surplus in the Group Income and Expenditure Account attributable to the Authority</b>   | <b>7,946</b>        |
|  | (Surplus)/Deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions) |                     |
| 1,609  | Subsidiaries   | 1,577               |
| 127  | Joint Ventures   | 24                  |
| <u><b>(2,319)</b></u>  | <b>Group Account surplus or deficit for the year</b>   | <u><b>9,547</b></u> |

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| 2007/08<br>£000       |  | 2008/09<br>£000      |
|-----------------------|--|----------------------|
| (2,319)               | (Surplus)/Deficit for the year on the Income and Expenditure account | 9,547                |
| (6,965)               | Actuarial (gains)/losses on pension fund assets and liabilities      | 9,274                |
| <b><u>(9,284)</u></b> | <b>Total Recognised (Gains)/ Losses for the Year</b>                 | <b><u>18,821</u></b> |

### Note on prior period adjustment

|   |                      |
|---|----------------------|
| Total recognised (gains)/ losses related to the year as above                 | 18,821               |
| Prior period adjustment- Greater London Authority ( as explained in Note 7b)  | 281                  |
| <b>Total gains and losses recognised since the last Statement of Accounts</b> | <b><u>19,102</u></b> |





## GROUP CASH FLOW

| 2007/08<br>£000 |  | 2008/09<br>£000 |
|-----------------|--|-----------------|
| <b>(1,252)</b>  | <b>Revenue Activities Net Cash Flow</b>                              | <b>44</b>       |
|                 | <b>Returns on Investments and Servicing of Finance</b>               |                 |
|                 | <i>Cash Outflows</i>   |                 |
| 0               | Interest Paid  | 0               |
|                 | <i>Cash Inflows</i>  |                 |
| (4,520)         | Interest Received  | (4,984)         |
| <b>(4,520)</b>  | <b>Returns on Investments and Servicing of Finance Net Cash Flow</b> | <b>(4,984)</b>  |
|                 | <b>Capital Activities</b>  |                 |
|                 | <i>Cash Outflows</i>   |                 |
| 1,794           | Purchase of Fixed Assets   | 1,724           |
| 0               | Increase in long term investments                                    | 0               |
|                 | <i>Cash Inflows</i>  |                 |
| (154)           | Other Capital Cash Receipts  | (330)           |
| <b>1,640</b>    | <b>Capital Activities Net Cash Flow</b>                              | <b>1,394</b>    |
| <b>(4,132)</b>  | <b>Net Cash (Inflow)/Outflow before Financing</b>                    | <b>1,140</b>    |
|                 | <b>Management of Liquid Resources</b>                                |                 |
| (5,500)         | Net Increase / (Decrease) in short term deposits                     | 30              |
| <b>(9,632)</b>  | <b>Net (Increase) / Decrease in cash</b>                             | <b>(7,860)</b>  |

## **Explanatory Notes to the Group Accounts**

### **34. Basis of Consolidation**

London Connects Ltd. has been accounted for as a joint venture. It has been consolidated using the Gross Equity Method, in accordance with FRS9. Fifty percent of London Connect's revenue transactions, assets, liabilities and reserves have been included in the group accounts.

London Travel Watch has been accounted for as a subsidiary. It has been consolidated on a line by line basis, in accordance with FRS2.

### **35. Accounting Policies**

The Group Accounts have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (GAAP) and provisions of the Companies Act.

UK GAAP requires the alignment of the accounting policies of the group entities prior to consolidation. The de minimis threshold for the capitalisation of expenditure differed among the three organisations, being London Connects £2,500, London Travelwatch £5,000 and GLA £20,000. For the preparation of the group accounts the de minimis threshold for all organisations has been aligned to £20,000.

### **36. London Connects Ltd**

London Connects is a company limited by guarantee, which was formed jointly by the Authority and London Councils, on behalf of the London Boroughs, in 2002. London Connects ceased trading on 31 March 2009, the Board however has decided not to wind up the company but to transfer all projects and reserves to Capital Ambition, London Councils.

London Connects' purpose was to ensure that all London's citizens and businesses were made aware of and able to benefit from, better services and improved job opportunities to be provided by the information revolution and the growth of the knowledge economy. The Board of Directors comprised eight members Nominated by the Greater London Authority and London Councils.

London Connects Ltd's auditors are

Knox Cropper  
8/9 Wells Court  
London  
EC4M 9DN

Copies of the audited financial statements of London Connects are available from 59 ½ Southwark Street, London, SE1 0AL. The accounts for 2008/09 received an unqualified audit opinion.

### **37. London Travelwatch**

London Travel Watch (LTW) is a body corporate (under its statutory title of the London Transport Users Committee). It acts as an independent passenger watchdog, reviewing London's transport services, conducting research into London's Transport and acting as an appeals body for passenger complaints. LTW reports to, and is funded by, the London Assembly. The Board of LTW comprises a Chair and 12

members, all of whom are appointed by the London Assembly. They are supported by around 26 staff. Its legal status is set out in the GLA Act 1999 as amended by the Railways Act 2005.

The London Assembly has the power to issue guidance and direction to London TravelWatch subject to explaining why any such action is proposed. The London Assembly also approves LTW's budget and requires that its accounts and business plan be submitted to the GLA.

Although no formal agreement exists between London TravelWatch and the GLA, it is likely the GLA would meet accumulated deficits or losses incurred by London TravelWatch during the normal course of business.

London Travel Watch's auditors are

Grant Thornton UK LLP  
Chartered Accountants  
Bryanston Court  
Hemel Hempstead  
Herts HP2 4TN

Copies of London Travel Watch's audited financial statements are available from 6 Middle Street, London, EC1A 7JA. The accounts for 2008/09 received an unqualified audit opinion.

### **38. Summary of London Connects Ltd and London TravelWatch transactions included in the Group Income and Expenditure Account**

The transactions shown below are after the alignment of the group accounting policies.

| <b>2007/08</b>                |                            |                                       | <b>2008/09</b>                |                            |
|-------------------------------|----------------------------|---------------------------------------|-------------------------------|----------------------------|
| <b>£000</b>                   | <b>£000</b>                |                                       | <b>£000</b>                   | <b>£000</b>                |
| <b>London<br/>Travelwatch</b> | <b>London<br/>Connects</b> |                                       | <b>London<br/>Travelwatch</b> | <b>London<br/>Connects</b> |
| (37)                          | (1,071)                    | Turnover                              | (42)                          | (1,225)                    |
| 1,651                         | 1,217                      | Expenditure                           | 1,626                         | 1,257                      |
| 1,614                         | 146                        | Operating (Surplus)/Deficit           | 1,584                         | 32                         |
| (5)                           | (19)                       | Interest Receivable                   | (7)                           | (8)                        |
| <b>1,609</b>                  | <b>127</b>                 | <b>(Surplus)/Deficit for the year</b> | <b>1,577</b>                  | <b>24</b>                  |

### 39. Group Long Term Assets

| 31 Mar 08                     |                           |                    |              | 31 Mar 09    |                           |                    |              |
|-------------------------------|---------------------------|--------------------|--------------|--------------|---------------------------|--------------------|--------------|
| £000                          | £000                      | £000               | £000         | £000         | £000                      | £000               | £000         |
| GLA                           | London<br>Travel<br>Watch | London<br>Connects | Group        | GLA          | London<br>Travel<br>Watch | London<br>Connects | Group        |
| <b>Long Term Assets</b>       |                           |                    |              |              |                           |                    |              |
| <b>Tangible Fixed Assets</b>  |                           |                    |              |              |                           |                    |              |
| 2,873                         |                           | 43                 | 2,916        | 2,292        | 38                        |                    | 2,330        |
| <b>Non-Operational Assets</b> |                           |                    |              |              |                           |                    |              |
| 1,133                         |                           |                    | 1,133        | 1,383        |                           |                    | 1,383        |
| 2,000                         |                           |                    | 2,000        | 2,105        |                           |                    | 2,105        |
| <b>6,006</b>                  | <b>0</b>                  | <b>43</b>          | <b>6,049</b> | <b>5,780</b> | <b>38</b>                 | <b>0</b>           | <b>5,818</b> |

### 40. Group Current Assets

| 31 Mar 08             |                           |                    |               | 31 Mar 09     |                           |                    |               |
|-----------------------|---------------------------|--------------------|---------------|---------------|---------------------------|--------------------|---------------|
| £000                  | £000                      | £000               | £000          | £000          | £000                      | £000               | £000          |
| GLA                   | London<br>Travel<br>Watch | London<br>Connects | Group         | GLA           | London<br>Travel<br>Watch | London<br>Connects | Group         |
| <b>Current Assets</b> |                           |                    |               |               |                           |                    |               |
| 73                    |                           |                    | 73            | 62            |                           |                    | 62            |
| 10,420                | 401                       | 17                 | 10,837        | 48,133        | 9                         | 287                | 48,429        |
| 145                   |                           | 47                 | 192           | 1,485         | 53                        |                    | 1,538         |
| 27,000                |                           |                    | 27,000        | 18,678        |                           |                    | 18,678        |
| 9,102                 | 302                       | 88                 | 9,491         | 15,453        | 212                       | 156                | 15,821        |
| <b>46,740</b>         | <b>702</b>                | <b>151</b>         | <b>47,593</b> | <b>83,811</b> | <b>274</b>                | <b>443</b>         | <b>84,528</b> |

### 41. Group Current Liabilities

| 31 Mar 08                  |                           |                    |                 | 31 Mar 09       |                           |                    |                 |
|----------------------------|---------------------------|--------------------|-----------------|-----------------|---------------------------|--------------------|-----------------|
| £000                       | £000                      | £000               | £000            | £000            | £000                      | £000               | £000            |
| GLA                        | London<br>Travel<br>Watch | London<br>Connects | Group           | GLA             | London<br>Travel<br>Watch | London<br>Connects | Group           |
| <b>Current Liabilities</b> |                           |                    |                 |                 |                           |                    |                 |
| (10,187)                   | (603)                     | (36)               | (10,825)        | (58,303)        | (105)                     | (384)              | (58,792)        |
| (4,118)                    |                           | (7)                | (4,125)         | (3,790)         | (7)                       |                    | (3,797)         |
| (1,530)                    |                           |                    | (1,530)         |                 |                           |                    | 0               |
| <b>(15,835)</b>            | <b>(603)</b>              | <b>(43)</b>        | <b>(16,480)</b> | <b>(62,093)</b> | <b>(112)</b>              | <b>(384)</b>       | <b>(62,589)</b> |



#### 44. Reconciliation of Group Revenue Surplus to Net Cash Movement

| 2007/08<br>£000       |   | 2008/09<br>£000     |
|-----------------------|---|---------------------|
| (2,319)               | (Surplus) / Deficit for the period                                      | 9,547               |
|                       | <i>Non-Cash Transactions</i>  |                     |
| (1,629)               | Depreciation of Fixed Assets  | (1,511)             |
| 7                     | Deferred income   | 7                   |
| 174                   | Government Grants Deferred amortisation                                 | 176                 |
| (4,253)               | Net charges made for retirement benefits in accordance with FRS17       | (6,296)             |
| 4,030                 | Employer's contributions payable to the Local Government Pension Scheme | 6,099               |
|                       | Prior year capital expenditure expensed to revenue                      | (239)               |
| <u>(1,671)</u>        |   | <u>(1,764)</u>      |
|                       | <i>Movement in Accruals</i>   |                     |
| 13                    | Stocks  | (11)                |
| 1,113                 | Debtors/Payments in Advance   | 40,331              |
| (157)                 | Provisions  | (23)                |
| (2,924)               | Creditors/Income in Advance   | (47,723)            |
| <u>(1,955)</u>        |   | <u>(7,426)</u>      |
|                       | <i>Items in another classification on the Cash Flow Statement</i>       |                     |
| 4,693                 | Interest Receivable   | 4,373               |
| <u><u>(1,252)</u></u> | <b>Net Cash (Inflow)/ Outflow from Revenue Activities</b>               | <u><u>4,730</u></u> |

#### 45. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on the date the Executive Director of Resources certified that the audited accounts presents fairly the financial position of the Authority at the year end and its income and expenditure, see page 17. This is the date up to which events after the balance sheet date have been considered

## **Glossary**

This glossary helps to define some of the terms and phrases found in these accounts.

### **Accounting Period**

The length of time covered by the accounts, in the case of these accounts the year from 1 April 2008 to 31 March 2009.

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

### **Actuarial Gains and Losses**

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

### **Appropriations**

The transfer of resources between various revenue reserves.

### **Balances**

These represent the accumulated surplus of revenue income over expenditure.

### **Best Value**

The legislative framework for ensuring that local authorities have set up arrangements to secure continuous improvement in services.

### **Budget Requirement**

The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Precepts and Government Grants). This requirement is then offset by Government Grant, the balance being the amount levied as a precept.

### **Capital Expenditure**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Authority in providing its services for more than one year.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

### **Collection Fund**

A fund administered by each London Borough Council and the Corporation of the City of London. The Council Tax is paid into this fund and the net requirements of the Authority and its Functional Bodies as well as the Borough/Corporation are met from the fund. Any surplus or deficit is shared between the various authorities.

### **Creditors**

The amounts owed by the Authority at the Balance Sheet date in respect of goods and services received before the end of the accounting period but not paid for.



**Debtors**

Amounts owed to the Authority but unpaid at the Balance Sheet date.

**Depreciation**

The measure of the cost or revalued amount of the benefit of the fixed asset that has been consumed during the period.

**Fees and Charges**

The income raised by charging for goods, services or the use of facilities.

**Financial Instrument**

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. The term "financial instrument" covers both financial assets and financial liabilities and includes trade receivables and trade payables, investments and borrowings.

**Fixed Asset**

A tangible item that yields benefit to the Authority for a period of more than one year.

**Functional Body**

A term used to describe those bodies, other than the Greater London Authority, for which the Mayor of London sets the budget and appoints members to run those bodies. The four functional bodies are:

- **London Development Agency** responsible for economic development, regeneration and promoting competitiveness and employment in London
- **London Fire & Emergency Planning Authority** responsible for providing an efficient and effective fire brigade and emergency planning service for London
- **Metropolitan Police Authority** responsible for providing an efficient and effective police service to the Metropolitan Police District (Greater London except the City of London which has its own police force provided by the Corporation of London)
- **Transport for London** responsible for London's buses, London Underground, Docklands Light Railway, Croydon Tramlink, Dial-a-Ride services, London River Services, Woolwich Free Ferry, taxis, private hire cars and maintenance and traffic management of most of the major roads in Greater London.

**Financial Reporting Standard 17**

An accounting standard brought in to reflect the transactions, assets and liabilities of the pension fund in the accounts. However, at present these are notional and do not impact on the level of tax to be raised.

**GLA Grant**

Central Government financial support towards the general expenditure of the Greater London Authority.

**National Non Domestic Rates (NNDR) [also known as Business Rates or Uniform Business Rate (UBR)]**

Rates from Non Domestic properties collected locally are pooled nationally and redistributed from this pool to local authorities on the basis of population.

**Precept**

The amount the Authority and its Functional Bodies requires the London Boroughs and Corporation to pay from their Collection Funds to meet the costs of services.

**Prepayment**

Where expenditure has been invoiced and charged against the current year's budget, but relates to goods and services to be received in the following financial year. This expenditure has to be treated as a prepayment.

**Provisions**

Amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

**Reserves**

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems.

Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revenue Expenditure**

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

**Revenue Support Grant**

Central Government financial support towards the general expenditure of local authorities.

**Specific Government Grants**

Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.

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