

GREATER **LONDON** AUTHORITY

Statement of Accounts 2011/12 AUDITED



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EXPLANATORY FOREWORD

1. Introduction

Welcome to the Greater London Authority's Annual Statement of Accounts for 2011/12. The purpose of this foreword is to provide a guide to the accounts and to the most significant aspects of the GLA's financial performance, year-end financial position and cash flows.

2. International Financial Reporting Standards (IFRS)

These accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This is to allow consistency and comparability between financial reports in the global economy and UK public sector bodies; and to follow private sector best practice in financial reporting.

The principal accounting statements are the:

- **Movement in Reserves Statement:** This statement shows the movement in the year on the different reserves held by the Authority and the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing services, more details are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfer to or from earmarked reserves;
- **Comprehensive Income and Expenditure Statement:** This statement is fundamental to understanding the Authority and the Group's activities. It brings together all of the functions of the Authority and the Group and summarises all of the resources that have been generated, consumed or set aside in carrying out activities during the year. As such, it is intended to show the true financial position of the Authority and the Group, before allowing for the concessions provided by statute to raise local taxation according to different rules and for the ability to divert particular expenditure to be met from capital resources;
- **Balance Sheet:** like the Comprehensive Income and Expenditure Statement this is also fundamental to understanding the financial position of the Authority and the Group as at 31 March. The Balance Sheet shows the value of the assets and liabilities recognised by the Authority and the Group. The net assets (assets less liabilities) are matched by the reserves held by the Authority and the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority and the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is the one that the Authority and the Group is not able to use to provide services. This category of reserves

includes reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations";

- **Cash Flow Statement:** the Cash Flow Statement shows the changes in cash and cash equivalents of the Authority and Group during the reporting period. The statement shows how the Authority and Group generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

These Statements are further supported by notes and supplementary financial statements, including the:

- **Fund Account**, which details the income from Government and expenditure between the GLA and functional bodies; and
- **Business Rates Supplement Revenue Account**, which details the income raised from the levy imposed on large non-domestic ratepayers to raise money to fund the Crossrail construction project.

3. Changes at the GLA

From 2012-13 the GLA has important new statutory functions, arising from the following:

- a. The devolution of powers over housing investment in London from the Homes and Communities Agency;
- b. The abolition of the London Development Agency with its city-wide roles on regeneration and management of European funding;
- c. The abolition of the London Thames Gateway Development Corporation and the transfer of certain of its responsibilities; and
- d. The creation of a Mayoral Development Corporation, the London Legacy Development Corporation, responsible for the legacy development of the Queen Elizabeth Olympic Park.

These additional responsibilities will have a fundamental impact on the GLA, as follows:

- From having a relatively low level of long term assets the GLA will have land and property for development and resale of some £0.5 billion;
- The London Settlement agreed with Government provides for a total funding package to the GLA for its new responsibilities of almost £3 billion;
- The GLA's revenue budget is set to increase by over 50 per cent and its Capital Programme by 85 per cent in 2012-13.
- The GLA has inherited the LDA's Compulsory Purchase Order (CPO) liabilities with a forecast maximum exposure of just under £0.1 billion; and

- Alongside the GLA's responsibilities to borrow £3.5 billion for Crossrail, the GLA has an underlying need to borrow for land acquired by the LDA for the Olympics.

These changes will lead to major changes in the GLA's 2012/13 accounts. In particular, the GLA's new commercial activities arising from its land and property portfolio are being accounted for through a new subsidiary company.

4. The GLA's spending in 2011/12

The following charts show where the GLA's money comes from and what it is spent on. As the charts show, the GLA's income and spending was principally in respect of Crossrail and the Olympics.

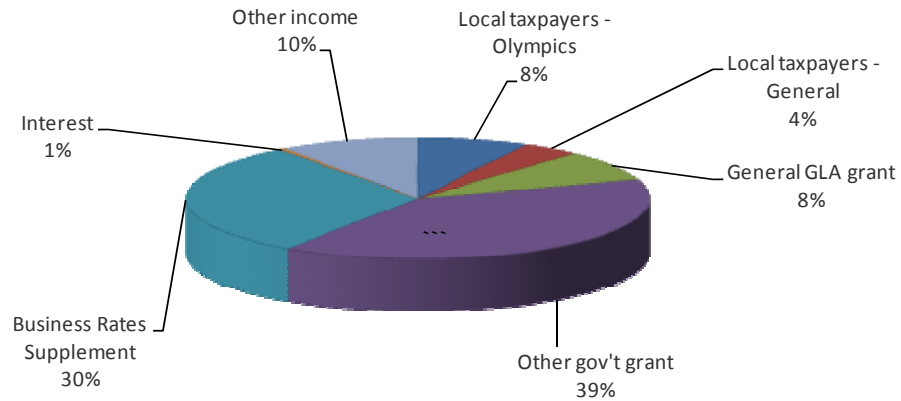
The Crossrail project will provide a railway across London connecting the outer suburbs and Heathrow to the West End, the City and Canary Wharf. It is Europe's largest construction project and will revolutionise transport in the south-east, bringing a further 1.5 million people within an hour's commute of the City. The GLA is required to borrow and pass on to Transport for London £3.5 billion towards the cost of Crossrail between 2010/11 and 2014/15. The financing and repayment of this borrowing is funded through the 2p Crossrail Business Rate Supplement, which is a property based tax levied on larger businesses within Greater London (i.e. those with a rateable value above £55,000), collected alongside business rates. In 2011/12 the GLA received BRS income of £233.7million.

The Olympic and Paralympic Games will take place in the summer and the GLA is committed to capturing the best possible legacy for London from the Olympics. The GLA has committed to raise up to £625 million from London's Council Taxpayers as a contribution to the public sector funding package for the Games. In 2011/12 the GLA raised £60.3million from the £20 Olympic precept. Further details are set out in the Comprehensive Income and Expenditure Statement.

Further information on the GLA's activities in 2011/12 can also be found within:

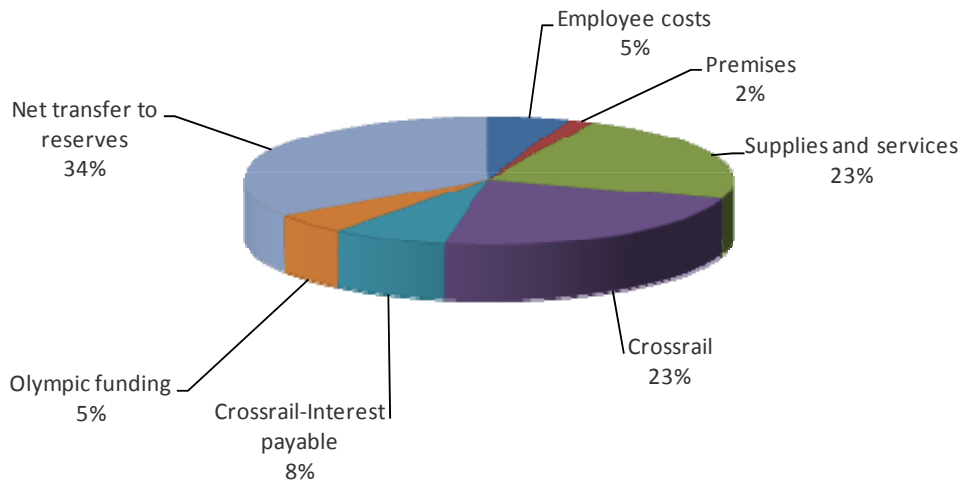
- The Mayor's Annual Report for 2011/12
<http://www.london.gov.uk/talklondon/mayors-annual-report>
- London Assembly Annual Report for 2011/12
<http://www.london.gov.uk/publication/london-assembly-annual-report-2011-12>

Where the money came from:



General GLA grant accounts for 8% of the GLA's revenue requirement and local taxpayers contributed 12%, with 4% being general council tax and 8% the element of council tax earmarked for the Olympics. The remaining funding for the GLA came from other government grant (39%), Business Rates Supplement (30%), other income (10%) and interest (1%).

What the money was spent on:



In 2011/12 the Authority received grants and contributions from the London Development Agency and Central Government which is principally funding for future expenditure on the functions that have transferred from the Homes and Communities Agency, the London Thames Gateway Development Corporation and the London Development Agency. This income largely funded the net in-year transfer to earmarked reserves of £259m and represents 34% of gross revenue expenditure. The financial contribution to support Crossrail represents 31% of the GLA's gross revenue expenditure and the cost of staging the 2012 Olympic and Paralympic Games accounted for 5% of gross expenditure. The balance of expenditure of 30% went on employee costs (5%)

and running costs (25%). Details of the GLA's functions and activities are set out in the Comprehensive Income and Expenditure Statement.

5. GLA's Financial Position

The revenue outturn for 2011/12 is an under spend of £6.4m against a budget of £155.1m. However, £4.2million of this sum, which was originally to support prudential borrowing, was earmarked during 2011/12 to increase reserves, as the proposed borrowing did not take place. Therefore, the overall variance of £2.2million is a surplus of 1.4 per cent in 2011/12.

Mostly as a result of this change, the GLA's general reserves have increased from £4.1m at 31 March 2011 to £9.6 million at 31 March 2012. This represents 2 per cent of the GLA's 2012/13 total revenue expenditure. The GLA's earmarked reserves have increased from £48.5 million to £307.9 million during 2011/12. The high level of reserves reflects the payment of £349 million in March in respect of the Settlement reached with Government, including £240 million brought forward from payments due in 2012/13 and 2013/14 to assist with the management of debt. This high level of reserves builds substantial balance sheet resilience to manage the GLA's new functions.

The Capital Programme for 2011/12 slipped by £8.6 million against a revised Programme of £0.9 billion. The slippage occurred on programmes not connected to the financing of Crossrail, mainly on transferred projects from the LDA. The bulk of the capital expenditure represents the GLA's £871.6 million contribution to the Crossrail project of which £698.6 million was funded from borrowing and £173 million from the Business Rates Supplement.

The GLA's borrowing has been entirely for Crossrail. However, this liability is underpinned by an extremely strong covenant arising from the Business Rate Supplement and has been undertaken within the tight regulatory framework for Prudential Borrowing. Accordingly, the GLA's credit rating has been maintained at AA+ with a comment that the overall financial position of the GLA has strengthened. Further details are set out in the BRS Revenue Account.

6. Pensions

The accounts comply with the relevant accounting requirements, known as International Accounting Standard 19 (IAS 19), and pension fund assets and liabilities are included on the balance sheet. The GLA's estimated liabilities for retirement benefits for the pension fund exceeded the assets in the fund by £49.334m as at 31 March 2012, when valued according to IAS 19. This is an increase of £29.149m on the net liability which stood at £20.185m on 31 March 2011. This increase in the liabilities largely arises from a lower discount rate assumed by the Fund's actuary because of historically low interest rates. Further details are set out in note 23 "Pensions".

The actuary has certified that the GLA's employer contribution is to be maintained at the previous rate of 14.8% for the three years to 31 March 2014. Statutory provisions require the GLA's reserves to be charged with the amount payable by the GLA to the pension fund in the year, not

the amount calculated according to IAS 19. The IAS 19 transactions are charged to the Authority's income and expenditure account and accounts for the Authority's future pensions obligations. Statute however requires that the IAS19 charges are reversed and not charged against the Authority's reserves.

7. Future Plans

The GLA agreed a Settlement with the Government in February 2012 which set out a good basis for the GLA's future financial planning. This London Settlement included a funding agreement of almost £3 billion for the current spending review period to allow the GLA to meet its new responsibilities described above. Over the longer term, the London Settlement sets out that the GLA would repay the Olympic debt taken out by the LDA in return for having pre-emptive rights to disposals arising from the Olympic site. This agreement allows the GLA an opportunity, albeit with risks, to access a higher level of capital receipts than would otherwise have been the case over the medium term.

The Government's proposes to introduce a new system for financing local government under the Local Government Resource Review. The Business Rates Retention scheme, which is to be introduced from April 2013, has the aim of allowing local authorities to benefit from future growth in business rates. However, at the time of writing there remains uncertainty about the exact impact of these changes and the extent to which the GLA's funding currently provided through its General Grant will be affected.

8. Greater London Authority Group accounts

Under the Code of Practice on Local Authority Accounting the GLA is required to produce Group Accounts for the Greater London Authority Group, which for the purpose of this Statement of Accounts comprises:

- the GLA, including the Olympic Park Legacy Company (OPLC) and London Travelwatch;
- the London Development Agency (LDA);
- the London Fire and Emergency Planning Authority (LFEPA);
- the Metropolitan Police Authority (MPA) to 16 January 2012 and from then the Mayor's Office for Policing and Crime (MOPAC); and
- Transport for London (TfL).

The relationship between the GLA and those bodies in the GLA Group are set out below:

The OPLC was formally established on 31 October 2009 and the founder members are the Mayor and the Government. The OPLC was the lead agency to deliver the legacy commitments made as

part of the bid to host the Olympic and Paralympic Games in London in 2012. The founder members appointed all the OPLC Board Members and the Mayor and the Government jointly made decisions under the founder Members Agreement. From 2012-13 the OPLC has now been replaced by a Mayoral Development Corporation, the London Legacy Development Corporation.

London Travelwatch (LTW) is a body corporate (under its statutory title of the London Transport Users Committee). It acts as an independent passenger watchdog reporting to the London Assembly. The Board of LTW is appointed by the London Assembly. The Assembly also approves LTW's budget and has the power to issue guidance and direction.

The LDA was a Regional Development Agency and a functional body of the GLA. The Mayor appointed the LDA Board and the Mayor gave directions and guidance in relation to the exercise of the LDA's functions. The Government approved an annual grant to the LDA and imposed conditions on its usage. However, the Mayor determined the LDA's budget requirement and borrowing limits up to and including 2011-12. . The LDA has consolidated SME Wholesale Finance Ltd as a subsidiary in its Statement of Accounts. The LDA was abolished on 31 March 2012.

LFEPA is a functional body of the GLA. The Mayor appoints all LFEPA's 17 Members and chooses one of them to be the Chairman of the Authority. Eight are nominated from the London Assembly, seven from the London Boroughs and two Mayoral appointees. The Mayor has the power to give LFEPA directions and guidance. The Mayor is responsible for setting LFEPA's council tax requirement (from 2012-13), its budget requirement (until 2011-12) and borrowing limits.

The MPA was a functional body of the GLA until 16 January 2012. The MPA comprised 12 London Assembly members, appointed to the Authority by the Mayor of London, and 11 Independent members. The Mayor is the direct line of accountability between the Metropolitan Police Service and the people of London and he appointed the Chair and Vice chair of the MPA. The Mayor was responsible for setting the MPA's council tax requirement (from 2012-13), its budget requirement (until 2011-12) and borrowing limits. From 16 January 2012 the Mayor's Office for Policing and Crime took over the responsibilities of the MPA. The Mayor appointed a Deputy Mayor for Policing and Crime to undertake the MOPAC's responsibilities from 16 January 2012.

TfL is a functional body of the GLA and is a statutory corporation. The Mayor is the Chairman of TfL's Board and appoints the Board's membership. The Mayor is responsible for setting fares, TfL's council tax requirement (from 2012-13), its budget requirement (until 2011-12) and borrowing limits. The legal structure of TfL comprises:

- the Corporation, which is made up of London Streets, the Public Carriage Office and the corporate centre which for legal and accounting purposes, constitutes TfL; and
- the TfL Group which is made up of the Corporation and its subsidiaries, which are summarised below:

Subsidiaries	Principal activity
Transport Trading Limited	Holding company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Tube Lines (Holdings) Limited	Holding company
Tube Lines Limited	Maintenance of underground lines
Tube Lines (Finance) Plc	Financing company
UIC Transport (JNP) Limited	Financing company
Rail for London Limited	Passenger transport by rail
Docklands Light Railway Limited	Passenger transport by rail
City Airport Rail Enterprises Plc	Construction and maintenance of DLR lines
City Airport Rail Enterprises (Holdings) Limited	Holding company
Woolwich Arsenal Rail Enterprises Limited	Construction and maintenance of DLR lines
Woolwich Arsenal Rail Enterprises (Holdings) Limited	Holding company
Tramtrack Croydon Limited	Passenger transport by tram
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride
Victoria Coach Station Limited	Coach station
London River Services Limited	Pier operator
Crossrail Limited	Construction of Crossrail infrastructure
Transport for London Finance Limited	Manages financial risk of the Group
London Transport Museum Limited	Charitable company
London Transport Museum (Trading) Limited	Trading company
London Transport Insurance (Guernsey) Limited	Insurance

TfL holds 100 per cent of the share capital of all subsidiaries. The financial statements of these companies are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. The financial statements for the subsidiary companies for the period ended 31 March 2012 all received unqualified audit opinions.

9. Other issues

Surplus GLA cash and funding provided by the Government to the GLA was used in March 2012 by the LDA to entirely repay its loans with the Public Works Loan Board which the LDA had taken out to acquire land for the Olympics. The LDA's Olympic debt portfolio posed a significant refinancing risk in later years to the GLA. In the light of low interest rates, good value for money was offered by the LDA repaying the existing debt in full with a view that the GLA will replace the debt with a more suitable portfolio in due course. This is likely to be a gradual refinancing designed to secure the best absolute rates whilst optimising short term revenue savings. Longer term, the London

Settlement set out the Government's expectations that non-Crossrail debt will be fully repaid by 2030-31.

There are no other exceptional items to draw to the attention of readers of the accounts. The Authority deployed earmarked reserves to pay for the costs of the 2012 Elections and will begin to build up reserves to finance the cost of the 2016 Elections. There are no other significant provisions or contingencies in the 2011-12 accounts. There have been no material write-offs in 2011/12.

The Annual Governance Statement for 2011-12 is being published in parallel with these accounts, rather than within these Statements.

10. Further Information

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

Martin Clarke

Executive Director, Resources

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;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Executive Director of Resources' responsibilities

The Executive Director of Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* (the Code).

In preparing this Statement of Accounts, the Executive Director of Resources has:

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

The Executive Director of Resources has also:

- kept proper accounting records which were up to date; and
- 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 for the Greater London Authority, give a true and fair view of the financial position of the Greater London Authority as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Martin Clarke CPFA

Executive Director of Resources

Date: 26 September 2012

Approval of the Statement of Accounts by the Mayor of London

In accordance with Regulation 10(3) of the Accounts and Audit Regulations 2011, I approve the accounts of the Greater London Authority.

Boris Johnson
Mayor of London

Date: 26 September 2012

INDEPENDENT AUDITOR'S REPORT TO THE GREATER LONDON AUTHORITY

Opinion on the financial statements

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

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Resources and auditor

As explained more fully in the Statement of the Executive Director of Resources' Responsibilities, the Executive Director of Resources is responsible for the preparation of the Authority and Group Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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 to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, the Greater London Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Karen McConnell

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

Date: 27 September 2012

Group Movement in Reserves Statement

Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries' and Joint Venture's Reserves	Total Reserves		
	£000	£000	£000	£000	£000	£000	£000	Usable £000	Unusable £000	£000	
Balance at 31 March 2011	4,126	48,531	27	4,526	57,210	(809,633)	(752,423)	2,289,538	(7,419,130)	(5,882,015)	
Prior period restatements	0	0	0	0	0	0	0	79	(32,000)	(31,921)	
	4,126	48,531	27	4,526	57,210	(809,633)	(752,423)	2,289,617	(7,451,130)	(5,913,936)	
Movement in reserves during 2011/12											
Group surplus or (deficit)	(432,733)	0	0	0	(432,733)	0	(432,733)	(42,907)	766,107	290,467	
Corporation Tax	0	0	0	0	0	0	0	5,839		5,839	
Other Comprehensive Expenditure and Income	0	0	0	0	0	(28,243)	(28,243)	(256)	(1,040,857)	(1,069,356)	
Total Comprehensive Expenditure and Income	(432,733)	0	0	0	(432,733)	(28,243)	(460,976)	(37,324)	(274,750)	(773,050)	
Other Adjustments	0	0	0	0	0	0	0	(84)	19	(65)	
Adjustments between accounting basis and funding basis under regulations	6	697,554	0	(27)	(4,526)	693,001	(693,001)	0	503,682	(503,281)	401
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	264,821	0	(27)	(4,526)	260,268	(721,244)	(460,976)	466,275	(778,012)	(772,714)	
Transfers (to)/from Earmarked Reserves	9	(259,352)	259,352	0	0	0	0	0	0	0	
Increase/(Decrease) in 2011/12	5,469	259,352	(27)	(4,526)	260,268	(721,244)	(460,976)	466,275	(778,012)	(772,714)	
Balance at 31 March 2012 carried forward	9,595	307,883	0	0	317,478	(1,530,877)	(1,213,399)	2,755,892	(8,229,142)	(6,686,650)	

Movement in Reserves Statement 2010/11 - Restated

Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries' Reserves	and Joint Venture's Reserves	Restated Total Reserves
	£000	£000	£000	£000	£000	£000	£000	Restated Usable £000	Restated Unusable £000	£000
Balance at 31 March 2010	3,943	34,695	27	3,060	41,725	(23,065)	18,660	1,431,296	(11,951,284)	(10,501,328)
Prior Period Adjustment									(13,362)	(13,362)
Restated Balance at 31 March 2010	3,943	34,695	27	3,060	41,725	(23,065)	18,660	1,431,296	(11,964,646)	(10,514,690)
Movement in reserves during 2010/11										
Group surplus or (deficit)	(776,300)	0	0	0	(776,300)	0	(776,300)	2,247,260	624,428	2,095,388
Corporation Tax	0	0	0	0	0	0	0	1,308	0	1,308
Other Comprehensive Expenditure and Income	0	0	0	0	0	5,217	5,217	60,473	2,479,650	2,545,340
Total Comprehensive Expenditure and Income	(776,300)	0	0	0	(776,300)	5,217	(771,083)	2,309,041	3,104,078	4,642,036
Gain arising from Revaluation of Assets						0	0	0	0	0
Other Movements	0	0	0	0	0	0	0	986	(4,111)	(3,125)
Adjustments between accounting basis and funding basis under regulations	790,318	0	0	1,466	791,784	(791,785)	(1)	(1,413,085)	1,412,276	(810)
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	14,018	0	0	1,466	15,484	(786,568)	(771,084)	896,942	4,512,243	4,638,101
Transfers (to)/from Earmarked Reserves	(13,836)	13,836	0	0	0	0	0	(38,700)	38,700	0
Prior Period Adjustment	0	0	0	0	0	0	0	0	(5,426)	(5,426)
Increase/(Decrease) in 2010/11	182	13,836	0	1,466	15,484	(786,568)	(771,084)	858,242	4,545,517	4,632,675
Balance at 31 March 2011 carried forward	4,125	48,531	27	4,526	57,209	(809,633)	(752,424)	2,289,538	(7,419,129)	(5,882,015)

Authority Movement in Reserves Statement

Note	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	(4,126)	(48,531)	(27)	(4,526)	(57,210)	809,633	752,423
Balance at 31 March 2011							
Movement in reserves during 2011/12							
	432,733	0	0	0	432,733	0	432,733
	0	0	0	0	0	28,243	28,243
Total Comprehensive Expenditure and Income							
	432,733	0	0	0	432,733	28,243	460,976
	Adjustments between accounting basis and funding basis under regulations						
7	(697,554)	0	27	4,526	(693,001)	693,001	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves							
	(264,821)	0	27	4,526	(260,268)	721,244	460,976
	Net Transfers to/(from) Earmarked Reserves						
9	259,352	(259,352)	0	0	0	0	0
Increase/Decrease in 2011/12							
	(5,469)	(259,352)	27	4,526	(260,268)	721,244	460,976
Balance at 31 March 2012 carried forward							
	(9,595)	(307,883)	0	0	(317,478)	1,530,877	1,213,399

Note	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	(3,943)	(34,695)	(27)	(3,060)	(41,725)	23,065	(18,660)
Balance at 31 March 2010							
Movement in reserves during 2010/11							
	776,300	0	0	0	776,300	0	776,300
	0	0	0	0	0	(5,217)	(5,217)
Total Comprehensive Expenditure and Income							
	776,300	0	0	0	776,300	(5,217)	771,083
	Adjustments between accounting basis and funding basis under regulations						
7	(790,319)	0	0	(1,466)	(791,785)	791,785	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves							
	(14,019)	0	0	(1,466)	(15,485)	786,568	771,083
	Transfers to/from Earmarked Reserves						
	13,836	(13,836)	0	0	0	0	0
Increase/Decrease in 2010/11							
	(183)	(13,836)	0	(1,466)	(15,485)	786,568	771,083
Balance at 31 March 2011 carried forward							
	(4,126)	(48,531)	(27)	(4,526)	(57,210)	809,633	752,423

Group Comprehensive Income and Expenditure Statement

2010/11 Restated Gross Expenditure £000	2010/11 Restated Gross Income £000	2010/11 Restated Net Expenditure £000	Gross expenditure, gross income and net expenditure of continuing operations	Note	2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
1,288	(133)	1,155	Central services to the public		4,872	(112)	4,760
111,302	(15,186)	96,116	Cultural & Related Services		119,629	26,802	146,431
29,692	(5,340)	24,352	Environmental & Regulatory Services		32,856	(14,778)	18,078
298,608	(23,883)	274,725	Planning and Development Services		145,174	(77,970)	67,204
734	6,781	7,515	Education and children's services		1,055	(230)	825
5,993,515	(4,110,854)	1,882,661	Highways and transport services		6,145,688	(4,176,091)	1,969,597
1,289	(1)	1,288	Other housing services		8,804	(438)	8,366
0	0	0	Adult social care		0	0	0
3,919,377	(812,886)	3,106,491	Police Services		3,710,974	(795,379)	2,915,595
582,809	(30,147)	552,662	Fire and Rescue Services		496,851	(35,520)	461,331
44,424	55	44,479	Corporate and democratic core		30,313	(2,622)	27,691
(2,733,753)	0	(2,733,753)	Pensions - Past Service (Gain)/Loss		336,700	0	336,700
7,307	(50,600)	(43,293)	Non distributed costs		1,604	0	1,604
8,256,592	(5,042,194)	3,214,398	Cost Of Services		11,034,520	(5,076,338)	5,958,182
		389,641	Other Operating Expenditure	10			59,430
		1,707,285	Financing and Investment Income and Expenditure	11			1,833,382
		(7,406,786)	Taxation and Non-Specific Grant Income	12			(8,139,702)
		(2,095,462)	(Surplus) or Deficit on Provision of Services				(288,708)
			Share of the surplus or deficit on the provision of				
			65 services by joint ventures	37			(1,265)
			0 Tax expenses of subsidiaries				(1,523)
			9 Tax expenses of associates and joint ventures				1,029
		(2,095,388)	Group Surplus or Deficit				(290,467)
		(1,810)	Surplus or deficit on revaluation of non-current assets				(42,392)
		(2,539,073)	Actuarial gains/losses on pension assets/ liabilities				990,071
			Net change in fair value of cash flow hedges				
		(4,352)	reclassified to profit or loss				121,421
			Share of other comprehensive expenditure and				
		(104)	income of associates and joint ventures				256
		(2,545,339)	Other Comprehensive Income and Expenditure				1,069,356
		(1,308)	Corporation tax				(5,839)
		(4,642,035)	Total Comprehensive Income and Expenditure				773,050

Balance Sheet

Authority	Group	Group Restated		Authority	Group	
31 March 2011	1 April 2010	31 March 2011		31 March 2012	31 March 2012	
£000	£000	£000		£000	£000	
1,599	24,287,199	25,851,703	Property, Plant & Equipment	26	1,689	27,506,855
0	0	0	Heritage Assets		0	2,506
0	339,456	345,316	Investment Property	27	0	364,776
285	181,371	157,019	Intangible Assets		130	128,834
0	2,900	2,900	Assets held for sale		0	0
10	9,249	8,195	Long Term Investments		10	38,357
			Investments in Associates and			
0	(11)	20	Joint Ventures		0	0
0	140,087	120,633	Long Term Debtors		307	202,106
0	0	4,871	Derivative financial instruments		0	0
0	0	0	Deferred tax asset		0	0
1,894	24,960,251	26,490,657	Long Term Assets		2,136	28,243,434
15,111	61,712	260,057	Short Term Investments		327,198	1,078,812
0	236	2,094	Assets held for sale		0	44,317
58	26,513	44,695	Inventories	31	51	50,232
82,914	947,897	819,390	Short Term Debtors	32	98,380	988,427
251,058	1,618,062	2,170,456	Cash and Cash Equivalents	33	140,555	1,896,493
0	0	0	Derivative financial instruments		0	764
0	0	14,476	Current tax asset		0	0
349,141	2,654,420	3,311,168	Current Assets		566,184	4,059,045
0	(8,391)	(8,545)	Bank Overdraft	33	0	(1,985)
(40,725)	(24,352)	(576,544)	Short Term Borrowing		(115,666)	(2,373,233)
(242,548)	(2,715,641)	(2,570,823)	Short Term Creditors	34	(207,942)	(2,653,786)
0	(300,949)	(248,160)	Provisions	35	(6,242)	(281,176)
0	(3,627)	(3,669)	Short Term Liabilities		0	(3,863)
0	0	0	Derivative financial instruments		0	(7,972)
0	0	(1)	Current tax liability		0	(46)
(283,273)	(3,052,960)	(3,407,742)	Current Liabilities		(329,850)	(5,322,061)
0	(53,430)	(73,055)	Long Term Creditors		0	(51,962)
0	(411,400)	(290,328)	Provisions	35	0	(225,668)
(800,000)	(4,731,216)	(7,355,463)	Long Term Borrowing		(1,400,000)	(6,681,631)
0	0	(518)	Derivative Financial Instruments		0	(74,003)
(20,185)	(29,872,761)	(24,551,442)	Other Long Term Liabilities		(49,334)	(26,622,644)
0	0	0	Donated Assets Account		0	0
0	0	0	Donated Inventories Account		0	0
0	(7,594)	(5,292)	Grants Receipts in Advance		(2,535)	(11,160)
0	0	0	Deferred tax liability		0	0
(820,185)	(35,076,401)	(32,276,098)	Long Term Liabilities		(1,451,869)	(33,667,068)
(752,423)	(10,514,690)	(5,882,015)	Net Assets		(1,213,399)	(6,686,650)
57,210	1,473,022	2,346,748	Usable reserves	37	317,478	3,073,366
(809,633)	(11,987,712)	(8,228,763)	Unusable Reserves	38	(1,530,877)	(9,760,016)
(752,423)	(10,514,690)	(5,882,015)	Total Reserves		(1,213,399)	(6,686,650)

Cash Flow Statement

Authority	Group		Authority	Group
2010/11	Restated 2010/11		2011/12	2011/12
£000	£000		£000	£000
(776,300)	2,095,462	Net (surplus) or deficit on the provision of services	(432,732)	290,231
162,869	(2,546,147)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	39 (150,746)	(183,418)
0	(56,753)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	(242,378)
(613,431)	(507,438)	Net cash flows from Operating Activities	(583,478)	(135,565)
1,460	146,826	Investing Activities	41 (211,163)	(337,392)
833,100	912,852	Financing Activities	42 684,138	205,554
221,129	552,240	Net increase or decrease in cash and cash equivalents	(110,503)	(267,403)
29,929	1,609,671	Cash and cash equivalents at the beginning of the reporting period	251,058	2,161,911
251,058	2,161,911	Cash and cash equivalents at the end of the reporting period	140,555	1,894,508

Notes to the Core Financial Statements

1. Accounting Policies

i. Code of Practice

The Statement of Accounts summarises the Greater London Authority's ("the Authority") and the GLA Group's ("the Group") transactions for the 2011/12 financial year and its position at 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ("the Code") and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) adopted by the European Union ("Adopted IFRS") and statutory guidance issued under Section 12 of the 2003 Act.

The Code is compliant with Adopted IFRS except for capital grants and contributions which are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the asset.

ii. Basis of Accounting

The accounts are prepared as at 31 March.

The accounting policies set out below, have been applied consistently to all periods presented in these financial statements.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Authority's and Group's financial performance.

iii. Basis of Preparation of Group Accounts

The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

The Group's financial statements incorporate the financial statements of the Greater London Authority, its subsidiaries and joint venture prepared as at the year end date. Where significant, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with other GLA Group entities.

Subsidiaries

The group accounts presented with the Authority's accounts consolidate the individual accounts of the Greater London Authority and its subsidiaries. The Authority's subsidiaries are the London Development Agency, London Fire and Emergency Planning Authority, Mayor's Office for Policing and Crime, Transport for London and London Travel Watch. A subsidiary is an entity over which the Authority exercises or has the potential to exercise control. The income, expenditure, assets and liabilities of subsidiaries have been consolidated on a line-by-line basis in accordance with IAS 27. Intercompany transactions and balances between GLA Group entities are eliminated.

Joint ventures

Joint ventures are entities over which the GLA has joint control, with a third party, to govern the financial and operating activities of that entity. The Olympic Park Legacy Corporation has been accounted for as a joint venture. It has been consolidated using the equity method, as permitted under IAS31.

iv. Going Concern

The financial statements have been prepared on a going concern basis as it is considered by the Mayor that the activities of the GLA and the GLA Group will continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

v. Prior Period Adjustments, Changes in Accounting Policies and Errors and Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of a transaction, other events and conditions on the Group's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balance and comparative amounts for the prior period as if the new policy had always been applied.

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

vi. Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period-the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period-the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

vii. Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group;
- Revenue from the provision of services is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the Group;
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings are accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- Where revenue and expenditure have been recognised but the cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

viii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- the Group will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify how the grant should be used by the Group, and which if not met require the grant to be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grant income has been received that has no conditions attaching to it, but where the grant has yet to be applied and there are restrictions as to how the monies are to be applied, the Group transfers this grant income to earmarked reserves until it is applied.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Rates Supplement

A business rate supplement (BRS) has been levied on non domestic properties with a rateable value above £55,000 and it is collected on behalf of the GLA by thirty-two London Boroughs and the City of London Corporation (as the billing authorities for

national non domestic rates in London). The Authority acts as the principal under the scheme, and accounts for income received and expenditure incurred within the Comprehensive Income and Expenditure Statement. Further details on the BRS can be found in Note 48.

ix. Accounting for the costs of the Carbon Reduction Commitment Scheme

Some Group members are required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. Participants are required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost is recognised and reported in the costs of the Authority's services in the Comprehensive Income and Expenditure Statement.

x. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used-the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Group bodies' status as multi-functional, democratic organisations; and

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and other past service costs relating to retirement benefits

These two categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xi. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Group's financial performance.

xii. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Amortisation of intangible fixed assets attributable to the service.

The Group is not required to raise council tax to fund depreciation or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation and amortisations are therefore replaced by the annual contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

xiii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as salaries, other remuneration, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Defined benefit plans

The majority of the Group's employees are members of a number of defined benefit plans, which provide benefits based on final pensionable pay. The assets of schemes are held separately from those of the Group.

On retirement, members of the schemes are paid their pensions from a fund which is kept separate from the Group. The Group makes cash contributions to the funds in advance of members' retirement.

Pension scheme assets are measured using current market bid values. Pension scheme defined benefit obligations are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the defined benefit obligation.

The difference between the value of the pension scheme assets and pension scheme defined benefit obligations is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Group Comprehensive Income and Expenditure Statement, actuarial gains and losses. Generally, amounts are charged to operating expenditure on the basis of the current service cost of the present employees that are members of the schemes.

Defined benefit plans – multi-employer exemption

For certain defined benefit schemes, the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in IAS 19 Employee benefits, these schemes are accounted for as defined contribution schemes – no liability for future payments is recognised in the balance sheet and revenue is charged with the employer's contributions payable to the pension scheme in the year. The Group's contributions are charged to the Group Comprehensive Income and Expenditure Statement as incurred.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are also made to the pensions of certain employees who retired prior to the index linking of pensions. The Group augments the pensions of certain employees who retired early under voluntary severance arrangements. These unfunded pension defined benefit obligations are provided for in the balance sheet.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Group Comprehensive Income and Expenditure Statement, in the periods during which services are rendered by employees.

xiv. Financial Instruments

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39') are classified as:

- Financial assets at fair value through the income statement;
- loans and receivables ; or
- available for sale financial assets.

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through the income statement or financial liabilities measured at amortised cost.

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transactional costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately recognised.

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets at fair value through the income statement (held for trading)

Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the income statement' or available for sale. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available for sale financial assets

'Available for sale financial assets' are non-derivative financial assets that are designated as such or are not classified in any of the other categories. After initial recognition, interest is taken to the income statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised as a separate component of reserves until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in reserves is included in the income statement.

Financial liabilities at fair value through the income statement (held for trading)

Derivative liabilities are classified as held for trading unless they are designated as hedging instruments. They are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Financial assets – other investments

Other investments include short-term deposits – with a maturity of more than three months from the date of acquisition – with Government or banks, including Money Market Fund investments. Other investments are classified as loans and receivables financial instruments.

Financial assets – trade and other receivables

Trade and other receivables are classified as loans and receivables financial instruments.

Financial liabilities – interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Financial liabilities – obligations under finance leases and PFI arrangements

All obligations under finance leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Financial liabilities – trade and other creditors

Trade and other creditors are measured at amortised cost.

Derivative financial instruments

Within the Group only TfL enters into derivative instruments to manage its exposure to interest rate risk arising from financing activities. An interest rate swap hedges TfL's exposure to movements in interest rates on borrowings. TfL does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by TfL's policies, approved by the TfL Board. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

TfL designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting

Within the GLA Group, TfL designates certain hedging instruments, which include derivatives, as either fair value hedges or cash flow hedges.

In order to qualify for hedge accounting, at inception of the transaction TfL formally designates and documents the hedging relationship, which includes TfL's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how TfL will assess the hedging instrument's effectiveness. In addition, an instrument is only designated as a hedge when it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

At the inception of the hedge relationship, TfL documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, TfL documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Derivatives qualify for hedge accounting if changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item on a prospective basis and on a retrospective basis where actual results are within a range of 80 per cent to 125 per cent. Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Statement of Comprehensive Income and any change in value is immediately recognised in the Statement of Comprehensive Income.

Cash flow hedges

Derivative instruments are classified as cash flow hedges when they hedge TFL's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate caps.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled in profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the income statement.

Hedge accounting is discontinued when TFL revokes the hedging instrument relationship, or the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.

Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence that they are impaired. Individually significant financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in the income statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Embedded derivatives are carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the income statement during the period in which they arise.

xv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in ninety days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

xvi. Foreign Currency Translation

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted to sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in Comprehensive Income and Expenditure Statement.

xvii. Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries and jointly controlled entities that require it to prepare group accounts.

xviii. Inventories

GLA

Inventories are included in the Balance Sheet at historical cost rather than at the lower of cost or net realisable value, as given the low value of inventory held this does not have a material impact on the reported figures.

TfL

Inventories are stated at cost less a provision for excess and obsolete stocks. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

LFEPA and MPA/MOPAC

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xix. Leases

Finance Leases (the Group as lessee)

Leased Assets

Leases are identified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property plant or equipment from the

lessor to the lessee. All other leases are classified as operating leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease Payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

Finance Leases (the Group as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services that benefit from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

xx. Intangible Assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each balance sheet date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible assets to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible, is intended to be completed and the Authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's services or goods.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. In practice, no intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired- any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight line	3-7 years
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Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xxi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used, during more than one financial year, are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be reliably measured. Expenditure that maintains

but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- a. the purchase price
- b. any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Assets are carried on the Balance Sheet using the following measurement bases:

- o Infrastructure, plant and equipment, assets under construction and rolling stock - measured at cost less accumulated depreciation and accumulated impairment losses, save at the MPA/ MOPAC where vehicles, plant and equipment are valued at the lower of net current replacement cost or net realisable value in existing use;
- o Development Properties – market value as a proxy for fair value determined as the amount that would be paid for the asset in its existing use (EUV);
- o Specialised properties – where there is no market-based evidence of fair value depreciated replacement cost (DRC) is used as an estimate of fair value;
- o Non-specialised operational properties – open market value on an existing use basis; and
- o Dwellings, investment properties and surplus assets – market value.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Group Comprehensive Income and Expenditure Account where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is an insufficient balance in the revaluation reserve, the revaluation reserve is written down to nil and the remaining amount of the decrease in value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where there is no balance in the Revaluation Reserve, the whole amount of the decrease in value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Impairment

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

Where the loss is determined for a previously revalued asset, it is written off against any revaluation gains held for the relevant asset in the Revaluation Reserve, with any excess charged to the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided on all Property, Plant and Equipment assets by systematic allocation of their depreciable amounts over their useful lives. An exception is made for land and assets that are not yet available for use (i.e. assets under construction).

Where an item of Property, Plant and Equipment asset has major components the cost of which is significant in relation to the total cost of the item, the components are depreciated separately.

The principal asset categories and their useful economic lives are:

	Category	Years
Infrastructure	Tunnels and embankments, bridges and viaducts	Up to 100 years
	Track, road foundations and Stations	Up to 50 years
	Road pavement	Up to 15 years
	Signalling	15 - 40
Land and Buildings	Land	Not depreciated
	Buildings	10 – 60
	Improvement works to office accommodation	15
Vehicles, Plant and Equipment	Information Technology and communications equipment	3 - 7
	Vehicles	2 - 25
	Plant and Equipment	3 - 40
Non Operational Assets	Assets under Construction	Not depreciated until completed.
	Assets held awaiting disposal	Not depreciated
	Investment properties	Not depreciated

Disposals

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal).

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are apportioned to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of the disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxii. Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. Within the Group figures TfL, MPA/MOPAC and LFEPA account for heritage assets.

MOPAC and LFEPA recognise and measure on a valuation basis. In most instances there is no established market value for heritage assets and valuation has been established by internal or external valuers on the basis of the likely replacement cost at suitable specialist retail outlets, having given due consideration to quality and condition for a similar item. Valuations will be carried out every five to ten years.

Due to the diverse nature of the assets held and the lack of comparable market values, TfL considers it impracticable to obtain a valuation of its heritage assets at a cost which is commensurate with the benefits to users of the financial statements, and has therefore taken the exemption available under the Code to hold its heritage assets at historical cost less any accumulated depreciation or impairment losses. These are reported within the Property, Plant and Equipment figures.

xxiii. Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in the Comprehensive Income and Expenditure Statement. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

A mix of internal and external professionally qualified valuers is used to measure fair value.

xxiv. Non-current assets held for sale

Non-current assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, non-current assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale.

xxv. Revenue expenditure funded from capital under statute (REFCUS)

Revenue expenditure funded from capital under statute is expenditure that may be capitalised under statutory provisions but which does not result in the creation of a fixed asset. For example, grant paid to a third party for the purchase of a fixed asset.

REFCUS 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 of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account so there is no impact on the level of the precept.

xxvi. Private Finance Initiative (PFI) Transactions and Similar Contracts

The Code requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. The Group therefore recognises PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) The service charge;
- b) Repayment of the capital; and
- c) The interest element (using the interest rate implicit in the contract).

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'gross expenditure'.

Assets

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IAS 17 *Leases*.

Where the operator enhances assets already recognised in the Balance Sheet, the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year, and is charged to 'Financing and Investment Expenditure' within the 'Comprehensive Income and Expenditure Statement'.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Life cycle replacement

Components of the asset replaced by the operator during the contract ('lifecyle replacement') are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

Off balance sheet PFI arrangements accounted for as operating leases are dealt with as detailed in note xix above.

xxvii. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxviii. Reserves

Group entities set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Capital reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Group – these reserves are explained in the relevant accounting policies.

xxix. VAT

Vat payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxx. Corporation Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that it relates to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set off.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

xxxi. Council Tax Accounting

The Greater London Authority (GLA) is the only major preceptor on the 32 London Boroughs and City of London Corporation.

In their capacity as billing authorities, the boroughs and the City of London Corporation, act as the GLA's agent: they collect and distribute council tax income on behalf of themselves and the GLA.

The council tax income included in the Comprehensive Income and Expenditure Statement for the year will be the accrued income for that year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by statute to be credited to the General Fund is managed by a transfer to or from the Collection Fund Adjustment Account in the Movement in Reserves Statement.

This ensures that the amount included in the General Fund is as required under statute and is the precept for the year plus the preceptor's share of the surplus on the billing authorities' Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the boroughs and the City of London Corporation from council tax debtors belongs proportionately to them and the GLA. A debtor/creditor position between these billing authorities and the GLA is recognised since the net cash paid to the GLA in the year will not be its share of cash collected from council taxpayers.

xxxii. Crossrail Business Rate Supplement

The GLA is empowered to levy a business rate supplement under the Business Rate Supplements Act 2009. It published a prospectus in January 2010 confirming its intention to levy a BRS to finance £4.1 billion of its contribution towards the cost of the cost of the Crossrail Transport project. It may therefore only apply its Business Rate Supplement revenues in respect of expenditure relating to this project.

Within the Comprehensive Income and Expenditure Statement, the GLA accounts for its BRS related expenditure within Highways and Transport Services and BRS income within "Taxation and Non-Specific Grant Income". As the GLA is required to refund BRS levies that have not been used to finance the project (e.g. where the imposition of the Business Rate Supplement has come to an end) any BRS income is therefore subject to a condition, and therefore all BRS receipts are initially recognised as a creditor.

The GLA receives amounts in respect of BRS from billing authorities during the year based on a provisional estimate at the start of the year net of reliefs, borough collection costs and a 5% contingency allowance. After the financial year-end each billing authority calculates the amount it has collected in BRS after allowing for collection and other costs. This uses a different methodology - as specified section 7 to Schedule II of the BRS Transfers to Revenue Business Rate Supplements (Transfers to Revenue Accounts) (England) Regulations 2009.

The amount calculated as having been collected in BRS under this methodology is based on the total amount paid into each billing authority's collection fund in business rates and BRS multiplied by the share which BRS liabilities represent of the total business rates liability for all ratepayers (including those not liable for BRS) adjusted for prior year liabilities and refunds. A debtor or creditor is raised depending on whether the amount calculated as having been collected is higher or lower than the amount paid in instalments based on the provisional estimate. There is no direct relationship between the methodology used to calculate the provisional returns and the final returns.

The GLA recognises its BRS revenue as income in the Comprehensive Income and Expenditure Statement only at the point the conditions it has set out in its final prospectus are satisfied (i.e. at the point that it makes its contribution to the Crossrail project by means of a payment made to Transport for London and is credited by them to the Crossrail Sponsor Funding Agreement Account or SFA). This SFA account is administered by Transport for London and all monetary contributions by the GLA, TfL and the Secretary of State for Transport towards the cost of the project are paid into it.

The GLA has recognised all revenue expenditure (including interest incurred on that element of its contribution financed by borrowing) relating its contribution towards the Crossrail project as expenditure in the relevant service revenue account(s) as it is incurred. Its contributions paid to Transport for London in respect of Crossrail are recognised as Revenue Expenditure Funded from Capital under Statute (REFCUS) in line with section 4.6 of the Code of Recommended Practice for Local Authority Accounting.

Where revenue expenditure is incurred in respect of a BRS project, the GLA transfers an amount equal to that expenditure from the Business Rate Supplement Account to the General Fund as the expenditure is incurred. Where capital expenditure in respect of a BRS project is to be incurred, the GLA would transfer an amount equal to the capital expenditure from the Business Rate Supplement Account to the Capital Adjustment Account as the capital expenditure is incurred.

Where capital expenditure in respect of a BRS project has been funded from borrowing the GLA transfers from its Business Rate Supplement Revenue Account to its General Fund an amount equal to the sum of the Minimum Revenue Provision (MRP) and interest charged to the General Fund in the year in respect of the BRS project. These transfers are reported in the Movement in Reserves Statement. As the GLA does not generate an asset from its BRS contributions no depreciation or impairment of assets are financed from BRS levies.

The GLA transfers an amount equal to its income receivable in respect of the Crossrail project once recognised in the financial year (net of administrative expenses incurred by it and the 33 billing authorities in London) from its General Fund to its Business Rate Supplement Revenue Account. Any difference between the cumulative income transferred to the Business Rate Supplement Revenue Account and the amount required by regulation to be transferred to that account (i.e. the amount reported by billing authorities as having been collected as specified in the BRS Transfers to Revenue Accounts regulations) is credited or debited to that account, with the corresponding debit or credit being made to the Collection Fund Adjustment Account.

Where the GLA's BRS Revenue Account is in deficit, it transfers an amount equivalent to the deficit from its General Fund to the Business Rate Supplement Revenue Account; this transfer being reported in the Movement in Reserves Statement.

Any deficit may be recaptured in future years from any surpluses arising on the account. Where deficits arise as a result of capital grants made to TfL (as above), capital finance regulations and the GLA's minimum revenue provision policy ensure that there is no net impact on the General Fund. Therefore, the GLA's contribution to Crossrail has no impact on the Precept or council taxpayer.

Where the GLA's BRS Revenue Account is in surplus, it transfers the surplus to its General Fund to the extent that this reverses any amounts charged to that fund in the ten years immediately preceding the financial year having regard to the requirements of the BRS Accounting Regulations; this transfer being reported in the Movement in Reserves Statement.

The Crossrail BRS is projected to operate for at least 24 years from 2010-11 but could be terminated earlier in the unlikely event that the Crossrail project were curtailed or abandoned. Where, in the final year of the BRS, and in the case of the GLA its associated borrowing has been repaid - the Business Rate Supplement Revenue Account is in surplus, the GLA will transfer this surplus to the Collection Fund Adjustment Account. These surplus funds will be transferred to each billing authority in proportion to the amounts paid in BRS by that authority over the lifetime of the BRS. Where such sums are material these surpluses will be repaid to those ratepayers

liable to the BRS in its final year by that billing authority as prescribed in the Business Rate Supplements (Accounting) (England) Regulations.

xxxiii. Minimum Revenue Provision

A minimum revenue provision (MRP) is a requirement to set aside some of the Group's revenue as a provision for debt repayment. The provision is in respect of capital financed by borrowing or credit arrangements. The scheme for calculating MRP is set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The objective is to ensure that a prudent provision is made for the repayment of debt over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The Authority's MRP policy relating to Crossrail BRS is that the annual Crossrail BRS proceeds received in excess of interest payable and other revenue expenses shall be accounted for as direct revenue financing until the total committed funding for Crossrail (£4.1bn) has been transferred to TfL, currently expected to be 2015/16. Once this total has been reached, such amounts shall fund the Crossrail element of the minimum revenue provision and in cash terms used or set aside for the repayment of debt relating to Crossrail. This is a prudent provision, since it will fully fund the liability over a period of time reasonably commensurate with the benefits of the project.

xxxiv. 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 Note 5 to the Statement of Accounts, including confirmation that this is the date up to which events after the balance sheet date have been considered.

2. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 has adopted the amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets, issued October 2010).

The amendments are intended to assist users of the financial statements evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position. Relevant circumstances would arise where the Authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

This is a change in accounting policy effective from 1 April 2012, however it is not likely that this standard will have a material impact on the Authority's financial statements.

3. Prior period adjustments

The following changes have been made to the Authority's and Group 2010/11 CIES and related notes:

The 2011/12 Code of Practice requires levying authorities to account for Business Rates Supplements (BRS) income in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES). This represents a change from the requirements of the 2010/11 Code of Practice which treated BRS income as service specific. In 2010/11 the Authority reported BRS income within Highways and Transport Services in the CIES. The 2010/11 CIES has been restated and £226.6m of BRS income in 2010/11 has been reclassified to the Taxation and Non-Specific Grant Income line in the CIES. This change also has an impact on restating the comparator in Note 13 Taxation and Non-specific grant income.

The adjustments have no impact on the overall General Fund Balance.

The following changes have been made to the Group Accounts' 2010/11 figures reflecting restatements in the London Development Agency's accounts:

The deficit on revaluation of the London Development Agency's non-current assets (£31.864m) has been reclassified to within the Net Cost of Services for Continuing Operations as part of Planning services. The £31.864m, previously shown within Other Comprehensive Income and Expenditure on the face of the Comprehensive Income and Expenditure Statement, has been replaced with the unrealised loss on the revaluation of non-current assets movement of £22.905m from the Revaluation Reserve. This change also has an impact on restating the comparator in the Cash Flow Statement and note 6, Adjustments between Accounting Basis and Funding Basis under Regulations.

Future lease receivables estimated at £17m for the Excel Exhibition Centre have been derecognised from the Balance Sheet. This adjustment relates to future lease receivables and therefore affects the opening balance of unusable reserves at 31 March 2010 in the Movement in Reserves Statement and the long and short term debtors and deferred capital receipts reserve figures in the Balance Sheet as at 31 March 2011. Loans and receivables in note 46 Financial Instruments have also been affected together with note 18 Leases.

Long term provisions for liabilities and charges in the Balance Sheets have been reclassified as short term (with the exception of the long term element of the St Andrews provision of £14.3m).

There has also been a £4.1m prior period adjustment transferring a lease payable disposal from the deferred capital receipts reserve to the capital adjustment account to correct a posting error.

Vehicle Valuation

Following the audit of the LFEPA's vehicle fleet provider's accounts it was found that the fleet was over valued. Based on revised levels of depreciation provided by the contractor the net book value of the fleet was reduced by £18.788m. This has resulted in a restatement of the previous years' net book value of vehicles, reducing the value of vehicles in 2009/10 by £13.362m , and a further reduction of £5.426m in 2010/11. The net effect was to reduce the figure on the Group's balance sheet for vehicles, equipment and plant as at 31 March 2011 by £18.788m.

Firefighter Pensions Top up Grant

In previous years the Firefighter pension top up grant had been included as an income item in the Group's Consolidated Income and Expenditure Statement (CIES). Following a review of this accounting treatment it has been decided that the top up grant should not form part of the Group's CIES as it relates only to the firefighters' pension fund account and is not taken into account by the LFEPA's actuary when assessing the balance sheet figure for the firefighters' pension liability. Therefore this item will be omitted from the CIES in this and future years accounts. The pension liability adjustment is instead recognised by increasing the actuarial (gains)/losses entry under other comprehensive income and expenditure.

The adjustments have no impact on the overall General Fund Balance.

The 2010/11 Group Accounts figures have also been restated to align the figures in the group accounts with the subsidiaries audited 2010/11 Statement of Accounts.

4. Use of estimates and judgements

The preparation of financial statements in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of

judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below:

Interests in other organisations

The Authority is the co-sponsor (along with the Corporation of London) for the Museum of London and has the right to appoint half the board. It has been determined that the Authority does not jointly control the Museum of London and it has not been included as a joint venture in the Authority's group accounts. Transactions between the Museum of London and the Authority are disclosed in Note 44.

Related Party Transactions

In reporting related party transactions the Authority has judged that transactions of £100,000 or more with central government departments, non-department public bodies, government agencies and local authorities are significant to both parties and applied a judgement that expenditure of £5,000 or more for the reporting of transactions with all other related parties.

Property, plant and equipment

In determining the useful economic life of property, plant and equipment, judgement needs to be exercised in estimating the length of time that assets will be operational. Judgements are also required regarding the classification of specialist/non-specialist assets, in determining residual values. Valuers also make a range of judgements when determining the values of assets held at fair value.

Leases

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Group. Given that finance lease obligations are recognised as liabilities, and operating lease obligations are not, this can have a significant effect on the reported financial position of the Group.

Determining whether an arrangement contains a lease

When determining whether an arrangement contains a lease, as required by IFRIC 4, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the Balance Sheet this can have a significant effect on the reported financial position of the Group.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be incurred by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 36.

Investment Property

Investment property, which is held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. Gains and losses from changes in the fair value of investment property are included in the Comprehensive Income and Expenditure Statement for the period in which they arise.

Post retirement benefits

Pensions liability – the estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analysis are provided in note 23.

Council tax accounting

The Authority's share of council tax debtors, creditors and share of the collection fund surplus or deficit is based on unaudited figures from the 32 London boroughs and the City Of London Corporation. Any post audit amendments are incorporated into the following year's accounts.

The *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* sets out the methodology for determining the Authority's attributable share of council tax debtors and creditors. It is based on the demand/precepts proportions for the next financial year.

5. 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 give a true and fair view of the financial position of the Authority at the year end; and its income and expenditure, see the “Statement of Responsibilities for the Statement of Accounts”. This is the date up to which events after the balance sheet date have been considered.

6. Group Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

2011/12

	USABLE RESERVES					Movement in Unusable Reserves £000
	General Fund Balance £000	BRS £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Other Usable Reserves £000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	383,301	0	0	0	0	(383,301)
Revaluation losses on Property, Plant and Equipment	13,773	0	0	0	0	(13,773)
Movements in the market value of Investment Properties	(18,022)	0	0	0	0	18,022
Amortisation of intangible assets	8,727	0	0	0	0	(8,727)
Capital grants and contributions applied	(1,540,468)	0	(41,026)	(19,421)	(2,455)	1,603,770
Revenue expenditure funded from capital under statute	949,101	0	0	0	0	(949,101)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	68,195	0	0	0	0	(68,195)
Transfer of net income and expenditure to the BRS account	698,595	(698,595)	0	0	0	0
Other adjustments	(1,000)	0	0	1,000	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account						
Statutory provision for the financing of capital investments	(46,690)	0	0	0	0	46,690
Transfer of an amount equal to the BRS deficit from the General Fund to the BRS account	(698,595)	698,595	0	0	0	0
Capital expenditure charged against the General Fund balance	(200,553)	0	0	0	0	200,553
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(216,702)	0	0	216,702	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(8,215)	0	0	(9,784)	0	17,999
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	(43,181)	0	43,181	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(192,500)	0	0	192,500
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	139,857	0	0	(139,857)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal	(51,805)	0	0	0	0	51,805
Transfer of deferred lease payments debited as impairment of non-current assets to the Comprehensive Income and Expenditure Statement	3,219	0	0	0	0	(3,219)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	216,524	0	0	0	0	(216,524)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	1,640,157	0	0	0	0	(1,640,157)
Employer's pensions contributions and direct payments to pensioners payable in the year	(78,526)	0	0	0	0	78,526
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(6,509)	0	0	0	0	6,509
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10,198)	0	0	0	0	10,198
Total Adjustments	1,061,128	0	(50,488)	188,497	(2,455)	(1,196,282)

	USABLE RESERVES				Movement in Unusable Reserves £000
	General Fund Balance £000	BRS £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	323,022	0	0	0	(365,644)
Revaluation losses on Property, Plant and Equipment	55,857	0	0	0	(55,857)
Movements in the market value of Investment Properties	(6,054)	0	0	0	6,054
Amortisation of intangible assets	50,471	0	0	0	(7,849)
Capital grants and contributions applied	(1,742,716)	0	0	1,020,478	722,657
Movement in the Donated Assets Account	(428)	0	0	0	428
Revenue expenditure funded from capital under statute	1,119,400	0	0	0	(1,119,819)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	293,996	0	0	0	(294,105)
Transfer of net income and expenditure to the BRS account	804,994	804,994	0	0	0
Other adjustments	(5,263)	0	0	0	869
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account					
Statutory provision for the financing of capital investments	(44,348)	0	0	0	44,348
Transfer of an amount equal to the BRS deficit from the General Fund to the BRS account	(804,994)	(804,994)	0	0	0
Capital expenditure charged against the General Fund balance	(200,626)	0	0	0	200,626
Capital grants and contributions unapplied credited	(4,365)	0	0	4,365	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(2,364)	6,058
Transfer of cash sale proceeds credited as part of the gain/loss on disposal	(22,680)	0	22,680	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(44,400)	0	44,400
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	59,915	0	(59,915)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal	(165,188)	0	0	0	165,188
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	(67,517)	0	0	0	67,517
Employer's pensions contributions and direct payments to pensioners payable in the year	(87,537)	0	0	0	87,537
Movement in Police Officer Pension reserve	(1,102,700)	0	0	0	1,102,700
Gain in relation to Government Grant payable to the Firefighter's pension fund on the Authority's behalf	(60,369)	0	0	0	60,369
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,092)	0	0	0	5,092
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9,837)	0	0	0	9,837
Total Adjustments	(1,681,974)	0	38,195	1,022,479	620,491

7. Authority Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12

	USABLE RESERVES				Movement in Unusable Reserves £000
	General Fund Balance £000	Business Rates Supplement Account £000	Capital Receipts £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(1,042)	0	0	0	1,042
Amortisation of intangible assets	(130)	0	0	0	130
Revenue expenditure funded from capital under statute	(912,568)	0	0	0	912,568
Capital grants and contributions applied	34,387	0	0	0	(34,387)
Transfer of net income and expenditure to the BRS account	(698,595)	698,595			0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account					
Statutory provision for the financing of capital investments	0	0	0	0	0
Transfer of an amount equal to the BRS deficit from the General Fund to the BRS Account	698,595	(698,595)			
Capital expenditure charged against the General Fund balance	176,165	0	0	0	(176,165)
Reversal of prior year revenue financing of capital expenditure	(25)	0	0	0	25
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	4,526	(4,526)
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27	0	(27)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	(5,164)	0	0	0	5,164
Employer's pensions contributions and direct payments to pensioners payable in the year	4,258	0	0	0	(4,258)
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	6,509	0	0	0	(6,509)
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	56	0	0	0	(56)
Total Adjustments	(697,554)	0	27	4,526	693,001

2010/11

	USABLE RESERVES			Movement in Unusable Reserves £000
	General Fund Balance £000	Business Rates Supplement Account £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(1,302)			1,302
Amortisation of intangible assets	(113)			113
Revenue expenditure funded from capital under statute	(1,002,320)			1,002,320
Transfer of net income and expenditure to the BRS account	(804,994)	804,994		0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account				
Statutory provision for the financing of capital investments	0			0
Transfer of an amount equal to the BRS deficit from the General Fund to the BRS Account	804,994	(804,994)		
Capital expenditure charged against the General Fund balance	195,526			(195,526)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,830		(3,830)	0
Application of grants to capital financing transferred to the Capital Adjustment Account			2,364	(2,364)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	5,131			(5,131)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,809			(3,809)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,092			(5,092)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	28			(28)
Total Adjustments	(790,319)	0	(1,466)	791,785

8. Services transferred from the London Development Agency

The Localism Act 2011, which received Royal Assent on 15 November 2011, included provision for the abolition of the London Development Agency (LDA) and the transfer of responsibility for the provision of economic development functions from the LDA to the GLA.

During 2011/12, a number of projects and staff, initially included in the LDA budget, were transferred over to the GLA, ahead of the main transfer of functions on 31 March 2012. The functions transferred relate to projects that support the Authority's economic development priorities for London, London Ambassadors, academies, climate change and the management of the European programmes.

The table below provides details of the income and expenditure on the functions that transferred during 2011/12. The main transfer of functions following the abolition of the LDA will be accounted for in the 2012/13 Statement of Accounts, see Note 49.

	Gross Exp £000	Gross Inc £000	Net Exp £000
Cultural and Related Services	5,663	(9,788)	(4,125)
Environmental and Regulatory	658	(805)	(147)
Education	435	(1,268)	(833)
Planning and Development	21,921	(42,440)	(20,519)
Corporate and Democratic Core	1,214	(709)	505
	29,891	(55,010)	(25,119)

9. Transfers to/from Earmarked Reserves – Authority

This note sets out the amounts set aside, by the Authority, from the General Fund in earmarked reserves to provided financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance at 31 March 2011 £000	Transfers In 2011/12 £000	Transfers Out 2011/12 £000	Balance at 31 March 2012 £000
Assembly Development & Resettlement Reserve	(731)	(341)	0	(1,072)
City Hall Lease Smoothing Reserve	(5,609)	(519)	3,932	(2,196)
Directorate Programme Reserves	(2,601)	(31,115)	1,888	(31,828)
Development Reserve	(103)		26	(77)
Environment Drainage Reserve	(2,170)	(1,450)	2,170	(1,450)
Election Reserve	(15,284)	(5,000)	3,708	(16,576)
Home Retrofit Reserve	0	(3,300)	0	(3,300)
Legal Fees Reserve	(701)	0	0	(701)
Long Term Absence Reserve	(127)	(14)	8	(133)
Mayoral Resettlement Reserve	(77)	0	0	(77)
Olympics Reserve	(374)	0	0	(374)
Olympics - City Operations Reserve	(527)	(200)	4	(723)
Planning Smoothing Reserve	(794)	(200)	743	(251)
Pre-Application Planning Reserve	0	(572)	60	(512)
Precept Resilience Reserve	(7,900)	(2,816)	0	(10,716)
Revenue Grants Unapplied Reserve	(10,576)	(237,101)	10,576	(237,101)
Squares Works Reserve	(817)	0	161	(656)
Self Insurance Fund Reserve	(140)	0	0	(140)
Total Earmarked Reserves	(48,531)	(282,628)	23,276	(307,883)

The purpose of each reserve is detailed below:

The 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 City Hall Lease Smoothing Reserve is used to ensure that the fixed percentage increases in the City Hall operating lease are charged to the Comprehensive Income and Expenditure Account on a straight line basis over the lease term.

The Directorate Programme Reserve represents under spends on directorate 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 Development Reserve exists to fund pay settlements and reviews for all relevant staff and Members.

The Environment Drainage Reserve has been created to earmark the funding received from central government for the preparation of surface water management plans.

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

The Home Retrofit Reserve will be used to fund the Mayor's commitment to continue the home retrofit programme in future years.

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

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 Mayoral Resettlement Reserve funds the resettlement grants paid to the former Mayor and Assembly Members following the Mayoral and Assembly elections.

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

The Olympics- City Operations reserve has been created to fund additional London 2012 city operations and related legacy costs to be incurred in the medium term.

The Planning Smoothing Reserve has been created to smooth the funding of the examination in Public of the London Plan and other planning functions.

The Pre-Application Planning reserve carries forward surplus pre-application planning income to fund the running costs of the Pre-Application Planning service in future years.

The Precept Resilience Reserve has been created to manage special risk the GLA is exposed to as a result of the timing and the potential quantum of changes to the council tax base, collection fund shares and grant settlements.

The Revenue Grants Unapplied Reserve contains grants and contributions received that have no repayment conditions attached. Where expenditure has not yet been incurred this income is rolled forward and will be released when expenditure is incurred on the project or initiative for which the grant was paid.

The Squares Works Reserve exists to fund repairs and maintenance works to Parliament and Trafalgar Squares.

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.

Earmarked Reserves – Group

The movement on the reserves in 2011/12 for the Group is analysed in the table below.

	Balance at 1 April 2011	Transfers In 2011/12	Transfers Out 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000
GLA	48,531	282,628	(23,276)	307,883
LDA	0	0	0	0
LFEPA	13,031	(4,171)	14,419	23,279
MOPC	222,131	111,409	(115,409)	218,131
TfL	518,387	336,600	0	854,987
	802,080	726,466	(124,266)	1,404,280

10. Other Operating Expenditure

For the Authority, Other Operating Expenditure consists solely of the precepts paid to the Authority's functional bodies. Sections 102 and 103 of the Greater London Authority Act 1999 (as amended) require the Greater London Authority to pay over to the functional bodies, their share of government grants and precepts required to fund their budget requirements, as calculated under section 85(4) to (7) of the aforementioned Act. The table sets out the allocation of precepts to the functional bodies. The allocation of government grants to the functional bodies is shown in the Fund Account.

For the Group, the gain/loss on disposal of non current assets is the amount recognised in the CIES on the sale of non current assets in year.

Authority 2010/11 £000	Group 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
835,288	0	Precept payable to the Functional Bodies	851,162	0
0	389,641	Gain/loss on disposal of non current assets	0	(25,566)
0	0	Riot Damages Act claims		84,996
835,288	389,641	Total	851,162	59,430

11. Financing and Investment Income and Expenditure

Authority	Group		Authority	Group
2011/12	2011/12		2011/12	2011/12
£000	£000		£000	£000
32,459	492,045	Interest payable and similar charges	60,290	693,401
0	0	Other investment Expenditure	0	163
2,154	1,273,230	Pensions interest costs and expected return on pensions assets	104	1,598,114
(2,859)	(51,936)	Interest receivable and similar income	(3,865)	(448,323)
0	0	Other investment Income	0	(1,359)
0	(6,054)	Income and expenditure in relation to investment properties and changes in fair value	0	(8,614)
31,754	1,707,285	Total	56,529	1,833,382

12. Taxation and Non Specific Grant Income

Restated Authority	Group		Authority	Group
2011/12	2011/12		2011/12	2011/12
£000	£000		£000	£000
(932,644)	(932,644)	Precept receivable from Council Tax payers	(949,319)	(949,319)
	0	Precept receivable from the GLA		0
(277,120)	(2,902,916)	Non-ringfenced government grants	(601,677)	(4,789,505)
0	(3,571,226)	Capital grants and contributions	0	(2,400,878)
(1,209,764)	(7,406,786)	Total	(1,550,996)	(8,139,702)

13. Amounts Reported for Resource Allocation Decisions – Authority

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Services Reporting Code of Practice. However, decisions about resource allocation are taken by the Mayor on the basis of budget monitoring reports analysed across Directorates. These reports, in 2011/12 are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation is charged to services in the Comprehensive Income Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

- Expenditure on some support services is budgeted for centrally and not charged to Directorates

The income and expenditure of the Authority's principal Directorates recorded in the budget monitoring reports for the year is as follows:

Directorate Income and Expenditure 2011/12 - Authority

2011/12

	Head of								Grand Total
	Assembly & Secretariat	Paid Service	Communities & Intelligence	Development & Environment	External Affairs	London 2012	Mayor's Office	Resources	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(156)	(954)	(31,136)	(19,686)	(4,678)	(9,386)	0	(19,355)	(85,351)
Government grants	0	0	0	0	0	0	0	(70,103)	(70,103)
Business Rate Supplement	0	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	0	(2,293)	(2,293)
Total Income	(156)	(954)	(31,136)	(19,686)	(4,678)	(9,386)	0	(91,751)	(157,747)
Employee expenses	6,165	1,002	8,351	7,391	4,295	2,498	3,404	8,995	42,101
Other Service expenses	1,661	3,308	42,024	28,586	8,195	25,799	34	81,492	191,099
Crossrail	0	0	0	0	0	0	0	0	0
Olympic Public Secotr Funding Package	0	0	0	0	0	39,144	0	0	39,144
Interest Payable	0	0	0	0	0	0	0	309	309
Contributions to/(from) reserves and appropriations	0	0	0	0	0	0	0	33,730	33,730
Total Expenditure	7,826	4,310	50,375	35,977	12,490	67,441	3,438	124,526	306,383
Net Expenditure	7,670	3,356	19,239	16,291	7,812	58,055	3,438	32,775	148,636

Directorate Income and Expenditure 2010/11 – Authority

2010/11

	Chief								Grand Total
	Assembly & Secretariat	Executive/ Elections	Communities & Intelligence	Development & Environment	External Affairs	London 2012	Private Office	Resources	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(77)	(555)	(7,977)	(4,288)	(4,702)	(279)	0	(626)	(18,504)
Government grants	0	0	0	0	0	0	0	(2,380)	(2,380)
Business Rate Supplement	0	0	0	0	0	0	0	(226,604)	(226,604)
Interest and investment income	0	0	0	0	0	0	0	(1,127)	(1,127)
Total Income	(77)	(555)	(7,977)	(4,288)	(4,702)	(279)	0	(230,737)	(248,615)
Employee expenses	6,200	1,358	7,896	6,170	4,542	1,209	3,321	7,386	38,082
Other Service expenses	1,843	1,115	9,700	6,722	6,303	800	35	25,495	52,013
Crossrail	0	0	0	0	0	0	0	226,604	226,604
Olympic Funding Agreement	0	0	0	0	0	59,199	0	0	59,199
Contributions to/(from) reserves and appropriations	0	0	0	0	0	0	0	12,551	12,551
Total Expenditure	8,043	2,473	17,596	12,892	10,845	61,208	3,356	272,036	388,449
Net Expenditure	7,966	1,918	9,619	8,604	6,143	60,929	3,356	41,299	139,834

Reconciliation of the Authority's Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Account

	2010/11 £000	2011/12 £000
Net expenditure in the Directorate Analysis	139,834	148,636
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	792,355	892,135
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	186,833	35,266
Cost of Services in the Comprehensive Income and Expenditure Statement	<u>1,119,022</u>	<u>1,076,037</u>

The amounts included in the cost of services within the CIES but not reported to management in the in-year revenue budget monitoring reports include charges for depreciation, pension service costs, capital grants receivable from central government and capital grants paid to TfL for Crossrail and to London Boroughs, largely to fund economic regeneration and environmental projects.

The amounts reported to management in the in-year revenue budget monitoring reports but not included within the cost of services in the CIES include transfers to/from earmarked reserves (included in the Movement in Reserves Statement) and some central government grants that are not reported within the cost of services in the CIES e.g the Council Tax Freeze grant.

Reconciliation to Subjective Analysis - Authority

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

2011/12

	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Surplus or deficit on the provision of services
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(85,351)	3,653	0	(81,698)	0	(81,698)
Business Rates Supplement (BRS)	0	0	0	0	(233,680)	(233,680)
Interest and investment income	(2,293)	0	2,293	0	(3,865)	(3,865)
Income from council tax	0	0	0	0	(949,319)	(949,319)
Government grants	(70,103)	(28,230)	70,103	(28,230)	(367,997)	(396,227)
Total Income	(157,747)	(24,577)	72,396	(109,928)	(1,554,861)	(1,664,789)
Employee expenses	42,101	746		42,847	0	42,847
Other Service expenses	191,099	915,966	(3,091)	1,103,974	0	1,103,974
Crossrail related expenditure				0	0	0
Olympic Funding Agreement	39,144	0	0	39,144	0	39,144
Interest payable and similar charges	309	0	(309)	0	60,290	60,290
Pensions interest cost and expected return on assets	0	0	0	0	104	104
Support service recharges	0	0	0	0	0	0
Precepts	0	0	0	0	851,162	851,162
Contributions to/(from) reserves	33,730	0	(33,730)	0	0	0
Total Expenditure	306,383	916,712	(37,130)	1,185,965	911,556	2,097,521
Surplus or deficit on the provision of services	148,636	892,135	35,266	1,076,037	(643,305)	432,732

2010/11

	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Restated Cost of Services	Restated Corporate Amounts	Surplus or deficit on the provision of services
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(18,504)	(6,897)	474	(24,927)	0	(24,927)
Business Rates Supplement (BRS)	(226,604)	0	226,604	0	(226,604)	(226,604)
Interest and investment income	(1,127)	0	1,127	0	(2,859)	(2,859)
Income from council tax	0	0	0	0	(932,644)	(932,644)
Government grants	(2,380)	0	2,380	0	(50,516)	(50,516)
Total Income	(248,615)	(6,897)	230,585	(24,927)	(1,212,623)	(1,237,550)
Employee expenses	38,082	(11,123)		26,959	0	26,959
Other Service expenses	52,013	5,381	(538)	56,856	0	56,856
Crossrail related expenditure	226,604	804,994	(30,663)	1,000,935		1,000,935
Olympic Funding Agreement	59,199	0	0	59,199	0	59,199
Interest payable and similar charges	0	0	0	0	34,613	34,613
Pensions interest cost and expected return on assets	0	0	0	0	0	0
Support service recharges	0	0	0	0	0	0
Precepts	0	0	0	0	835,288	835,288
Contributions to/(from) reserves	12,551	0	(12,551)	0	0	0
Total Expenditure	388,449	799,252	(43,752)	1,143,949	869,901	2,013,850
Surplus or deficit on the provision of services	139,834	792,355	186,833	1,119,022	(342,722)	776,300

14. Amounts Reported for Resource Allocation Decisions – Group

The analysis of income and expenditure by service on the face of the Group Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation by group entities are taken on the basis of budget monitoring reports. These reports, in 2011/12 are prepared on a different basis from the accounting policies used in the financial statements.

The income and expenditure of the Group bodies recorded in the budget monitoring reports for the year is as follows:

Income and Expenditure 2011/12 – Group

2011/12

	GLA £000	LTW £000	LDA £000	LFEP £000	MPA £000	TfL £000	Intragroup transactions £000	Total £000
Fees, charges & other service income	(85,351)	(1,456)	(5,821)	(24,455)	(394,194)	(4,142,500)	185,936	(4,467,841)
Interest and investment income	(2,293)	0	(32)	(1,131)	(817)	0	0	(4,273)
Government grants	(70,103)	0	(54,145)	(15,921)	(566,991)	0	0	(707,160)
Total Income	(157,747)	(1,456)	(59,998)	(41,507)	(962,002)	(4,142,500)	185,936	(5,179,274)
Employee expenses	42,101	1,196	11,035	339,677	2,851,108	1,591,800	0	4,836,917
Other expenditure	263,973	432	95,438	105,835	823,346	3,774,100	(1,063,521)	3,999,603
Interest payable	309	0	67,625	5,395	17,548	0	0	90,877
Total Expenditure	306,383	1,628	174,098	450,907	3,692,002	5,365,900	(1,063,521)	8,927,397
Net Expenditure	148,636	172	114,100	409,400	2,730,000	1,223,400	(877,585)	3,748,123

2010/11 - Restated

	GLA £000	LTW £000	LDA £000	LFEP £000	MPA £000	TfL £000	Intragroup transactions £000	Total £000
Fees, charges & other service income	(245,108)	(1,629)	(15,038)	(24,000)	(324,728)	(3,878,400)	108,844	(4,380,059)
Government grants	(2,380)	0	(21,818)	(11,188)	(571,909)	0	0	(607,295)
Interest and investment income	(1,127)	0		(771)	(1,061)	0	0	(2,959)
Total Income	(248,615)	(1,629)	(36,856)	(35,959)	(897,698)	(3,878,400)	108,844	(4,990,313)
Employee expenses	38,082	1,145	43,476	362,302	2,836,994	1,497,200	(206)	4,778,993
Other expenditure	350,367	419	146,697	77,023	706,107	3,726,955	(109,945)	4,897,623
Interest payable	0	0	16,326	11,418	18,001	0	(2)	45,743
Total Expenditure	388,449	1,564	206,499	450,743	3,561,102	5,224,155	(110,153)	9,722,359
Net Expenditure	139,834	(65)	169,643	414,784	2,663,404	1,345,755	(1,309)	4,732,046

Reconciliation of the Group's Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Account

Restated 2010/11 £000		2011/12 £000
4,732,046	Net expenditure in the Inc & Exp Analysis (Budget Monitoring)	3,748,123
(913,868)	Expenditure Statement not reported to management in the Analysis	2,831,998
(626,566)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(621,939)
<u>3,191,612</u>	Cost of Services in the Comprehensive Income and Expenditure Statement	<u>5,958,182</u>

The amounts included in the cost of services within the CIES but not reported to management in the in-year revenue budget monitoring reports include charges for depreciation, goodwill write off, pension service costs, capital grants receivable from central government and capital grants paid to third parties.

The amounts reported to management in the in-year revenue budget monitoring reports but not included within the cost of services in the CIES include transfers to/from earmarked reserves (included in the Movement in Reserves Statement) and some central government grants that are not reported within the cost of services in the CIES, capital and interest payments under the PPP and PFI schemes and pension payments charged to operating costs.

Reconciliation of segmental analysis to subjective analysis - Group

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

2011/12

	Subjective Analysis	Amounts not reported in Budget Monitoring Reports	Amounts included in the Budget Monitoring Reports but not included in the CIES	Cost of Services	Corporate Amounts	Group Surplus / Deficit
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(4,467,841)	(34,931)	1,371	(4,501,401)	72	(4,501,329)
Surplus or deficit on associates and joint ventures		0	0	0	(1,265)	(1,265)
Interest and investment income	(4,273)	0	7,290	3,017	494,940	497,957
Council Tax		0	0	0	(507,557)	(507,557)
Government grants and other contributions	(707,160)	(27,754)	74,411	(660,503)	(7,632,144)	(8,292,647)
Total Income	(5,179,274)	(62,685)	83,072	(5,158,887)	(7,645,954)	(12,804,841)
Employee expenses	4,836,917	619,649	(335,323)	5,121,243	1,189,195	6,310,438
Other Expenditure	3,999,603	1,038,579	(291,353)	4,746,829	83,341	4,830,170
Support service recharges	0	0	0	0	0	0
Depreciation, amortisation and impairment		1,236,456	24,302	1,260,758	(8,614)	1,252,144
Interest Payments	90,877	0	(102,431)	(11,554)	159,444	147,890
Precepts		0	0	0	0	0
Tax expenses of subsidiaries/joint ventures		0	0	0	(494)	(494)
Gain or loss on Disposal of Fixed Assets		0	(207)	(207)	(25,567)	(25,774)
Total Expenditure	8,927,397	2,894,684	(705,012)	11,117,069	1,397,305	12,514,374
Group (surplus) or deficit	3,748,123	2,831,999	(621,940)	5,958,182	(6,248,649)	(290,467)

2010/11

	Subjective Analysis	Amounts not reported in Budget Monitoring Reports	Amounts included in the Budget Monitoring Reports but not included in the CIES	Cost of Services	Corporate Amounts	Group Surplus / Deficit
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(4,380,059)	(9,122)	1,270	(4,387,911)	0	(4,387,911)
Surplus or deficit on associates and joint ventures	0	0	0	0	65	65
Interest and investment income	(2,959)	0	4,587	1,628	(394,674)	(393,046)
Council Tax	0	0	0	0	(932,644)	(932,644)
Government grants and other contributions	(607,295)	0	106,802	(500,493)	(6,534,962)	(7,035,455)
Total Income	(4,990,313)	(9,122)	112,659	(4,886,776)	(7,862,215)	(12,748,991)
Employee expenses	4,778,993	(2,138,728)	(403,776)	2,236,489	1,223,704	3,460,193
Other Expenditure	4,897,623	(105,376)	(316,921)	4,475,326	33,009	4,508,335
Support service recharges	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	1,339,360	29,617	1,368,977	(6,054)	1,362,923
Interest Payments	45,743	0	(47,371)	(1,628)	874,537	872,909
Precepts	0	0	0	0	0	0
Tax expenses of subsidiaries/joint ventures	0	0	0	0	9	9
Gain or loss on Disposal of Fixed Assets	0	0	(776)	(776)	389,641	388,865
Total Expenditure	9,722,359	(904,744)	(739,227)	8,078,388	2,514,846	10,593,234
Group (surplus) or deficit	4,732,046	(913,866)	(626,568)	3,191,612	(5,347,369)	(2,155,757)

15. Precepts

The Comprehensive Income and Expenditure Statement contains the 2011/12 precept issued by the Greater London Authority on the 32 London boroughs and the City of London Corporation and the Authority's share of the 2011/12 collection funds net surplus/deficit. In the Movement in Reserves Statement the 2011/12 share of the collection funds' net surplus/deficit is reversed and taken to the Collection Fund Adjustment account and the Authority's estimated share of the 2010/11 net surplus/deficit is brought in as the amount required by statute to be credited to the General Fund. An analysis of these amounts is contained in the following table:

2010/11 Precept Demand	2010/11 Surplus/D eficit	Share of 2009/10 estimated (Surplus) / Deficit		2011/12 Precept Demand	2011/12 Surplus/De ficit	Share of 2010/11 estimated (Surplus) / Deficit
£000	£000	£000		£000		£000
(552)	(47)	(32)	Corporation of London	(495)	(43)	(47)
(15,996)	(86)	149	Barking & Dagenham	(16,335)	(410)	(62)
(42,583)	1,067	(556)	Barnet	(43,269)	(2,439)	0
(25,791)	(452)	65	Bexley	(26,075)	47	(172)
(29,884)	282	339	Brent	(30,131)	(170)	294
(41,153)	(643)	0	Bromley	(41,308)	(558)	0
(29,495)	(254)	279	Camden	(29,929)	146	(905)
(39,202)	(872)	0	Croydon	(39,633)	(1,527)	(731)
(36,260)	(563)	(882)	Ealing	(36,822)	(271)	(1,025)
(33,973)	121	0	Enfield	(34,147)	(35)	0
(24,266)	373	(537)	Greenwich	(24,662)	(733)	(434)
(22,787)	(707)	(287)	Hackney	(23,575)	(3,626)	(1,344)
(24,492)	(60)	278	Hammersmith & Fulham	(24,723)	66	0
(26,414)	(40)	(40)	Haringey	(26,820)	1,383	(18)
(26,757)	(585)	(378)	Harrow	(27,000)	(300)	(516)
(27,630)	(42)	33	Havering	(27,791)	311	217
(30,347)	(596)	(214)	Hillingdon	(30,709)	(26)	400
(26,713)	(146)	(117)	Hounslow	(26,904)	(337)	(108)
(26,694)	3	0	Islington	(27,254)	2	0
(30,845)	(93)	(122)	Kensington & Chelsea	(30,835)	(14)	60
(19,180)	(316)	0	Kingston Upon Thames	(19,473)	0	(301)
(32,126)	(2,464)	(268)	Lambeth	(32,983)	(2,224)	(715)
(27,109)	(15)	(15)	Lewisham	(27,415)	(388)	(5)
(23,004)	(537)	(646)	Merton	(23,077)	(684)	(521)
(23,112)	84	496	Newham	(23,435)	(12)	0
(27,999)	0	0	Redbridge	(28,152)	0	0
(27,542)	(137)	(120)	Richmond Upon Thames	(27,664)	(297)	(60)
(29,873)	(141)	(420)	Southwark	(30,670)	17	22
(22,834)	(321)	(271)	Sutton	(22,909)	(224)	(214)
(26,131)	(955)	(1,217)	Tower Hamlets	(27,548)	179	(892)
(23,380)	(406)	282	Waltham Forest	(23,507)	(555)	(212)
(38,714)	(1,275)	(711)	Wandsworth	(39,317)	(1,644)	(1,214)
(40,144)	189	370	City of Westminster	(40,254)	(132)	514
(922,982)	(9,634)	(4,542)		(934,821)	(14,498)	(7,989)
(28)	0	0	GLA Gain/(Loss) on the Precept	0	0	0
(923,010)	(9,634)	(4,542)	Amounts Receivable	(934,821)	(14,498)	(7,989)

16. Grant Income

The Group credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

Authority 2010/11 £000	Group 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
Greater London Authority				
<i>Credited to Taxation and Non Specific Grant</i>				
(48,136)	(48,136)	General GLA Grant	(63,419)	(63,419)
(2,380)	(2,380)	Area Based Grant	0	0
0	0	GLA Additional Resource grant -Revenue	(271,735)	(271,735)
0	0	Council Tax Freeze Grant	(23,372)	(23,372)
0	0	Growing Places Fund	(9,471)	(9,471)
(226,604)	(226,604)	Business Rate Supplement-Crossrail	(233,680)	(233,680)
<i>Credited to Services:</i>				
(3,293)	(3,293)	Big Lottery Grant	(961)	(961)
0	0	Community Safety Grant	(10,577)	(10,577)
0	0	Team London	(1,740)	(1,740)
0	0	GLA Additional Resource grant- Capital	(28,230)	(28,230)
<i>Other Grants and Contributions:</i>				
(996)	(996)	Central Government	(3,121)	(3,121)
(16,688)	(16,688)	Functional Bodies	(51,641)	(51,641)
(107)	(107)	Local Authorities	(120)	(120)
(180)	(180)	NHS	(72)	(72)
(1,388)	(1,388)	Other Bodies	(505)	(505)
(299,772)	(283,084)		(698,644)	(647,003)
London Development Agency				
<i>Credited to Taxation and Non Specific Grant</i>				
	(187,488)	Core Revenue Grant (BIS)		(122,332)
	(86,920)	Core Capital Grant (BIS)		(92,106)
	(3,000)	Corporation Tax Grant		(3,000)
	(33,873)	Other Grants		18,537
	(67)	Capital Contributions		7
	(11,863)	<i>Credited to Services:</i>		
	(6,382)	European Union Funding		(5,890)
	(4,592)	Other Grants		(184)
		Contributions		(1,475)
	(334,185)			(206,443)
London Fire and Emergency Planning Authority				
<i>Credited to Taxation and Non Specific Grant Income:</i>				
	(259,574)	RSG/NNDR		(251,658)
	(4,382)	PFI Grant		(4,382)
	(3,674)	Fire Capital Grant		(7,597)
	(435)	Low Carbon Grant		0
	(100)	Capital Ambition Grant		0
	(20)	Contribution to capital works		0
	(295)	<i>Credited to Services:</i>		
	(1,125)	Fire Control Grant		(3,413)
		Olympics Grant		(1,085)
	(4,505)	New Dimensions & Urban Search and Rescue Grant		(4,136)
	(606)	Civil Defence Grant		0
	(100)	Low Carbon Grant		0
	0	Body bags		(323)
	0	New Risks programme		(433)
	0	National Network Inter agency		(404)
	0	Flood Rescue		(50)
	0	Public disorder Recovery		(194)
	(16)	Access to Work		(15)
	(274,832)			(273,690)

Mayor's Office for Policing and Crime		
	<i>Credited to Taxation and Non Specific Grant</i>	
(115,764)	Revenue Support Grant	(211,997)
(797,220)	National Non-Domestic Rates	(685,847)
(1,114,754)	Police Revenue Grant (including amendment grants)	(1,127,736)
0	Riot Damages Act grant	(84,922)
(72,980)	Crime Fighting Fund	0
(26,712)	Special Formula	0
(80,709)	Capital Grants	(66,243)
(2,208,139)		(2,176,745)
Transport for London		
	<i>Credited to Taxation and Non Specific Grant</i>	
(1,162,700)	Non ring-fenced grant from the Department of Transport top fund operations	(1,634,090)
(107,600)	Other revenue grant received	(67,805)
(2,022,200)	Non ring-fenced grant from the Department of Transport top fund capital	(1,619,979)
(220,000)	Ring-fenced grant to fund capital expenditure relating to Crossrail	(1,385,000)
(146,100)	Other capital grants and contributions	(110,251)
(3,658,600)		(4,817,125)
(6,758,840)	Total	(8,121,006)

17. Elections

The table below contains a summary of the expenditure and income incurred in 2011/12 in respect of the 2012 Elections (excludes support services recharges, IAS19 pension costs and the holiday pay accrual).

2010/11		2011/12
£000		£000
0	Gross Income	(4)
	Gross Expenditure	
244	Staff	503
0	Premises	46
544	Supplies and Services	3,162
788	Net Expenditure	3,707
4,212	Contribution to/ (from) Reserves	1,293
5,000	Amount to be met by Grant and Taxpayer	5,000

18. Finance lease liabilities

Group as Lessee

The Group holds a proportion of its property, plant and equipment under finance lease arrangements.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Restated		31 March
31 March		2012
2011		£000
£000		£000
86,208	Other Land and Buildings	91,961
3,864	Development Properties	4,369
322,000	Rolling Stock	310,100
412,072		406,430

The Group is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable by the Group in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March		31 March
2011		2012
£000		£000
	<i>Finance lease liabilities (net present value of minimum lease payments):</i>	
72,124	Current	70,872
1,372,753	Non-current	981,396
1,172,063	Finance costs payable in future years	643,033
2,616,940	Minimum lease payments	1,695,301

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	Restated 31 March 2011	31 March 2012	Restated 31 March 2011
	£000	£000	£000	£000
Not later than one year	139,303	173,875	70,892	72,124
Later than one year and not later than five years	568,011	699,901	342,592	342,213
Later than five years	987,987	1,743,164	638,784	1,030,540
	1,695,301	2,616,940	1,052,268	1,444,877

Group as Lessor

Details of the Group's finance leases as lessor include:

- The London International Exhibition Centre has been granted a 200 year lease ending in 2199 for the Excel Exhibition Centre land. This lease has been derecognised in the Balance Sheet and is now disclosed as a contingent gain.
- A 95 year lease commencing ending in 2075 with Workspace II Ltd for a warehouse, office and secure yard at Quicksilver Place, Wood Green.
- A 99 year lease until 2082 with The Drum Group Limited for a plot of land at Charles Street, London E16.
- A 101 year lease ending in 2110 with London City Airport to allow the installation of airport landing lights at Albert Island, London E16.
- A 125 year lease with Siemens until 2136 for the exhibition centre located at the Landmark Site in London E16. The lease permits the exhibition centre to be initially used to showcase and/or promote sustainable technologies and products and/or a conference centre.

The figures in the 31 March 2011 comparators below have been restated due to the Excel Exhibition Centre prior period adjustment as described in Note 3.

The gross investment is made up of the following amounts:

Restated 31 March 2011 £000		31 March 2012 £000
	<i>Finance lease debtor (net present value of minimum lease payments):</i>	
33	Current	8,516
2,815	Non-current	6,044
7,574	Unearned finance income	4,148
0	Unguaranteed residual value of property	0
10,422	Gross investment in the lease	18,708

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

	Gross Investment in Lease		Finance Lease Debtor	
	31 March 2012	Restated 31 March 2011	31 March 2012	Restated 31 March 2011
	£000	£000	£000	
Not later than one year	8,575	131	8,516	33
Later than one year and not later than five years	4,922	524	4,690	131
Later than five years	5,211	9,767	1,354	2,684
	18,708	10,422	14,560	2,848

19. Operating leases

Authority and Group as Lessee

The Group's operating leases primarily relate to office space, motor vehicles, rail access, police stations, patrol bases and Safer Neighbourhood offices.

The Authority has the following operating leases:

- Property lease- City Hall, The Queen's Walk, London SE1 2AA which is the Authority's main headquarters
- Property lease- London House, Leopold Plaza, Rue de Trône, Brussels which houses the London European Office.
- Office Equipment leases- multi functional devices for photocopying, printing and scanning

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

Authority	Group		Authority	Group
31 March 2011	31 March 2011		31 March 2012	31 March 2012
£000	£000		£000	£000
5,807	138,813	Not later than on year	6,617	133,862
26,829	450,874	Later than one year and not later than five years	27,051	440,974
91,349	1,033,733	Later than five years	84,498	897,886
123,985	1,623,420		118,166	1,472,722

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was

Authority	Group		Authority	Group
2011/12	2011/12		2011/12	2011/12
£000	£000		£000	£000
5,712	115,590	Rent payable in year	5,805	119,982
5,712	115,590		5,805	119,982

Authority and Group as Lessor

The future minimum sublease expected to be received by the Authority and Group in future years is:

Authority	Restated Group		Authority	Group
31 March	31 March		31 March	31 March
2011	2011		2012	2012
£000	£000		£000	£000
5	55,556	Not later than on year	5	51,542
21	157,837	Later than one year and not later than five years	20	140,157
15	490,696	Later than five years	9	419,033
41	704,089		34	610,732

The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to this leases was:

Authority	Group		Authority	Group
2011/12	2011/12		2011/12	2011/12
£000	£000		£000	£000
5	72,901	Rent receivable in year	5	68,359
5	72,901		5	68,359

20. Mayor and Assembly Members' remuneration and expenses

The table below shows the total amount of remuneration and expenses payable to the Mayor and Assembly members during the year, by the Authority. The amount for travel cards is the cash value of travel cards issued during the year.

		Salary	Travel Card	Taxi Invoices	Taxi Expense Claims	Other Domestic Travel	Foreign Travel	Other Expenses	Total
Mayor	Johnson, Boris	143,911	-	-	87	129	2,795	727	147,649
Deputy Mayor	Barnes, Richard	96,092	2,016	-	597	208	103	252	99,268
Current Assembly Members									
Assembly Member	Arbour, Tony	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Arnold, Jennette	63,128	2,016	-	-	69	-	-	65,213
Assembly Member	Bacon, Gareth	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Barnbrook, Richard	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Biggs, John	53,439	1,880	-	5	-	-	-	55,324
Assembly Member	Boff, Andrew	53,439	-	-	-	-	-	-	53,439
Assembly Member	Borwick, Victoria	53,439	2,016	-	11	-	-	-	55,466
Assembly Member	Cleverly, James	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Coleman, Brian	53,439	-	-	179	11	-	-	53,629
Assembly Member	Doocey, Dee	54,414	2,016	-	-	-	-	-	56,430
Assembly Member	Duvall, Len	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Evans, Roger	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Gavron, Nicky	53,439	-	-	-	-	-	-	53,439
Assembly Member	Johnson, Darren	53,439	1,576	-	-	-	-	-	55,015
Assembly Member	Jones, Jenny	53,439	2,016	-	61	-	-	-	55,516
Assembly Member	Malthouse, Kit	53,439	-	-	-	-	-	-	53,439
Assembly Member	McCartney, Joanne	53,439	1,576	-	-	-	-	-	55,015
Assembly Member	O'Connell, Stephen	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Pidgeon, Caroline	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Qureshi, Murad	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Shah, Navin	53,439	-	-	220	-	-	-	53,659
Assembly Member	Shawcross, Valerie	53,439	2,016	-	-	-	-	-	55,455
Assembly Member	Tracey, Richard	53,439	-	-	-	-	-	-	53,439
Assembly Member	Tuffrey, Mike	53,439	1,576	-	-	-	-	-	55,015
Total 2011-12		1,533,203	36,848	-	1,160	417	2,898	979	1,575,505
Total 2010-11		1,533,203	34,736	946	990	666	2,042	3,892	1,576,474

21. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

		£	£	£
GLA Staff				
Executive Director of Communities and Intelligence & Head of Paid Service	J Jacobs	165,000	24,420	189,420
Executive Director of Resources	M Clarke	134,172	19,857	154,029
Director of London 2012	N Coleman	127,293	18,839	146,132
Executive Director of Secretariat	M Roberts	127,784	18,912	146,696
Executive Director of Development and Environment	F Fletcher-Smith	119,714	19,454	139,168
Secondees				
Interim Executive Director of Housing and Regeneration - From 16 May 2011	D Lunts			Secondee from Homes and Communities Agency
Interim Executive Director of Development and Environment - to 01 July 2012	L Garner			Secondee from London Borough of Hammersmith and Fulham
Mayoral Team				
Statutory Deputy Mayor	R Barnes*	96,092	14,222	110,314
Deputy Mayor for Policing	K Malthouse*	53,439	7,909	61,348
Chief of Staff & Deputy Mayor Planning - From 25 May 2011	E Lister	108,891	16,116	125,007
Director of External Affairs	G Harri	127,347	18,912	146,259
Director of Marketing & 2012 Communications	D Ritterband	127,784	11,032	138,816
Mayor's Director of Environment & Digital London	K Ranger	109,717	16,185	125,902
Mayoral Advisor on Housing	R Blakeway	103,822	15,366	119,188
Mayoral Advisor on Health and Families	P Chesters	127,784	18,912	146,696
Mayoral Advisor - Budgets and Performance	N Griffin	102,227	15,130	117,357
Mayoral Advisor, Culture and Youth	M Mirza	117,654	17,413	135,067
Mayoral Advisor - Social Action and Volunteering	L Noel	72,000	10,656	82,656
Political Advisor to the Mayor	M Pencharz	54,876	8,140	63,016
Mayoral Advisor, Regeneration, Growth and Enterprise - From 23 May 2011	Sir P Rogers	109,578	16,218	125,796
Deputy Mayor and Chief of Staff - to 11 April 2011	Sir S Milton	3,905	578	4,483
Mayoral Advisor - Economic Development - Left 20 May 2011	A Browne	42,366	2,593	44,959
Secondees				
Deputy Mayor for Transport	I Dedring			Secondee from Transport for London

2010/11

Post	Name of Post Holder	Salary (Including fees and allowances)	Compensation for loss of office	Employer Pension Contributions	Total Remuneration including pension contributions
		£	£	£	£
GLA Staff					
Chief Executive -left 24 Feb 2011	L Boland	236,585	169,039	27,533	433,157
Executive Director of Communities and Intelligence & Head of Paid Service	J Jacobs	146,931		21,746	168,677
Executive Director of Resources	M Clarke	134,172		19,857	154,029
Director of London 2012	N Coleman	127,784		18,912	146,696
Executive Director of Secretariat	M Roberts	127,784		18,912	146,696
Executive Director of Development and Environment -maternity leave from 25 Aug 2010	F Fletcher-Smith	124,312		20,720	145,032
Secondees					
Interim Executive Director of Development and Environment -from 31 Aug 2010	Lyn Garner	Secondee from LB Hammersmith and Fulham			
Mayoral Team					
Deputy Mayor and Chief of Staff	S Milton	127,784		18,912	146,696
Director of External Relations	G Harri	127,784		18,912	146,696
Director of Marketing	D Ritterband	127,784		15,760	143,544
Advisor for Economic Development	A Browne	127,784		18,912	146,696
Advisor for Health and Youth Opportunities	P Chesters	127,784		18,912	146,696
Advisor for Transport	K Ranger	102,750		15,207	117,957
Advisor for Budgets and Performance -from 12 April 2010	N Griffin	99,104		14,667	113,771
Advisor on Housing	R Blakeway	82,646		12,166	94,812
Advisor for Arts and Culture	M Mirza	82,200		12,166	94,366
Advisor for Social Action and Volunteering -from 11 Jan 2010	L Noel	72,000		10,656	82,656
Political Advisor to the Mayor	M Pencharz	55,446		8,140	63,586
Secondees					
Advisor for the Environment -maternity leave from 14 Jun 2010	I Deding	Secondee from Transport for London			
Interim Advisor for the Environment -from 1 June 2010	M Powell	Secondee from the London Development Agency			

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

2010/11		2011/12
Number of Employees	Remuneration Band	Number of Employees
	<i>£</i>	
38	50,000 - 54,999	40
26	55,000 - 59,999	31
6	60,000 - 64,999	11
11	65,000 - 69,999	16
8	70,000 - 74,999	6
14	75,000 - 79,999	14
4	80,000 - 84,999	6
1	85,000 - 89,999	2
1	90,000 - 94,999	-
1	95,000 - 99,999	1
2	100,000 - 104,999	2
-	105,000 - 109,999	3
3	110,000 - 114,999	3
-	115,000 - 119,999	-
-	120,000 - 124,999	-
-	125,000 - 129,999	-
-	130,000 - 134,999	1
<u>115</u>		<u>136</u>

Termination Benefits

The 2011/12 code for the first time requires the separate disclosure of the number and cost of compulsory and voluntary severances packages agreed during the year. The payments disclosed are reported on a cash basis.

The Authority terminated the contracts of a number of employees in 2011/2012, incurring liabilities of £344,006 (£326,687 in 2010/2011). This money was paid to 14 officers from the Intelligence, Health and Communities, Community Safety and Policing, City Operations, Finance and Committee Services Units as part of the GLA's rationalisation of these services.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
							£	£
£0 - £20,000	11	6	1	2	12	8	100,069	87,716
£20,001 - £40,000	2	1	-	1	2	2	57,579	54,734
£40,001 - £60,000	-	1	-	3	-	4	-	201,556
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
£151,000 - £200,000	-	-	1	-	1	-	169,039	-
TOTAL	13	8	2	6	15	14	326,687	344,006

22. Pensions

As part of the terms and conditions of employment of its elected members, officers and other employees, the Group makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the group has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

The Group participates in the following pension schemes:

- Local Government Pension Scheme
- Fire Fighters' Pension Schemes
- Police Pension Schemes
- TfL Pension Fund
- Principal Civil Service Pension Scheme (PCSPS)
- Homes and Community Agency Pension Scheme
- Railways Pension Scheme
- Defined contribution schemes

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 London Pensions Fund Authority's Local Government Pension Scheme has been assessed by Barnett Waddingham, 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 2010

The liabilities of the LPFA pension scheme attributable to the Group 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 5.5% (based on the indicative rate of return on the iBoxx AA rated over 15 year corporate bond index.

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 Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost- the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move on year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Expected Return on Assets- the annual investment return on the fund assets attributable to the Group, based on the average of the expected long term return-

credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees- debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- Contributions Paid to the London Pensions Fund Authority – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits – LGPS

The Group also 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 to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Fire Fighters' Pension Scheme

There are two firefighter pension schemes known as the 1992 Firefighters' Pension scheme and the 2006 New Firefighters' Pension scheme. These schemes are unfunded, defined benefit, contributory schemes. To assist with financing future expenditure liability under the scheme, LFEPA maintains an Earmarked Firefighter ill health Pensions Reserve. The last actuarial review for IAS19 purposes is dated April 2011. The Firefighter pension schemes have been valued by Hymans Robertson.

Police Schemes

There are two pension schemes for police officers, the 2006 new Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS); both of which are unfunded, defined benefit schemes. An unfunded, defined benefit scheme has no investment assets to meet its pension liability and must generate cash to meet the actual pension payments as they fall due. These benefits payable are funded by contributions from employers and police officers and any shortfall is met by a top up grant from the Home Office. Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2012.

TfL Pension Fund

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2009 by the Actuary, a partner of consulting actuaries Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the TfL Pension Fund.

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 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). During 2011/12 the Authority had one member of staff in the scheme.

The Authority paid an employer's contribution of £19,193 (2010/11 - £19,193) into the Principal Civil Service Pension Scheme, representing 24.3% of pensionable pay. The contribution rate is determined by the Principal Civil Service Pension Scheme. TfL paid an employer's contribution of £0.8m in 2011/12 (£1.0m in 2010/11).

Railways Pension Scheme

Crossrail Limited (CRL), a TfL subsidiary, contributes to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 53 participating employers, each (apart from CRL) having fewer than 51 active members in the scheme.

The Omnibus Section of the RPS is a multi-employer scheme and is valued as a whole. As a result of this, CRL is unable to identify its share of the underlying assets and defined benefit obligation. It is therefore accounted for as a defined contribution scheme under IAS 19.

The last actuarial valuation of the Omnibus Section of the scheme was carried out at 31 December 2007. The actuarial report showed that there was a surplus of assets over liabilities of £6.2m for the total Omnibus Section. The results of an actuarial valuation as at 31 December 2010 will be published later in 2012.

The current level of total contribution is 31 per cent, effective from 1 July 2009. Once it has been finalised, the results of the 2010 valuation will be evaluated to determine future contribution levels.

Defined contribution schemes

TfL contributes to a number of defined contribution schemes, with contributions amounting to £15.8m (2010/11 £11.1m). The Tube Lines defined contribution scheme is one such scheme with contributions amounting to £3.4m (2010/11 £2.5m).

a) Amount included in the net cost of services

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Group is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

					TfL Public				
Authority		Group		TfL Public		Group		TfL Public	
LGPS	Fire Fighters	Police Officers	Tube Lines	LGPS	Fire Fighters	Police Officers	Tube Lines	LGPS	Fire Fighters
2010/11	2010/11	2010/11	2010/11	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Retirement Benefits									
Comprehensive Income and Expenditure Statement									
Cost of Services									
6,716	23,099	105,000	678,600	207,583	4,532	13,182	92,000	520,100	186,100
79	900	0	0	37	528	1,272	400	0	(12,000)
(14,080)	(57,353)	(463,800)	(2,262,400)	3,472	0	0	42,800	288,000	5,900
(7,285)	(33,354)	(358,800)	(1,583,800)	211,092	5,060	14,454	135,200	808,100	180,000
Expenditure									
7,095	35,558	221,600	1,003,500	395,200	5,689	29,499	205,300	979,800	406,400
(4,941)	(23,228)	0	0	(364,244)	(5,585)	(24,585)	0	0	(404,800)
2,154	12,330	221,600	1,003,500	30,956	104	4,914	205,300	979,800	1,600
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement									
(5,217)	(72,718)	(423,900)	(1,355,500)	(630,800)	28,243	100,193	128,500	98,300	745,047
(10,348)	(93,742)	(561,100)	(1,935,800)	(388,752)	33,407	119,561	469,000	1,886,200	926,647
Movement in Reserves Statement									
5,131	21,024	137,200	580,300	(242,048)	(5,164)	(19,368)	(340,500)	(1,787,900)	(181,600)
Actual amount charged against the General Fund Balance for pensions in the year									
3,809	26,687	119,900	304,500	254,774	4,258	19,617	138,700	295,100	260,654

The Authority paid an employer's contribution of £4.09m (£3.73m in 2010/11) 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 2010. Under Pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. The 31 March 2010 actuarial valuation maintained the Authority's employer contribution rate at 14.8% for the period 1 April 2011 to 31 March 2014.

The following group entities pay employer contributions at the following rates into their respective pension funds:

GLA - LGPS	14.8%
LDA - LGPS	12.7%
LFEPA	
- LGPS	26.8%
- Fire fighter (Old)	21.3%
- Fire fighter (New)	11.0%
TfL	
- LGPS	15.8%
- Public Sector	31.0%
- Tube Lines	20.9%
MOPAC	24.2%

The cumulative amount of actuarial gains and losses recognised by the Authority in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £51.429m.

For the Group the cumulative gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is set out in the table below.

Cumulative amount of actuarial (gains)/losses recognised in the CIES to the 31 March 2012	31 March 2012
(Gain -ve figure Loss +ve figure)	
	£000
LGPS	
GLA	51,429
LDA	27,973
LFEPA	118,175
TFL	33,590
	231,167
Firefighters	848,900
Police Officers	3,390,000
TfL Public Sector and Tube Lines	1,878,110

b) Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

Authority LGPS	Group LGPS	Fire Fighters	Police Officers	TfL Public Sector & Tube Lines	Reconciliations of present value of the scheme liabilities (defined benefit obligation)	Authority LGPS	Group LGPS	Fire Fighters	Police Officers	TfL Public Sector & Tube Lines
2010/11 £000	2010/11 £000	2010/11 £000	2010/11 £000	2010/11 £000		2010/11 £000	2011/12 £000	2011/12 £000	2011/12 £000	2011/12 £000
(110,728)	(637,992)	(4,404,600)	(19,909,000)	(7,016,468)	Opening balance at 1 April	(100,298)	(534,722)	(3,724,100)	(17,543,500)	(7,180,228)
				(241,600)	Acquired in year		-			
(6,716)	(23,099)	(105,000)	(679,000)	(205,813)	Current service cost	(4,532)	(13,102)	(92,000)	(518,510)	(186,100)
(7,095)	(35,558)	(221,600)	(1,003,000)	(395,200)	Interest cost	(5,689)	(29,468)	(205,300)	(979,800)	(406,500)
(1,847)	(6,164)	(20,700)	(132,000)	(40,300)	Contributions by scheme participants	(2,069)	(5,482)	(21,700)	-	(40,800)
11,221	68,785	423,900	1,356,000	528,700	Actuarial gains / (losses)	(23,480)	(91,404)	(128,500)	(98,300)	(654,547)
866	41,916	140,600	536,000	193,925	Estimated Benefits paid net of transfers in	3,196	16,209	160,400	522,410	274,284
14,080	57,353	463,300	2,262,000	(3,472)	Past service costs	-	-	(43,200)	(288,000)	(5,900)
(79)	(937)	-	(1,000)	-	Curtailments	(70)	(1,292)	-	-	12,000
-	-	-	-	-	Liabilities extinguished on settlements	-	2,582	-	-	-
-	-	-	-	-	Liabilities assumed in a business combination	(2,582)	(2,582)	-	-	-
-	974	-	26,500	-	Unfunded Pension Payments	-	1,053	-	-	-
(100,298)	(534,722)	(3,724,100)	(17,543,500)	(7,180,228)	Closing balance at 31 March	(135,524)	(658,208)	(4,054,400)	(18,905,700)	(8,187,791)

Reconciliation of fair value of the scheme (plan) assets

Authority			TfL Public	Reconciliations of fair value of the			Authority			TfL Public
LGPS	Group	LGPS	Sector & Tube Lines	scheme assets			LGPS	Group	LGPS	Sector & Tube Lines
2010/11	2010/11	2010/11	2010/11				2010/11	2011/12	2011/12	2011/12
£000	£000	£000	£000				£000	£000	£000	£000
76,386	342,985	4,869,700	4,869,700	Opening balance at 1 April			80,113	360,057	5,586,474	
			150,500	Acquired				-		-
4,941	23,228	359,400	359,400	Expected rate of return			5,585	24,537	404,800	
(6,004)	3,883	102,100	102,100	Actuarial gains / (losses)			(4,763)	(20,924)	(90,500)	
3,809	26,687	254,774	254,774	Employer contributions			4,258	19,668	260,654	
1,847	6,164	40,300	40,300	Contributions by scheme participants			2,069	5,482	40,800	
				Receipt/(Payment) of bulk transfer value			2124	-		-
(866)	(42,890)	(190,300)	(190,300)	Estimated benefits paid net of transfers in			(3,196)	(17,262)	(270,500)	
80,113	360,057	5,586,474	5,586,474	Closing balance at 31 March			86,190	371,558	5,931,728	

For the LGPS pension scheme, the expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2011 for the year 31 March 2012). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

For the Authority, the actual return on scheme assets in the year was a gain of £0.822m (gain of £5.173m in 2010/11). For the Group LGPS, the actual return on scheme assets for the year was a gain of £3.6m.

c) Scheme History

Authority

	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08
	£000	£000	£000	£000	£000
Present Value of Liabilities	(135,524)	(100,298)	(110,728)	(68,076)	(65,218)
Fair value of assets	86,190	80,113	76,386	53,009	59,622
Total Surplus/ (deficit) in the scheme	(49,334)	(20,185)	(34,342)	(15,067)	(5,596)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The net deficit of £49.334m has a significant impact on the Authority's net worth, as recorded in the Balance Sheet.

The Authority's pension liability has increased by £29.149m. This is largely due to the reduction in the discount rate used to value liabilities from 5.5% per annum to 4.6% per annum.

Group	31 Mar 2012	31 Mar 2011	31 Mar 2010
	£000	£000	£000
Present Value of Funded Liabilities			
LGPS	(639,254)	(517,919)	(619,651)
Fire Fighters	(4,054,400)	(3,724,100)	(4,404,600)
Police Officers	(18,905,700)	(17,543,500)	(19,909,000)
TfL Public Sector & Tube Lines	(8,124,364)	(7,127,464)	(7,056,991)
	(31,723,718)	(28,912,983)	(31,990,242)
Present Value of Unfunded Liabilities			
LGPS	(18,954)	-	-
Fire Fighters	-	(16,803)	(18,341)
Police Officers	-	-	-
TfL Public Sector & Tube Lines	(63,427)	(52,764)	(51,104)
	(82,381)	(69,567)	(69,445)
Fair value of assets			
LGPS	371,558	360,057	342,985
Fire Fighters	-	-	-
Police Officers	-	-	-
TfL Public Sector & Tube Lines	5,931,728	5,586,474	4,914,435
	6,303,286	5,946,531	5,257,420
Total Surplus/ (deficit) in the scheme			
LGPS	(286,650)	(157,862)	(276,666)
Fire Fighters	(4,054,400)	(3,740,903)	(4,422,941)
Police Officers	(18,905,700)	(17,543,500)	(19,909,000)
TfL Public Sector & Tube Lines	(2,256,063)	(1,593,754)	(2,193,660)
Total Surplus/ (deficit) in the scheme	(25,502,813)	(23,036,019)	(26,802,267)

d) 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:

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £34.080m.

	31.3.2012	31.3.2011	31.3.2010	31.3.2009	31.3.2008
Local Government Pension Scheme					
<i>Experience Adjustment on Scheme Assets</i>					
Greater London Authority	(5.5%)	(7.5%)	16.8%	(33.2%)	8.0%
London Development Agency	(5.8%)	0.3%	16.1%	(16.0%)	2.3%
London Fire and Emergency Planning Authority	(5.7%)	(0.1%)	17.4%	(34.6%)	(9.0%)
Transport for London	(5.5%)	19.9%	19.0%	(34.8%)	9.1%
<i>Experience Adjustment on Scheme Liabilities</i>					
Greater London Authority	0.0%	0.2%	16.0%	0.0%	(16.7%)
London Development Agency	0.0%	(25.4%)	0.0%	0.0%	(42.1%)
London Fire and Emergency Planning Authority	(0.3%)	10.8%	(0.7%)	0.0%	(1.5%)
Transport for London	0.0%	25.5%	0.0%	0.0%	(17.1%)
Fire Fighters					
<i>Experience Adjustment on Scheme Assets</i>	n/a	n/a	n/a	n/a	n/a
<i>Experience Adjustment on Scheme Liabilities</i>	(3.2%)	11.4%	(27.9%)	7.3%	18.6%
Police Officers					
<i>Experience Adjustment on Scheme Assets</i>	n/a	n/a	n/a	n/a	n/a
<i>Experience Adjustment on Scheme Liabilities</i>	3.7%	1.4%	(1.2%)	3.3%	0.4%
TfL Public Sector					
<i>Experience Adjustment on Scheme Assets</i>	(1.4%)	1.4%	15.7%	(29.1%)	
<i>Experience Adjustment on Scheme Liabilities</i>	0.3%	0.9%	4.6%	(2.2%)	
Tube Lines					
<i>Experience Adjustment on Scheme Assets</i>	(6.4%)	14.4%			
<i>Experience Adjustment on Scheme Liabilities</i>	7.0%	4.7%			

e) 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's Local Government Pension Scheme has been assessed by Barnett Waddingham, 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 2010.

Every three years, the TfL Pension Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2009 by the Actuary, a partner of consulting actuaries Towers Watson. A separate valuation of the Public Sector and Tube Lines sections of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2012. The assumptions used by the actuary are the best estimates chosen from a range of possible

actuarial assumptions, whilst the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice

The Firefighter pension schemes have been valued by Hymans Robertson. By assuming a stable membership profile of the firefighters scheme the actuary has calculated the value of liabilities as at 31 March 2013 using data provided as at 31 December 2011. The actuary has stated that the approximation means that the split between the three classes of member may not be reliable, however they are satisfied that it provides a reasonable estimate of the aggregate liability.

For the Police Pension Schemes Hymans Robertson, an independent firm of actuaries, has assessed the scheme liabilities as at 31 March 2012. The value of the liabilities for IAS19 purposes is heavily dependent on assumptions made by the Group's actuaries, Hymans Robertson, as set out in the table below.

The principal assumptions used by the actuaries of the group bodies are:

Group LGPS	Fire Fighters 2010/11	Police Officers	TfL Public Sector & Tube Lines		Group LGPS	Fire Fighters 2011/12	Police Officers	TfL Public Sector & Tube Lines
£000	£000	£000	£000		£000	£000	£000	£000
				Long-term expected rate of return on assets in the scheme:				
7.4%	n/a	n/a	7.8%	Equities	6.3%	n/a	n/a	6.4%
4.5%	n/a	n/a	n/a	Target Return Funds	4.5%	n/a	n/a	n/a
6.4%	n/a	n/a	n/a	Alternative Assets	5.3%	n/a	n/a	n/a
3.0%	n/a	n/a	4.0%	Cash	3.0%	n/a	n/a	3.8%
5.5%	n/a	n/a	5.0%	Corporate Bonds	0.0%	n/a	n/a	2.8%
				Mortality Assumptions:				
				Longevity at 65 for current pensioners				
21.7 - 22.1 yrs	27.9	27.9	not disclosed	Men	21.8-22.2	27.9	27.9	20.8
23.3 - 23.9 yrs	30.8	30.8	not disclosed	Women	24.0	30.8	30.8	not disclosed
				Longevity at 65 for future pensioners				
23.1 - 24.1 yrs	29.5	29.5	not disclosed	Men	23.2-24.2	29.5	29.5	22.6
25.2 - 25.8 yrs	32.3	32.3	not disclosed	Women	25.3-25.9	32.3	32.3	not disclosed
3.5%	3.6%	3.6	3.5%	Rate of inflation - RPI	3.3%	3.3%	3.3%	3.1%
2.7%	2.8%	2.5	2.7%	Rate of inflation - CPI	2.5%	2.5%	2.5%	n/a
4.5%	4.6%	4.6	4.2%	Rate of increase in salaries	4.2%	3.5%	3.5%	3.9%
2.7%	2.8%	2.8	3.5%	Rate of increase in pensions	2.5%	2.5%	2.5%	3.1%
5.5%	5.5%	5.5	5.6%	Rate for discounting scheme liabilities	4.6%	4.8%	4.8%	4.8%
				Take up of option to convert annual pension into retirement lump sum (post 1 April 2008)				
68.0%	90.0%	90.0%	75%		50.0%	90.0%	90.0%	90.0%

f) Sensitivity analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- one year age rating adjustment to the mortality assumption.

Sensitivity Analysis	Local Government Pension Scheme											
	GLA			LDA			LFEPA			TfL		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	131,217	135,524	139,984	60,940	62,951	65,036	388,655	397,606	406,792	60,622	62,227	63,880
Projected Service Cost	5,742	6,025	6,319	985	1,036	1,089	8,062	8,378	8,704	1,137	1,200	1,265
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year	+1 Year	None	-1 Year	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present Value of Total Obligation	131,193	135,524	129,077	60,960	62,951	60,525	384,283	397,606	397,691	60,248	62,227	63,118
Projected Service Cost	5,774	6,025	5,358	993	1,036	923	8,029	8,378	7,441	1,141	1,200	1,259

Sensitivity Analysis	Fire Fighters			Police Officers			TfL Public Sector & Tube Lines		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Adjustment to discount rate	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%	+0.1%	0.0%
Present Value of Total Obligation	3,985,200	4,054,400	3,984,800	-353,000	0	353,000	8,049,691	8,187,691	8,325,691
Projected Service Cost	93,840	96,800	99,760	-18,420	0	18,420	174,400	180,000	185,600
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present Value of Total Obligation	4,176,000	4,054,400	3,932,800	567,200	0	-567,200	n/a	n/a	n/a
Projected Service Cost	99,700	96,800	93,900	16,890	0	-16,890	n/a	n/a	n/a

g) The fair value of the assets is comprised of the following categories

Authority	TfL Public		Authority	TfL Public	
LGPS	Group LGPS	Sector & Tube Lines	LGPS	Group LGPS	Sector & Tube Lines
31 Mar 2011	31 Mar 2011	31 Mar 2011	31 Mar 2012	31 Mar 2012	31 Mar 2012
£000	£000	£000	£000	£000	£000
55,278	248,440	3,889,664	62,918	271,236	4,033,167
9,614	43,207	-	10,343	44,587	-
11,216	50,408	-	12,067	52,019	-
1,602	7,201	1,679,324	-	-	1,869,100
2,403	10,801	17,486	862	3,716	29,461
80,113	360,057	5,586,474	86,190	371,558	5,931,728
		Total			

23. External Audit Costs

The Authority and Group have incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and non-audit services provided by the Authority's external auditors.

Authority 2010/11 £000	Group 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
151	3,087	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	140	2,646
0	20	Fees payable to external auditors in respect of statutory inspection	0	0
0	100	Fees payable to external auditors for the certification of grant claims and returns for the year	0	0
14	116	Fees payable in respect of other services provided by the external auditors during the year	0	246
<u>165</u>	<u>3,323</u>		<u>140</u>	<u>2,892</u>

24. Agency Income and Expenditure

European Regional Development Fund

The European Regional Development Fund (ERDF) is a fund allocated by the European Union which is focused on reducing economic disparities within and between member states by supporting economic regeneration and safeguarding jobs. The Department for Communities and Local Government (CLG) has the statutory responsibility for the ERDF programmes in England. In London, CLG has devolved operational responsibilities to an intermediate body to carry out certain programme functions.

On 1 July 2011, via a statutory instrument, CLG transferred the operational responsibilities for the European Regional Development Fund's London programme from the London Development Agency to the Greater London Authority.

The Greater London Authority acts as CLG's agent in administering the European Regional Development Fund (ERDF). For the period 1 July 2011 to 31 March 2012 £15.5m was receivable by way of grants and payable to projects in accordance with the agreement.

European Social Fund

The 2007-13 London ESF programme supports revenue projects that will provide over 50,000 skills qualifications and get 40,000 people into work. Funding is split between:

- the workless (Priority 1 – 'extending employment opportunities'),
- those in the workforce (Priority 2 – 'creating a skilled and adaptable workforce');

The 'Managing Authority' for ESF in England is the Department of Work and Pensions (DWP). On 1 July 2011 the DWP transferred operational responsibility for overseeing the

delivery of the programme in London from the London Development Agency to the Greater London Authority.

The 2007-13 ESF programme for London is worth £425 million at current exchange rates. It is delivered by five co-financing organisations (CFOs); which provide 50% of the match-funding (so the total programme size is approximately £850m). The Greater London Authority's European Programmes Management Team has strategic oversight and responsibility for performance management of the five CFOs.

The income and expenditure included in the GLA's Comprehensive Income and Expenditure Account for the management of the ERDF and ESF programmes is set out in the table below.

	2011/12*
	£000
Expenditure incurred in managing ERDF and ESF programmes	724
Management fee payable by the CLG for ERDF	(306)
Technical Assistance payable by the ERDF	(290)
Management fee payable by the DWP for ESF	(90)
Net deficit arising	<u>38</u>

* From 1 July 2011 to 31 March 2012

25. Third Party Funds

JESSICA Holding Fund London (London Green Fund)

JESSICA (The Joint European Support for Sustainable Investment in City Area) is a policy initiative of the European Commission, supported by the European Investment Bank (EIB), and designed to help the authorities in the Member States of the European Union to exploit financial engineering mechanisms to support investment in sustainable urban development in the context of the cohesion policy. Under this programme, Managing Authorities (CLG for England) are allowed to use some of their Structural Funds, principally those supported by the European Regional Development Fund (ERDF) to invest in Urban Development Funds to accelerate investment in urban areas.

For the London region, CLG's ERDF investment has been matched funded by the London Waste and Recycling Board (LWARB) and the London Development Agency (LDA). In October 2009, the London Development Agency, London Waste and Recycling Board (LWARB) and the European Investment Bank (EIB) signed a funding agreement for the purpose of establishing the JESSICA Holding Fund, also known as the London Green Fund. LDA, in the capacity of CLG's agent for ERDF, invested £50m ERDF funds that was match funded by £18m LWARB and £32m of LDA's own funds. On 1 July 2011, when the operational responsibilities for the ERDF transferred to the GLA, the responsibility for CLG's £50m ERDF contribution transferred to the GLA.

The EIB's audited final accounts for the financial year ended 31 December 2011 value the £50m ERDF contribution at £49.1m. The reduction in the value of the investment is largely due to the fees and commission expenses exceeding the interest earned in the period.

26. Property, Plant and Equipment

Group

Movements in 2011/12

	Other Land and Buildings £000	Rolling Stock £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Development Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2011	1,962,695	3,857,191	2,178,419	25,658,859	1,329	152,981	5,305,531	39,117,005
Additions	49,808	3,875	91,124	175,574	0	15,606	2,504,980	2,840,968
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	7,011	0	0	2,836	0	(23,930)	0	(14,083)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(19,031)	0	0	0	0	5,167	0	(13,864)
Derecognition- disposals	(36,761)	(221,989)	(61,343)	(188,798)	0	(19,050)	(3)	(527,944)
Derecognition- other	0	0	0	0	0	0	0	0
Assets reclassified (to) /from Held for Sale	(24,134)	0	0	0	0	0	(19,887)	(44,021)
Other movements in cost or valuation	58,423	429,802	126,438	1,194,546	(1,329)	(1)	(1,806,532)	1,347
At 31 March 2012	1,998,011	4,068,879	2,334,638	26,843,017	0	130,773	5,984,089	41,359,407
Accumulated Depreciation and Impairment								
At 1 April 2011	(151,471)	(2,168,943)	(1,393,761)	(9,551,117)	(11)	0	0	(13,265,303)
Prior year adjustment	0	0	0	0	0	0	0	0
Depreciation charge	(67,025)	(109,729)	(234,750)	(662,449)	0	(103)	0	(1,074,057)
Depreciation written out to the Revaluation Reserve	54,134	0	0	0	0	12	0	54,146
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	0	0	91	0	91
Impairment losses/(reversals) recognised in the revaluation reserve	(1,188)	0	0	0	0	0	0	(1,188)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(1,844)	0	(1,839)	0	0	0	(3,432)	(7,115)
Derecognition- disposals	3,409	221,989	56,749	156,851	0	0	0	438,998
Derecognition- other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	222	0	(452)	2,095	11	0	0	1,876
At 31 March 2012	(163,763)	(2,056,683)	(1,574,054)	(10,054,620)	0	0	(3,432)	(13,852,552)
Net Book Value								
At 1 April 2011	1,811,224	1,688,248	784,658	16,107,742	1,318	152,981	5,305,531	25,851,702
At 31 March 2012	1,834,248	2,012,196	760,584	16,788,397	0	130,773	5,980,657	27,506,855

Movements in 2010/11 - Restated

	Other Land and Buildings £000	Rolling Stock £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Developme nt Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2010	1,961,802	3,645,658	2,060,699	23,268,463	1,318	345,467	5,749,514	37,032,921
Additions	47,389	26,273	100,919	287,708	0	79,177	2,690,990	3,232,457
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	(10,322)	0	0	(642)	0	(23,405)	0	(34,369)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(24,516)	0	(66)	0	0	(31,864)	(5,035)	(61,481)
Derecognition- disposals	(39,919)	(213,980)	(117,167)	(455,570)	0	(211,230)	0	(1,037,866)
Derecognition- other	0	0	0	0	0	(6,514)	0	(6,514)
Assets reclassified (to) /from Held for Sale	(2,094)	0	5,031	0	0	0	(5,031)	(2,094)
Other movements in cost or valuation	30,355	399,240	129,003	2,558,900	11	1,350	(3,124,907)	(6,048)
At 31 March 2011	1,962,695	3,857,191	2,178,419	25,658,859	1,329	152,981	5,305,531	39,117,005
Accumulated Depreciation and Impairment								
At 1 April 2010	(125,079)	(2,266,983)	(1,243,793)	(9,109,867)	0	0	0	(12,745,722)
Prior year adjustment	0	0	(5,426)	0	0	0	0	(5,426)
Depreciation charge	(53,921)	(104,733)	(223,768)	(615,833)	0	0	0	(998,255)
Depreciation written out to the Revaluation Reserve	34,570	0	0	1,749	0	0	0	36,319
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(10,514)	0	(8,077)	0	0	0	0	(18,591)
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition- disposals	3,473	202,015	87,598	172,834	(11)	0	0	465,909
Derecognition- other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	758	(295)	0	0	0	0	463
At 31 March 2011	(151,471)	(2,168,943)	(1,393,761)	(9,551,117)	(11)	0	0	(13,265,303)
Net Book Value								
At 1 April 2010	1,836,723	1,378,675	816,906	14,158,596	1,318	345,467	5,749,514	24,287,199
At 31 March 2011	1,811,224	1,688,249	784,658	16,107,742	1,318	152,981	5,305,531	25,851,702

Authority

Movements in 2011-12

	Vehicles, Plant, Furniture and Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation			
At 1 April 2011	11,775	0	11,775
Additions	1,132	0	1,132
At 31 March 2012	12,907	0	12,907
Accumulated Depreciation			
At 1 April 2011	(10,176)	0	(10,176)
Depreciation charge	(1,042)	0	(1,042)
At 31 March 2012	(11,218)	0	(11,218)
Net Book Value			
At 31 March 2011	1,599	0	1,599
At 31 March 2012	1,689	0	1,689

Movements in 2010-11

	Vehicles, Plant, Furniture and Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation			
At 1 April 2010	11,211	120	11,331
Additions	564	0	564
Reclassification	0	(120)	(120)
At 31 March 2011	11,775	0	11,775
Accumulated Depreciation			
At 1 April 2010	(8,874)	0	(8,874)
Depreciation charge	(1,302)	0	(1,302)
At 31 March 2011	(10,176)	0	(10,176)
Net Book Value			
At 31 March 2010	2,337	120	2,457
At 31 March 2011	1,599	0	1,599
Depreciation			

■

27. Investment Properties – Group

The following table summarises the movement in the fair value of investment properties over the year:

2010/11 £000	2011/12 £000
339,456 Balance at start of the year	345,316
0 Additions:	767
(31,632) Disposals	(11,333)
35,149 Net gains/(losses) from fair value adjustments	30,026
Transfers:	
2,343 To/from Property, Plant and Equipment	0
<u>345,316</u> Balance at end of the year	<u>364,776</u>

28. Private Finance Initiative (PFI) Assets – Group

The Group is party to the following Private Finance Initiative ('PFI') arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and are accounted for in accordance with IFRIC 12 *Service concession arrangements* ('IFRIC 12').

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

In accordance with IFRIC 12, the unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the income statement.

The Group has the following PFI arrangements:

LFEPA has a Private Finance Initiative arrangement, which provides the Brigade fleet under the terms of a finance lease.

The MPA has entered into two long term contractual agreements under PFI whereby the contractor is responsible for the design, construction, finance and maintenance of four police stations in south-east London (Police Stations PFI) and a public order and firearms training centre (Training Ground PFI).

TfL has the following PFI arrangements:

Connect

The Connect contract is for the provision of network wide, integrated radio and transmission communication services to London Underground Limited ('LUL'), a TfL subsidiary. The contract started on 22 November 1999 and will end on 22 November 2019.

Power

The Power contract is for the maintenance, management and procurement of the electricity supply services for the London Underground. The contract started on 13 August 1998 and is due to end on 13 August 2028.

British Transport Police (London Underground)

The British Transport Police ('BTP') contract is to provide improved operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LUL.

The contract also includes the ongoing management and maintenance during the contract period. The contract started on 26 March 1999 and is due to end on 26 March 2021.

Docklands Light Railway contracts for Woolwich, Greenwich and City Airport

Docklands Light Railway Limited ('DLR'), a TfL subsidiary, contracts are for the design, construction and maintenance of the three extensions to the Docklands Light Railway ('DLR') being Woolwich, Greenwich and City Airport over the period 25 February 2003 to May 2035. In 2010/11 these assets were recorded as finance leased assets in accordance with the provisions of IFRIC 12 Service concession arrangements. On 23 November 2011, however, the TfL Group acquired the CARE and WARE groups of companies, which hold the contracts relating to the Woolwich and City airport extensions. These concession arrangements have been consolidated into the Group accounts from that date and the imputed finance lease liability held by DLR has been settled.

A13 Thames Gateway contract

The A13 Thames Gateway Design Build Finance and Operate ('DBFO') contract is for the design and construction of improvements to the A13. In addition to major improvements the contract included the operation and maintenance of the A13 between Butcher Row and Wennington and the design and construction of a communications system and a traffic signals system for the A13 between Butcher Row and Wennington. The contract started on 20 April 2000 and is due to end on 20 April 2030.

Assets held under PFI arrangements

Group 2010/11 £000		Group 2011/12 £000
Cost or Valuation		
1,719,391	At 1 April	1,726,149
5,319	Additions	2,814
0	Donations	0
	Revaluation increases/(decreases) recognised in the 0 revaluation reserve	1,919
	Revaluation increases/(decreases) recognised in the 0 (Surplus)/Deficit on the Provision of Services	0
(15)	Derecognition- disposals	(331,363)
	0 Assets reclassified (to) /from Held for Sale	0
1,454	Other movements in cost or valuation	4
1,726,149	At 31 March	1,399,523
Accumulated Depreciation and Impairment		
(272,110)	At 1 April	(355,357)
(5,426)	Prior year adjustment	0
(72,669)	Depreciation charge	(68,764)
	0 Depreciation written out to the Revaluation Reserve	0
	Depreciation written out to the (Surplus)/Deficit on the (5,266) provision of services	10,941
	0 Derecognition- disposals	34,650
	0 Derecognition- other	0
114	Other movements in depreciation and impairment	0
(355,357)	At 31 March	(378,530)
Net Book Value		
1,447,281	At 31 March 2011	1,370,792
1,370,792	At 31 March 2012	1,020,993

PFI Finance Lease Liabilities

Group 2010/11 £000		Group 2011/12 £000
1,248,351	Balance outstanding at start of year	(1,198,175)
(131,942)	Payments during the year	445,755
53,539	Capital expenditure incurred in the year	(23)
28,227	Other movements	(62,397)
1,198,175		(814,840)

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

As at 31 March 2012

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011/12	134,772	61,138	54,227	250,137
Payable within two to five years	556,279	295,785	183,405	1,035,469
Payable within six to ten years	666,877	241,302	148,881	1,057,059
Payable within eleven to fifteen years	469,158	154,448	95,316	718,922
Payable within sixteen to twenty years	161,117	62,167	23,627	246,911
Payable within twenty-one to twenty-five years	0	0	0	0
Total	1,988,203	814,840	505,456	3,308,499

As at 31 March 2011

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011/12	131,635	61,084	86,632	279,351
Payable within two to five years	561,576	301,810	309,042	1,172,428
Payable within six to ten years	731,979	335,392	289,073	1,356,444
Payable within eleven to fifteen years	527,585	195,460	208,471	931,516
Payable within sixteen to twenty years	315,992	213,668	108,424	638,084
Payable within twenty-one to twenty-five years	44,186	80,748	16,566	141,500
Total	2,312,953	1,188,162	1,018,208	4,519,323

29. Intangible Assets – Group

The GLA Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets comprise purchased software licences and assets-under-construction includes internally generated software.

Authority 2010/11 £000	Group 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
		Balance at the start of the year:		
312	263,791	Gross carrying amounts	432	516,689
(34)	(82,420)	Accumulated depreciation	(147)	(359,670)
<u>278</u>	<u>181,371</u>	Net carrying amount at the start of the year	<u>285</u>	<u>157,019</u>
		Additions:		
0	4,449	Internal development	0	0
0	29,698	Purchases	0	35,386
0	246,441	Acquired through business combinations	0	0
0	(11,696)	Other disposals	0	0
0	(242,893)	Impairment losses recognised or reversed directly in the (Surplus)/Deficit on the Provision of Services	0	0
(113)	(50,471)	Amortisation for the period	(130)	(61,372)
120	120	Other movements	(25)	(2,199)
<u>285</u>	<u>157,019</u>	Net carrying amount at end of year	<u>130</u>	<u>128,834</u>
		Comprising:		
432	516,689	Gross carrying amounts	407	549,875
(147)	(359,670)	Accumulated amortisation	(277)	(421,041)
<u>285</u>	<u>157,019</u>		<u>130</u>	<u>128,834</u>

30. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2010/11 £000	2011/12 £000
0 Opening Capital Financing Requirement	804,994
Capital Investment in year	
564 Property, Plant and Equipment	1,132
0 Intangible Assets	0
3,964 Revenue Expenditure Funded from Capital under Statute	40,924
998,356 Revenue Expenditure Funded From Capital under Statute- Payment to TfL for Crossrail	871,644
Sources of Finance	
(2,364) Government grants and other contributions	(38,912)
0 Capital Receipts	(27)
<i>Sums set aside from revenue:</i>	
(2,164) Direct revenue contributions	(3,117)
(193,362) Business Rates Supplement - Crossrail	(173,049)
804,994 Closing Capital Financing Requirement	1,503,589
Explanation of movements in year	
0 Opening Capital Finance Requirement	804,994
Increase in underlying need to borrow (unsupported by government financial assistance)	698,595
804,994 Increase/(decrease) in Capital Financing Requirement	1,503,589

31. Inventories

Authority 31 March 2011 £000	Group 31 March 2011 £000		Authority 31 March 2012 £000	Group 31 March 2012 £000
39	26,513	Balance at 1 April	58	44,695
19	73,112	Purchases	17	82,402
0	(53,228)	Recognised as an expense in the year	(24)	(75,651)
0	(2,006)	Written off balances	0	(1,571)
0	264	Other Adjustments	0	357
0	40	Reversals of write-offs in previous years	0	0
58	44,695	Balance at 31 March	51	50,232

32. Debtors

Authority	Group		Authority	Group
31 March	Restated 31 March		31 March	31 March
2011	2011		2012	2012
£000	£000		£000	£000
1,446	144,031	Central government bodies	3,036	415,813
34,028	44,953	Other local authorities	48,144	69,256
0	32	NHS bodies	77	108
0	577	Public corporations and trading funds	1	51
47,440	629,797	Other entities and individuals	47,122	503,199
82,914	819,390	Total	98,380	988,427

33. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Authority	Group		Authority	Group
31 March	31 March		31 March	31 March
2011	2011		2012	2012
£000	£000		£000	£000
1	24,339	Cash held by the Authority	0	111
1,057	194,353	Bank current accounts	140,555	264,722
250,000	1,943,219	Fixed-term deposits	0	1,629,675
251,058	2,161,911	Total	140,555	1,894,508

34. Creditors

Authority	Group		Authority	Group
31 March	Restated 31 March		31 March	31 March
2011	2011		2012	2012
£000	£000		£000	£000
(2,163)	(141,829)	Central government bodies	(2,801)	(128,159)
(190,703)	(38,148)	Other local authorities	(43,001)	(74,129)
(438)	(498)	NHS bodies	(2)	(29)
(634)	(3,909)	Public corporations and trading funds	(4,657)	(5,670)
(48,610)	(1,927,193)	Other entities and individuals	(54,979)	(1,968,500)
0	(459,246)	Grants received in advance	(102,502)	(477,299)
(242,548)	(2,570,823)	Total	(207,942)	(2,653,786)

35. Provisions

Authority

During 2011/12 the following movements occurred on the Authority's provisions:

31 March 2011 £000		Additional provisions made £000	31 March 2012 £000
0	Balance at 1 April 2011		0
0	City Hall Cladding	98	98
0	Olympic Funding Agreement	6,144	6,144
0	Balance at 31 March 2012	6,242	6,242

City Hall Cladding

Discussions regarding remedial works on City Hall cladding between the Authority, the landlord and the insurers are nearing conclusions and it is likely that the Authority will be required to fund uninsured losses. A provision has been made for £0.097m and it is likely that this will be paid within the next six months.

Olympics Public Sector Funding Package

In anticipation of the bid to host the 2012 Olympic and Paralympic Games in London the Government and the Mayor of London entered into and published in June 2003 a Memorandum of Understanding ("the 2003 MOU"). A revised MOU was signed in June 2007. Both the 2003 MOU and the revised MOU state that the Mayor will provide a maximum of £625 million from the Olympic precept. The amount to be raised through the council tax precept for the 2012 Games will be no more than £20 a year for a Band D council tax household and will be spread over the period 2006-07 to 2016-17.

The Mayor's initial £625 million from the Council Tax precept will be provided until 31 March 2017 and will be mainly paid direct to the Olympic Delivery Authority (ODA), during the life of the ODA, for capital expenditure purposes within Greater London. Thereafter, it will be paid to an appropriate residuary body. This does not preclude payments being made to other bodies and being used for legacy purposes, if appropriate.

In 2011/12 the Authority raised £60.3m from the Olympic precept. This funded £33.0m paid to the ODA and £21.2m Olympic projects managed by the Authority. A further £6.1m was budgeted to be spent on Olympic projects, but this will be incurred in future years. As the Authority has a constructive obligation to pay this funding to the ODA or other bodies in future years a provision has therefore been raised for this amount.

Group

31 March 2011				31 March 2012			
Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
(51,125)	(917)	(660,307)	(712,349)	(21,395)	(77,800)	(439,292)	(538,487)
(24,241)	(216)	(206,732)	(231,189)	(94,091)	(15,500)	(156,803)	(266,394)
21,901	452	193,514	215,867	14,584	26,400	159,574	200,558
12,890	100	176,193	189,183	153	41,400	55,926	97,479
(40,575)	(581)	(497,332)	(538,488)	(100,749)	(25,500)	(380,595)	(506,844)

Accident Claims (MOPAC)

The MOPAC seeks to make provision for realistic estimates of the future settlement of known liabilities in respect of legal compensation and accident claims that are not covered by insurance. Accordingly a provision has been made at 31 March 2012 for £19 million. Over the course of the year agreed claims have been paid from this account amounting to £13m.

Riot Damage (MOPAC)

A provision for third party claims, in respect of damages arising from the riots in August 2011, under the Riot Damages Act has been made at 31 March 2012 for £80m.

Capital investment activities (TfL)

Provisions totalling £225m have been made for capital investment activities which include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims.

36. Joint Venture

The tables below detail the GLA's share of the Olympic Park Legacy Corporation's income, expenditure, assets and liabilities.

2010/11			2011/12	
Total	GLA's Share		Total	GLA's Share
£000	£000		£000	£000
(17,876)	(8,938)	Income	(29,218)	(14,609)
18,024	9,012	Expenditure	28,688	14,344
148	74	Operating (profit)/loss	(530)	(265)
(19)	(9)	Net financing income	(80)	(40)
		Gain on disposal	(1,920)	(960)
129	65	(Profit)/loss before taxation	(2,530)	(1,265)
146	73	(Profit)/loss after taxation	(472)	(236)
(207)	(104)	Other comprehensive income	511	256
(61)	(31)	Total comprehensive (income)/loss	39	20

31 March 2011			31 March 2012	
Total	GLA's Share		Total	GLA's Share
£000	£000		£000	£000
145,668	72,834	Non current assets	151,546	75,773
111,009	55,506	Current assets	32,577	16,290
(145,171)	(72,586)	Non current liabilities	(158,269)	(79,136)
(111,467)	(55,734)	Current liabilities	(25,854)	(12,927)
(39)	(20)	Retained earnings	0	0
0	0		0	0

37. Usable Reserves

Movements in the Authority's and Group usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

38. Unusable Reserves

Authority	Group		Authority	Group
	Restated			
31 March	31 March		31 March	31 March
2011	2011		2012	2012
£000	£000		£000	£000
0	282,027	Revaluation Reserve	0	308,769
0	1,437,042	TfL Subsidiary Retained Earnings	0	1,087,416
(803,110)	12,530,507	Capital Adjustment Account	(1,501,770)	14,185,115
0	0	Financial Instruments Adjustment Account	0	(216,524)
(20,185)	(22,962,893)	Pensions Reserve	(49,334)	(25,413,795)
(395)	(110,027)	Accumulated Absences Account	(339)	(99,829)
14,057	14,057	Collection Fund Adjustment Account	20,566	20,566
0	110,024	Deferred Capital Receipts Reserve	0	19,256
0	470,500	Other Reserves	0	349,010
(809,633)	(8,228,763)	Total Unusable Reserves	(1,530,877)	(9,760,016)

Revaluation Reserve

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

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

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

Restated		Group
Group		2011/12
2010/11		£000
£000		
308,535	Balance at 1 April	282,027
44,500	Upward revaluation of assets	95,413
(50,823)	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(54,784)
(6,323)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services	40,629
(4,168)	Difference between fair value depreciation and historical cost depreciation	(8,233)
(16,017)	Accumulated gains on assets sold or scrapped	(5,654)
(20,185)	Amount written off to the Capital Adjustment Account	(13,887)
282,027	Balance at 31 March	308,769

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of these assets under statutory provisions. The Account is debited with depreciation and amortisations. The Account is credited with the amounts set aside by the Authority and Group as finance for the costs of acquisition, construction and enhancement.

Authority	Restated Group		Authority	Group
2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
2,735	12,134,174	Balance at 1 April	(803,110)	12,530,507
0	(5,426)	Prior year adjustment	0	0
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,302)	(317,973)	Charges for depreciation and impairment of non-current assets	(1,042)	(383,301)
0	(49,732)	Revaluation losses on Property, Plant and Equipment		(4,365)
(113)	(50,471)	Amortisation of intangible assets	(130)	(8,727)
(1,002,320)	(1,119,818)	Revenue expenditure funded from capital under statute	(912,568)	(949,101)
0	540	Other Adjustments		(555,970)
		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(67,960)
0	(276,263)			(67,960)
(1,003,735)	(1,813,717)		(913,740)	(1,969,424)
	(665,545)	Adjusting amounts written out of the Revaluation Reserve		13,887
(1,003,735)	(2,479,262)	Net written out amount of the cost of non-current assets consumed in the year	(913,740)	(1,955,537)
		Capital financing applied in the year:		
0	83,100	Use of the Capital Receipts Reserve to finance new capital expenditure	27	233,021
0	0	Use of the Major Repairs Reserve to finance new capital expenditure	0	0
0	2,549,813	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,386	3,100,276
2,364	325	Application of grants to financing from the Capital Grants Unapplied Account	4,526	20,990
0	44,348	Statutory provision for the financing of capital investment charged against the General Fund		46,690
195,526	203,435	Capital expenditure charged against the General Fund	176,166	200,579
		Reversal of prior year financing	(25)	(25)
197,890	2,881,021		215,080	3,601,531
0	0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	8,614
0	0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
(803,110)	12,530,507	Balance at 31 March	(1,501,770)	14,185,115

Deferred Capital Receipts Reserve

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

Restated Group 2010/11 £000		Group 2011/12 £000
11,078	Balance at 1 April	110,024
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	51,805
(2,193)	Transfer Finance Lease Impairments and receipts	(3,219)
	Transfer to the Capital Receipts Reserve upon receipt of cash	(139,354)
110,024	Balance at 31 March	19,256

Pensions Reserve

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

Authority 2010/11 £000	Group 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
(34,342)	(26,732,220)	Balance at 1 April	(20,185)	(22,962,893)
5,217	2,440,904	Actuarial gains or losses on pension assets and liabilities	(28,243)	(1,043,662)
		Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,164)	(1,029,980)
5,131	1,914,820	Employer's pensions contributions and direct payments to pensioners payable in the year	4,258	(377,260)
3,809	(586,397)	Balance at 31 March	(49,334)	(25,413,795)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the London Boroughs and City of London Corporation's Collection Fund.

Authority 2010/11 £000	Authority 2011/12 £000
8,965 Balance at 1 April	14,057
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	6,509
14,057 Balance at 31 March	20,566

Accumulated Absences Account

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

Authority 2010/11 £000	Group 2010/11 £000	Authority 2011/12 £000	Group 2011/12 £000
(423)	(119,864)	(395)	(110,027)
	Settlement or cancellation of accrual made at the end of the preceding year		
423	119,864	395	110,027
(395)	(110,027)	(339)	(99,829)
	Amounts accrued at the end of the current year		
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		
28	9,837	56	10,198
(395)	(110,027)	(339)	(99,829)
	Balance at 31 March		

Other Reserves

Other Reserves in the Group Accounts consists of the Merger Reserve and Hedging Reserve. The Authority does not hold a Merger or Hedging Reserve.

The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LUL), to TfL in 2003. It represents the share capital of LUL and was taken as a credit to merger reserve.

The hedging reserve of (£117m) holds the loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects the surplus or deficit.

Group			Group	
Merger Reserve	Hedging Reserve		Merger Reserve	Hedging Reserve
2010/11			2011/12	
£000	£000		£000	£000
466,100		0 Balance at 1 April	466,100	4,400
0	4,400	Net change in fair value of cash flow interest rate hedges	0	(121,000)
0	0	Net change in fair value of cash flow foreign exchange hedges	0	(490)
466,100	4,400	Balance at 31 March	466,100	(117,090)

39. Cash Flow Statement – Adjustments for Non-cash Movements

Authority	Group		Authority	Group
2010/11	Restated 2010/11		2011/12	2011/12
£000	£000		£000	£000
1,415	1,066,055	Depreciation of property, plant and equipment and amortisation of intangibles	1,172	1,135,431
0	304,231	Impairment of property, plant and equipment, intangible assets and investment properties		(1,132)
0	314,087	Gain or loss on sale of property, plant and equipment		(2,775)
0	225,529	Carrying amount of non current assets sold		52,795
(5,131)	(1,401,150)	Reversal of pension service costs and interest	5,164	1,819,750
(3,809)	121,668	Cash payments for employer's contributions to pension funds and direct payments to pensioners	(4,258)	(343,354)
(9,634)	(9,634)	Reversal of accrued surplus/(deficit) on Collection Fund	(14,498)	(14,498)
4,542	4,542	Collection Fund (surplus)/deficit received/paid in accordance with regulation	7,989	7,989
0	(3,390,300)	Reversal of capital grants recognised in the income and expenditure statement		(3,115,300)
0	(155,095)	Other non cash items charged to the net surplus of deficit on the provision of services		0
171,834	(48,063)	(Increase)/ decrease in creditors	(147,397)	(218,956)
(3,845)	1,987	Increase/(decrease) in debtors	(9,666)	(206,379)
(19)	(10,319)	Increase/ (decrease) in stock	7	(5,538)
(282)	(19,415)	(Increase)/ decrease in provisions	6,242	(27,490)
0	74	Other movements	25	208,305
173	(370,969)	Finance income	(561)	(420,529)
7,625	820,625	Finance expense	5,035	948,264
162,869	(2,546,147)		(150,746)	(183,417)

40. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

Authority 2010/11 £000	Group 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
3,032	2,893	Interest Received	3,304	6,213
(24,490)	(27,423)	Interest paid	(53,571)	(134,620)
0	(18,142)	Finance lease interest paid	0	(20,854)
0	1,358	Taxation refund	0	16,047

41. Cash Flow Statement – Investing Activities

Authority 2010/11 £000	Group Restated 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
(540)	(3,061,736)	Purchase of property, plant and equipment, investment property and intangible assets	(1,210)	(2,954,502)
0	(516,175)	Purchase of short-term and long-term investments	(311,659)	(329,224)
0	(82,100)	Other payments for investing activities		(721,816)
2,000	132,332	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	254,346
0	3,228,371	Capital grants received	0	3,335,996
0	363,871	Proceeds from short-term and long-term investments	0	51,036
0	82,263	Other receipts from investing activities	101,706	26,772
1,460	146,826	Net cash flows from investing activities	(211,163)	(337,392)

42. Cash Flow Statement – Financing Activities

Authority 2010/11 £000	Group Restated 2010/11 £000		Authority 2011/12 £000	Group 2011/12 £000
833,100	1,671,300	Cash receipts of short and long-term borrowing	682,566	3,074,580
0	88,214	Other receipts from financing activities	1,572	10,501
0	(91,061)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	0	(165,875)
0	(441,554)	Repayments of short and long-term borrowing	0	(2,210,700)
0	(314,047)	Other payments for financing activities	0	(502,952)
833,100	912,852	Net cash flows from financing activities	684,138	205,554

43. Related Parties

The Authority and its functional bodies are 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.

GLA

During the year amounts payable to Central Government, Functional Bodies, Other Local Authorities and National Health Services amounted to:

	Expense £'000	Creditor £'000
Central Government	3,997	851
Functional Bodies	3,658	4,132
Local Government	50,384	23,973
Hospital	252	2

Expenditure includes funding relating to contribution to boroughs hosting 2012 games, funding for The Mayor's priority parks programme, contributions to the Mayor's street programme, Look & Feel programme for 2012 games, shared services for legal, finance and procurement, SAP Support, secondment costs, low carbon zone programme

During the year amounts receivable from Central Government, Functional Bodies, Other Local Authorities and National Health Services amounted to:

	Income £'000	Debtor £'000
Central Government	14,166	410
Functional Bodies	14,851	378
Local Government	125	10,306
Hospital	82	72

Income includes event management costs for the Royal Wedding, programme management of the regional European Social Fund (ESF), Congestion Charging, LASS 2011/12 Membership, GLA Economics funding, Contribution to London's European Office and Shared service recharge.

Other Parties

The Director of London 2012 Coordination is a member of the Board of the Olympic Delivery Authority (ODA). During 2011/12 the Authority contributed £ 34m to the ODA, £33m was the Greater London Authority's contribution under the public sector funding package for the 2012 Olympics; £1m was a grant payment under the Olympic realm public art agreement.

- As at 31 March 2012, the Authority owed £31,000.

The Head of Paid Service is a Board observer for the London Sustainability Exchange. During 2011/12 the Authority contributed £ 152,396 to the London Sustainability Exchange for the Well London Programme

- As at 31 March 2012, the Authority owed £20,772 to London Sustainability Exchange

The Mayoral Advisor on Arts and Culture is a board member of the Arts Council London. During 2011/12 the Authority contributed £ 143,578 to the Arts Council for the Be Creative Be Well of the Well London programme

- As at 31 March 2012, the Authority owed £1,600 to the Arts Council

The Mayoral Advisor on Arts and Culture is a board member of the Institute of Contemporary Arts. During 2011/12 the Authority contributed £ 15,175 to the Institute of Contemporary Arts for the “Shubbak: A window on Contemporary Arab Culture”.

- As at 31 March 2012, the Authority does not owe any funds to the Institute of Contemporary Arts

The Cultural Manager is a board member of the Thames Festival Trust. During 2011/12 the Authority contributed £70,000 in grants to the trust. The GLA officer does not participate in any discussions or decisions-making by the board in relation to GLA funding or any such involvement as a GLA employee.

- As at 31 March 2012, the Authority does not owe any funds to the Thames Festival Trust

The Cultural Manager is on the advisory group of the London Design Festival. During 2011/12 the Authority contributed £250,000 in grants. The GLA officer does not participate in any discussions or decisions-making by the board in relation to GLA funding or any such involvement as a GLA employee.

- As at 31 March 2012, the Authority owed £31,250 to the London Design Festival

Interests in Other Organisations

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 2011/12 the GLA provided £7.8m revenue funding and £1.6m capital funding to the Museum of London.

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 eleven Trustees led by Chairperson, Ms Paulette Rowe. 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.

In 2011/12 £0.04m was receivable from the Mayor's Fund for the rental of desk space at City Hall and the provision of limited IT and telecommunication resources, such as the networked computer access and telephone services and other minor services. At 31 March 2012, £0.01m was owed to the Greater London Authority.

London & Partners

London & Partners was incorporated on 14 January 2011 as a company limited by guarantee. It commenced operations on 1 April 2011. London & Partners is a commercially driven organisation, championing London as the best big city on earth. It will generate economic benefits for the capital and maintain London's leading position by attracting and generating spend from visitors and overseas students; attracting, accelerating and expanding foreign direct investment in London; and leveraging private sector investment and expertise.

The Mayor is the founding member of London & Partners. In March 2011 the British Hospitality Association (BHA), London Chamber of Commerce and Society of London Theatre (SOLT) were invited to become members. As at 31 March 2011 the BHA had accepted its invitation. On 21 April 2011 the Chamber wrote to accept and on 27 June 2011 SOLT wrote to accept.

The board of London & Partners is comprised of twelve directors. Under the articles of association the Mayor retains the power to appoint the chair and one other non-executive director to the board. As at 31 March 2011 Judith Mayhew Jonas was appointed Interim Chair and Danny Lopez Interim Chief Executive Officer. Following an open recruitment process, Gordon Innes was appointed Chief Executive Officer in August 2011 and Judith Mayhew Jonas was appointed Chair in November 2011.

During the financial year 2011/12 the GLA paid a grant of £15.8m to London & Partners.

The Mayor's Academies Limited

The Mayor's Academies Limited ("MAL") was incorporated on 22 March 2010 as a company limited by guarantee with no share capital. The company was established to advance for the public benefit, the development and application of skills relevant to employment in the Greater London area and to that end, sponsor, support and promote, with core education providers and other partners, education facilities in Greater London, particularly academies.

The Mayor (as Patron) acting on behalf of the GLA, is currently the sole member of the company, may appoint new directors to the Board, and is entitled to remove any director.

The Mayor's Academies Limited is a dormant company.

Mayor of London's Fund for Young Musicians

The Mayor of London's Fund for Young Musicians provides progression and development opportunities to young people who demonstrate exceptional musical talent and commitment.

The Mayor of London is the Fund's ex officio founder patron and can appoint up to two members of the board.

In 2011/12 £0.008m was receivable from the Mayor's Fund for the rental of desk space at City Hall and the provision of limited IT and telecommunication resources, such as the networked computer access and telephone services and other minor services. At 31 March 2012, £0.002m was owed to the Greater London Authority.

London Waste and Recycling Board (LWARB)

James Cleverly, Assembly Member is a member of LWARB. In 2011/12 the Authority paid LWARB grants totaling £11.5m

LDA

The related parties to the LDA are:-

- its Board Members, Directors and Heads of Service
- Central Government
- Other public bodies (including the Greater London Authority)
- Entities controlled or significantly influenced by the Agency.

Board Members and Senior Managers

Board members of the LDA have direct control over the LDA's financial and operating policies. Board members and the senior management team were required to complete a declaration, regarding any related party transactions with the LDA, which are subject to external audit. The total of members' allowances paid in 2011/12 is shown in Note 26. A number of Board members have had interests in organisations who have been a recipient of LDA funding. Several senior managers have interests in organisations who have had financial transactions with the LDA e.g. KPMG, Think London, Homes and Communities Agency. Details of all Board and senior management team members interests are recorded in the Register of Members' Interest and are open to public inspection at the GLA's address: Greater London Authority, City Hall, The Queen's Walk, London, SE1 2AA.

Central Government

Central Government was responsible for providing the statutory framework within which the LDA operated and provided the majority of its funding in the form of Grant. Grant was paid by the Business, Innovation and Skills Department to the Greater London Authority, which in turn paid the grant to the LDA. Details of Grant are disclosed in the Comprehensive Income and Expenditure Statement and Cash Flow Statements. Providers of finance, trade unions and entities that are agents of the LDA are deemed not to be related parties under the provisions of the Code.

Other Public Bodies [subject to common control by central government]

A number of Board members have interests in other public bodies subject to common control by central government. One Board member serves as councillor for the London Borough of Lambeth, another as board member for Transport for London. Other Board members serve as an unremunerated board member of the Metropolitan Police Authority, an unremunerated common councilman for the City of London Corporation and policy director for economic development at the Greater London Authority.

Entities Controlled or Significantly Influenced by the LDA

There has been only one entity controlled or significantly influenced by the LDA for which there have been related party transactions in 2011/12, SME Wholesale Finance (London) Limited (SME). SME is a company limited by guarantee and has been consolidated into the LDA's accounts as a subsidiary.

During 2011/12 there were no other material related party transactions except as disclosed below.

LDA	Income	Expenditure	Outstanding	Nature of Relationship
	2011/12	2011/12	Balance	
	£'000	£'000	2011/12	
			£'000	
ANGIE RIDGWELL ASSOCIATES LTD	-	(255)	-	- Agency's Group Director of Finance interim contract
BETTER BUILDING PARTNERSHIPS	-	(88)	-	- Agency senior manager influence
FRAN BECKETT CONSULTANCY LIMITED	-	(14)	-	- Agency Board member consultancy company
GREATER LONDON ENTERPRISE	96	-	23	Agency Board member non-executive Director of related party
HACKNEY COMMUNITY COLLEGE	-	(20)	-	- Agency Board observer contributions
HERBERT SMITH	-	(674)	-	- Agency senior manager's family relative employed by related party
HMRC	-	(1,174)	-	- Agency Board member advisor to related party
HOMES AND COMMUNITIES AGENCY	547	(8)	-	- Agency former Board member influence
KPMG UK LLP	-	(1,544)	-	- Supplied Agency's senior finance support
LONDON AND PARTNERS LTD	119	-	-	- Agency former senior manager influence
LONDON BOROUGH OF LAMBETH	-	(550)	-	- Agency Board member also member of related party
PECAN	51	-	-	- Agency Board member Chair of Advisory Board of related party
ROYAL DOCKS MANAGEMENT AUTHORITY LTD	-	(449)	-	- Agency senior manager influence
SME WHOLESALE FINANCE (LONDON) LTD	-	(99)	-	- Subsidiary of Agency
WSP GROUP PLC	-	(10)	-	- Agency Board member on related party Board
Total	813	(4,885)	23	

LFEP A

The London Fire and Emergency Planning Authority (LFEP A) is part of a unique government arrangement. The Mayor appoints all LFEP A's 17 Members and chooses one of them to be the Chairman of LFEP A. Eight are nominated from the London Assembly, seven from the London Boroughs and two Mayoral appointees.

The Mayor sets the budget for LFEP A. The London Assembly approves this budget and is able to summon members of LFEP A to answer questions at Assembly meetings

A number of LFEP A officers are members of the London Fire Brigade Welfare Fund Executive Council. During the year the authority paid an annual donation of £4.5k (£4k 2010/11) to the London Fire Brigade Welfare Fund. One senior officer was a Trustee of the Fire fighter's Charity for part of the reporting period. During this time LFEP A paid one invoice to the Charity of £475.

No LFEPA Member and no other member of senior management has declared that during the year they, or their close relations or members of the same household have undertaken any declarable transactions neither with related parties nor with LFEPA. This disclosure note has been prepared on the basis of specific declarations obtained in April 2011, in respect of related party transactions.

MOPAC

Central Government and other bodies

Central government has significant influence over the general operations of the MOPAC. It is responsible for providing the statutory framework within which the MOPAC operates as well as providing a substantial part of its funding in the form of grants and prescribes the terms of many of the transactions that the MOPAC has with other parties. Grants received from Central Government are set out in the subjective analysis in note 6.5. The total of other grants and payments are:

	MOPAC	
	2011/12 £000	2011/12 £000
Income (Net)	Income	Debtor
UK Border Agency	547	43
Special Service Agreements	58,551	3,092
National Identification Service	506	364
City of London Police	240	66
Serious Organised Crime Agency	103	1
ACPO Tam	37,945	10,566
Seconded Officers	8,519	49

	MOPAC	
	2011/12 £000	2011/12 £000
Expenditure	Expense	Creditor
Forensic Science Services	20,216	0

Other Public Bodies

The MOPAC's transactions with other public bodies are primarily with ACPO TAM. The remainder of transactions are with various public bodies which individually are not deemed to be significant.

	Group	
	2011/12 £000	2011/12 £000
Income (Net)	Income	Debtor
ACPO TAM	37,945	158

The MOPAC is represented at both Cabinet and Director levels on the Association of Chief Police Officers (ACPO) which is an independent professional body of chief police officers and senior staff equivalents. Any work performed for ACPO by individuals is on top of their normal duties and does not attract any additional remuneration.

The ACPO Terrorism and Allied Matters (TAM) business area leads for the police service on counter-terrorism and related issues through, among other activities, the development of police service policy and strategy in respect of relevant counter terrorism, domestic extremism and other policing themes. As part of this role, the business area liaises with Government and other partners on behalf of the police service. C Dick, Assistant Commissioner is the current head of ACPO TAM.

TfL

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, Chief Officers, Commissioner, the Mayor of London and the TfL Pension Fund. In addition, central government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

Board Members and Officers

Board Members, Chief Officers, the Commissioner and the Mayor of London are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2010/11 none).

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions totalling £240.2m were payable to the TfL Pension Fund by TfL.

Central Government

Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2010, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2015.

Other public bodies

TfL provides financial assistance to London Boroughs to support borough schemes that improve the local travelling environment. The overall funding package for 2011/12 included £140m provided directly to the boroughs through the Local Implementation Plan programme. Other financial assistance included payments related to Taxicard.

TfL receives income from the London Boroughs for the provision of free travel for the elderly, disabled, and students. In 2011/12, £275.5m was receivable from London Boroughs. TfL has borrowings outstanding from the Public Works Loan Board ("PWLB"), and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

Transactions between the TfL Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

44. 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 2011/12 the Authority received £1.004m from the Big Lottery Fund, of which £0.128m has been treated as receipts in advance; related expenditure totalled £0.876m.

45. Financial Instruments

Group - Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Restated Group	Long-Term	Group
31 March 2011		31 March 2012
£000		£000
	Investments-Long term	
10	Loans and receivables at amortised costs	10
8,185	Unquoted equity investments at costs	38,347
4,871	Financial assets at fair value through profit and loss	0
<u>13,066</u>	Total investments	<u>38,357</u>
	Debtors-Long Term	
118,561	Loans and receivables at amortised costs	201,798
<u>118,561</u>	Total Debtors	<u>201,798</u>
	Borrowings-Long term	
(7,355,463)	Financial liabilities at amortised costs	(6,681,631)
(519)	Financial liabilities at fair value through profit and loss	0
<u>(7,355,982)</u>	Total borrowings	<u>(6,681,631)</u>
	Other Long Term Liabilities	
(1,516,035)	PFI and finance lease liabilities	(1,117,587)
<u>(1,516,035)</u>	Total other long term liabilities	<u>(1,117,587)</u>
	Creditors-Long term	
(61,326)	Financial liabilities at amortised costs	(14,400)
(542)	Financial liabilities carried at contract amount	(51,630)
<u>(61,868)</u>	Total creditors	<u>(66,030)</u>

Restated Group	Current	Group
31 March 2011 £000		31 March 2012 £000
	Investments	
260,057	Loans and receivables at amortised costs	1,078,812
<u>260,057</u>	Total investments	<u>1,078,812</u>
	Debtors	
576,402	Loans and receivables at amortised costs	895,616
146,427	Financial assets carried at contract amounts	34,010
<u>722,829</u>	Total Debtors	<u>929,626</u>
2,161,911	Cash and cash equivalents	1,894,508
	Borrowings	
(580,215)	Financial liabilities at amortised costs	(2,373,233)
<u>(580,215)</u>	Total borrowings	<u>(2,373,233)</u>
	Creditors	
(2,095,489)	Financial liabilities at amortised costs	(2,336,702)
(140,032)	Financial liabilities carried at contract amount	(102,120)
<u>(2,235,521)</u>	Total creditors	<u>(2,438,822)</u>

Authority - Categories of Financial Instruments

	Long-Term		Current	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Investments				
Loans and receivables	10	10	15,000	326,655
Accrued Interest	0	0	111	543
Debtors				
Loans and receivables	0	307	2,714	4,373
Cash and Cash Equivalents	0	0	251,058	140,555
Borrowings				
Financial liabilities at amortised costs	(800,000)	(1,400,000)	(33,100)	(100,000)
Accrued Interest	0	0	(7,625)	(15,666)
Creditors				
Financial liabilities at amortised costs	0	0	(14,430)	(40,778)

Group Income, Expense, Gains and Losses

2010/11					2011/12				
£000					£000				
Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
480,772	-	-	-	480,772	513,165	-	-	-	513,165
-	1,168	-	-	1,168	(3,017)	-	-	-	(3,017)
280	-	-	-	280	171,071	-	-	-	171,071
481,052	1,168	-	-	482,220	681,219	-	-	-	681,219
-	(15,165)	-	-	(15,165)	-	(20,148)	-	-	(20,148)
-	-	-	(29,100)	(29,100)	-	-	-	21,411	21,411
-	-	-	(7,700)	(7,700)	-	-	-	266	266
-	-	-	-	-	-	-	-	-	-
-	(15,165)	-	(36,800)	(51,965)	-	(20,148)	-	21,677	1,529
-	-	-	(4,400)	(4,400)	-	-	-	-	-
-	-	-	(4,400)	(4,400)	-	-	-	-	-
481,052	(13,997)	-	(41,200)	425,855	681,219	(20,148)	-	21,677	682,748

Authority Income, Expense, Gains and Losses

2010/11				2011/12			
£000				£000			
Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Total		Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Total	
32,114	0	32,114	Interest expense	58,598	0	58,598	
280	0	280	Fee expense	1,662	0	1,662	
32,394	0	32,394	Total expense in Surplus or Deficit on the Provision of Services	60,260	0	60,260	
0	(2,859)	(2,859)	Interest income	0	(3,866)	(3,866)	
0	(2,859)	(2,859)	Total income in Surplus or Deficit on the Provision of Services	0	(3,866)	(3,866)	
32,394	(2,859)	29,535	Net (gain)/loss for the year	60,260	(3,866)	56,394	

Group Fair Values of Assets and Liabilities

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

- Published market data for comparable instruments at 31 March 2012 are used to obtain discount rates for long term borrowings.
- In July 2011, the GLA entered into a £600m long term loan agreement with Community Finance No. 1 Plc, a special purpose vehicle which financed the loan through a public bond issue, marketed by the GLA. Market data relating to the relevant bonds are used to determine the fair value of this loan.
- Where borrowing will mature within 12 months, carrying amount is assumed to approximate to fair value.
- The discount rates used to determine the net present values of investments are the market rates available as at 31 March 2012 for new instruments equivalent to those under consideration
- Derivative financial instruments-
 - Forward exchange contracts-based on market data and exchange rates at the balance sheet date
 - Interest rate swaps and forward starting interest rate swaps-based on the net present value of discounted cash flows
- The fair value of trade and other debtors and creditors due within 12 months is taken to be the invoiced or billed amount.

Group 31 March 2011 Carrying value £000	Group 31 March 2011 Fair Value £000		Group 31 March 2012 Carrying value £000	Group 31 March 2012 Fair Value £000
(7,901,917)	(7,758,326)	Long and Short Term Borrowing	(9,054,864)	(9,475,368)
268,252	268,285	Long and Short Term Investments	1,117,169	851,127
Authority 31 March 2011 Carrying value £000	Authority 31 March 2011 Fair Value £000		Authority 31 March 2012 Carrying value £000	Authority 31 March 2012 Fair Value £000
(840,725)	(887,215)	Long and Short Term Borrowing	(1,515,666)	(1,778,723)
15,121	15,154	Long and Short Term Investments	327,208	327,684

The fair value of loans is higher than the carrying value because the Authority and Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a

notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

The fair value of investments is higher than the carrying amount because the Authority and Group'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. This shows a notional future gain (based on economic conditions at 31 March 2012) attributable to the right to receive interest above current market rates.

46. Nature and Extent of Risks arising from Financial Instruments

The Authority and Group's activities expose them to a variety of financial risks including:

- credit risk—the possibility that other parties might fail to pay amounts due to the Authority/Group
- liquidity risk—the possibility that the Authority/Group 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

Maintaining affordability of borrowings, preserving invested principal and maintaining prudent levels of liquidity are the principal treasury management objectives for the Group, with secondary objectives of maximising investment yield and minimising borrowing costs. Treasury management is integral to the Authority/Group bodies' wider risk management strategies under policies approved by the each body's governing body in their treasury management strategy. These strategies set out the principles for overall risk management, as well as covering specific areas such as the authorised limit for external debt and the investment of surplus cash.

The treasury management function is undertaken by each entity's corporate management team, save LDA for whom the GLA performed the treasury management function in 2011/12.

Each entity within the GLA Group separately manages the risks arising from the financial instruments that they hold. The following notes detail the nature and extent of risk facing each significant group entity, as set out in their respective draft Statement of Accounts. The debtor figures in the notes that follow have not been adjusted for intra group balances as these are not deemed to be significant.

Credit Risk

GLA

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 fail-safe, the credit criteria for 2011/12 were based on Fitch, Moody's and Standard and Poor's suite of ratings, supported by broader market information. Relevant changes in counterparties' credit standing are reviewed daily, with updates provided by the Authority's treasury advisors. Where counterparties' credit standings are downgraded, the relevant investment limits are reduced with immediate effect or, where minimum criteria fail to be met, further investment is suspended.

Maximum limits for principal invested with each counterparty are reviewed regularly with reference to relative risk and the Authority's cash flow requirements. All the Authority's investments are sterling denominated.

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 four financial years.

Amount as at 31 March 2011 £000	Historical Experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability £000		Amount as at 31 March 2012 £000	Historical Experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability £000
A	B	(A x B)		A	B	(A x B)
15,121			Deposits with banks and financial institutions:			
251,058			Investments	59,849		
266,179	0.0%	0	Cash and Cash Equivalents	407,914		
			Total	467,763	0.0%	0
725	12.89%	93	Invoiced Debt	1,493	13.71%	205
		93				205

At 31 March 2012, all the Authority's investments and cash were placed with other public bodies or institutions substantially owned by the United Kingdom's government. 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 as at 31 March is provided below.

31 Mar 11 £000		31 Mar 12 £000
713	Less than three months	1,254
2	Three to six months	254
0	Six months to one year	(9)
10	More than one year	(6)
725		1,493
(147)	Less Impairment allowance	(117)
578		1,376

LDA

Credit risk arose from deposits with investment counterparties, as well as credit exposures to the Agency's customers. Cash was held in immediately accessible bank accounts with major UK clearing banks, for which there is no recent experience of loss. Throughout 2011-12 the LDA's sole investment counterparty was the GLA, effectively allowing the investments to be managed in aggregate. This arrangement exposed the LDA to the credit risk of the GLA, not the underlying investments. Whilst extremely low, this risk cannot be meaningfully quantified as there is no precedent for default by a UK local authority.

The following analysis summarises the LDA's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability, adjusted to reflect current market conditions.

	2011/12	2010/11
	£'000	£'000
Less than three months	3,608	12,422
Three to six months	513	1,760
Six months to one year	357	101,740
More than one year	1,377	602
	5,855	116,524

The LDA did not generally allow extensive credit for customers. The debtors' outstanding but not impaired amount can be analysed by age as follows:

	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default and uncollectability at 31 March 2012	Estimated maximum exposure at 31 March 2011
	£'000	%	%	£'000	£'000
	A	B	C	(A X C)	
Customers (including GVA Trade Debtors)	5,855	2.47%	2.47%	145	959
	5,855			145	959

LFEPA

Credit risk is minimised through the Annual Investment Strategy, which requires that deposits are only made with financial institutions on the Approved Counterparty Lending List. Acceptability as an authorised counterparty will be based upon credit ratings issued by credit ratings agencies, advice from Sector Treasury Services Ltd. and other financial information sources deemed appropriate by LFEPA's Director of Finance and Contractual Services in order to ensure that investments are made giving sufficient priority to security over yield in accordance with Section 15 (1) of the Local Government Act 2003.

LFEPA's Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied. The additional criteria for the loan portfolio (quantified at the day of lending) assert that the following limits shall not be exceeded:

For Specified Investments	• 30% per non UK country
	• 15% per institution (100% Debt Management Office)
	• 50% overall limit to local authorities
	• 25% overall limit to building societies
Loan Maturity/Time Limits	• No portfolio transaction maturing over 365 days
	• A maximum of 50% of aggregate portfolio transactions maturing over 3 months
	• A maximum of 90% of aggregate portfolio transactions maturing over 1 month
Transaction Limits	• No single loan to banks to exceed £10m
	• No single loan to building societies to exceed £5m (except Nationwide BS which is £10m)

LFEPA's Annual Investment Strategy takes a risk averse approach to investment that gives priority to the security of funds over the potential rates of return. As set out in the Strategy Statement for the current year LFEPA is using the current creditworthiness service from Sector as a starting point. This method uses credit ratings from all three agencies and a scoring system that incorporates credit default swap rates. It does not give undue prevalence to any one agency's ratings and is common practice proposed by a number of other local authorities.

LFEPA's maximum exposure to credit risk in relation to its investments in banks and building societies of £10m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

No breaches of LFEPA's counterparty criteria occurred during the reporting period and LFEPA does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Financial Assets past due

LFEPA does not generally allow credit for its trade debtors, such that £0.29m of the outstanding balance is past its due date for payment. The past due amount, for non-statutory amounts, can be analysed by age as follows:

Trade debtors analysis	31/3/2012		31/3/2011	
	£000		£000	
Less than three months	83	51.9%	175	60.3%
Three months to one year	72	45.0%	114	39.3%
More than one year	5	3.1%	1	0.4%
Total	160		290	

MOPAC

Deposits are made with banks and financial institutions that have been rated by Fitch Ratings Ltd, Moody's credit ratings and Standard and Poor's and have a minimum score of A+ (long term) and F1 (short term) by Fitch, A1 (long term) and P-1 (short term) by Moody's, and A+(long term) and A-1 (short term) by Standard and Poor's. In assessing minimum risk the lowest common denominator from the three agencies is used. The rating agencies also advise when an institution's ratings are under review. Additionally in view of guaranteed support from their Central Governments, only UK and Euro zone banks will be considered as suitable counterparties and where the sovereign rating is AA+. Also only building societies that provide high credit ratings are included on the lending list. MOPAC's policy of lending its surplus funds is £10 million lending limit in total with foreign banks and an individual lending limit of £35 million for UK banks and building societies and is for no longer than three months. MOPAC's reduced funds are held with the Debt Management Office. Arlingclose provides additional monitoring of credit risk.

The following analysis summarises MOPAC's potential maximum exposure to credit risk, based on experience of default and un-collectability over previous financial years, adjusted to reflect current market conditions. No credit limits were exceeded during the reporting period.

	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
	A	B	C	(A X C)
Deposits with banks and financial institutions	55,184	21.73%	30.97%	17,089
Customers (general debtors)	64,208	0.22%	0.19%	124

TfL

(i) Trade and other receivables

The majority of TfL's trade debtors are individuals who owe amounts relating to the use of transport infrastructure. TfL earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. TfL makes all reasonable attempts to recover penalty

charges before providing against them. Other receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate risk.

(ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and the Department for Communities and Local Government Guidance, which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are only made with institutions included on an Approved Investment List and within limits approved by TfL's Finance and Policy Committee. The Approved Investments List includes i) the UK Government and its executive agency, the Debt Management Office; ii) UK Government guaranteed investments; iii) selected financial institutions with high (investment grade) credit ratings from a credit rating agency; iv) selected supranational or sub-sovereign agencies with high credit ratings; or, v) selected Money Market Funds with high credit ratings.

In determining whether to place an institution on the Approved Investment List, TfL considers the credit rating, financial position and jurisdiction of the institution, the market pricing of credit default swaps for the institution, any implicit or explicit Government support for the institution and any other relevant factors that could influence the institution's general creditworthiness.

Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. Deposit limits per institution on the Approved Investment List, and the maximum term of deposits, are linked to the credit rating of the institution (in the range of A+ to AAA) at the time of making the deposit).

The centrally managed cash reserves at 31 March 2012 totalled £2,574 million. TfL's operational cash reserves at 31 March 2012 were £1,444 million.

(iii) Derivative financial instruments

Counterparty Limits are established and monitored in accordance with TfL's policy relating to the use of Derivative Investments. The Group spreads its exposure over a number of counterparties, and have strict policies on how much exposure can be assigned to each counterparty.

The credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place which limit the exposure with each bank to a threshold, which if breached, allows TfL to require the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under Section 160 of the GLA Act, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise guarantees at fair value initially and amortise this over the life of the guarantee.

Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code.

Liquidity Risk - Group

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group bodies manage liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, group bodies are able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Bond and Commercial Paper programmes, borrow from Commercial Banks or utilise overdraft facilities and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank. There is therefore no significant risk that any group body will be unable to raise finance to meet its planned capital commitments.

The maturity analysis of financial liabilities is as follows:

Authority	Group		Authority	Group
31 March 2011	31 March 2011		31 March 2012	31 March 2012
£000	£000		£000	£000
(33,100)	(1,102,390)	Less than one year	(100,000)	(2,957,141)
0	(1,735,500)	Between one and five years	0	(1,143,778)
(800,000)	(11,001,775)	More than five years	(1,400,000)	(11,988,289)
(833,100)	(13,839,665)		(1,500,000)	(16,089,208)

Market Risk

GLA

The Authority sets Prudential Indicators specifying maximum exposures to variable rate investments, reflecting the fact that the use of fixed rate instruments is the Authority's primary means of managing exposure to interest rate movements. Where interest rates appear to be in absolute terms low, as at the current time, the Authority's Treasury function places great emphasis on matching the maturity profile of borrowings to prudent forecasts of future income to reduce the likelihood of needing to refinance borrowings at potentially unfavourable future rates. The Authority also may also arrange borrowings or investments in advance at prior agreed rates as a means of managing short term interest rate exposures.

At the balance sheet date all the Authority's investments and borrowings were fixed rate contracts, therefore should interest rates rise or fall, there would be no impact on the Authority's financial position arising from existing borrowings or investments.

LDA

Interest Rate Risk

The LDA's borrowings during the year were all fixed interest loans and as such no interest rate risk was evident. At the balance sheet date, the LDA's only external borrowing was a loan from the GLA.

Price Risk

The LDA did not generally invest in equity shares and therefore did not have any price risk.

Foreign Exchange Risk

The LDA had no financial assets or liabilities denominated in foreign currencies and thus had no exposure to loss arising from movements in exchange rates.

LFEPA

Interest rate risk

LFEPA is exposed to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in the Other Comprehensive Income and Expenditure Statement.

If interest rates had been 1% higher, during the year (with all other variables held constant), the financial effect would have been:

Sensitivity analysis	£000
Increase in interest payable	1,608
Increase in interest receivable	(1,243)
<hr/>	<hr/>
Impact on Surplus or Deficit on the Provision of Services	365

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

LFEPA has a number of strategies for managing interest rate risk. LFEPA's Annual Treasury Management Strategy draws together LFEPA's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. LFEPA's treasury management team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk

LFEPA does not generally invest in equity shares or marketable bonds. As at 31 March 2012 LFEPA did not have any shareholdings in joint ventures or local industry. Consequently the organisation is not exposed to any losses from movements in price.

Foreign exchange risk

LFEPA has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

MOPAC

MOPAC is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest receivable on variable rate investments will be posted to the CIES and will affect the General Fund Balance.

The MOPAC has set, for the net position of borrowings and investments, upper limits on fixed interest rate and variable interest rate exposures giving ranges that will limit exposure to interest rate movement. Fixed interest rate exposure is managed within a 70% to 95% range and variable interest rate exposures within a 5% to 30% range. Furthermore upper limits for variable rate exposure are set for gross borrowings at 30% and for investments at 100%.

TfL

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect TfL's income, expenditure or the value of its holdings of financial instruments. TfL, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on highly probable future transactions. TfL does not use derivative financial instruments for speculative purposes.

On inception, all derivatives are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IAS 39 *Financial Instruments: Recognition and measurement* ('IAS 39'), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less

valuable. Since TfL uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2012 and 2011, no ineffectiveness was recognised and all derivatives were assessed as highly effective. Accordingly, the movement in the fair value of the derivatives was taken to reserves.

Foreign exchange risk

TfL has no material financial assets or liabilities denominated in foreign currencies, and thus has no translation exposure to gains or losses arising from movements in exchange rates. For 2011/12, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to pass the exchange risk to the vendor. For specific transactions where the risk was retained by TfL, exchange rate exposures were managed through the use of forward foreign exchange contracts. At 31 March 2012 TfL held forward foreign exchange contracts to hedge planned future euro payments related to the construction of cable car infrastructure and the purchase of tram rolling stock. The maturity of these contracts is disclosed later in this note.

The aggregate amount of unrealised losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve in respect of these anticipated future transactions was £0.5m (2011 unrealised losses of £nil). It is anticipated that the purchases will take place during the 12 months ending 31 March 2013, at which time the amount deferred in equity will be included in the carrying amount of the assets acquired.

Where funds were received in specific currencies in which TfL expected to have future exposures, the Investment Strategy made allowances to place these funds on deposit. This gave TfL the flexibility to offer certain payments in specific foreign currencies where required.

Sensitivity analysis on foreign exchange risk:

As at 31 March 2012 TfL holds Euro forward foreign exchange contracts with a combined nominal value of £9.7m (2011 £nil) which are designated as cash flow hedges.

A 10 per cent increase/(decrease) in GBP against the Euro would (decrease)/increase the fair value of these derivative instruments by £(0.8)m / £1.0m (2011 £(nil) / £nil).

TfL has no other material exposure to foreign exchange rate movements.

Interest rate risk

As at 31 March 2012, 74 per cent, (2011 93 per cent), of TfL's borrowings were at fixed rates of interest after hedging. The remaining 26 per cent was Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

TfL is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government as part of the funding settlement. As TfL is required by legislation to produce a balanced budget and produces a balanced business plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

TfL is also exposed to interest rate risk in respect to its investments. Investments are made in accordance with the Investment Strategy, which prioritises security and liquidity over yield.

Sensitivity analysis on interest rate risk:

All of TfL's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

As at 31 March 2012, TfL holds interest rate derivative contracts with a combined notional value of £1,960m (2011 £500m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £60.1m / (£59.5m) (2011 £27.8m / (£27.7m)).

Inflation risk

TfL has a number of exposures to inflation including staff pay awards and fares revenue. TfL has not entered into any derivative instrument to manage its exposure to inflation risk. At present, the risk is partially offset with index linked revenues and index linked costs creating a natural hedge within TfL.

47. Events after the Balance Sheet date

Transfers of Functions

London Development Agency (LDA)

On 31 March 2012, the Localism Act 2011 abolished the London Development Agency (LDA) and the Greater London Authority and London Development Agency Transfer Scheme 2012 transferred the LDA's property, assets, liabilities and certain staff to the Greater London Authority and GLA Land and Property, a subsidiary of the Greater London Authority. This empowers the Mayor to carry on the economic development work previously undertaken by the LDA.

As at 31 March 2012 the LDA's net worth totalled £170.8m (as per LDA's unaudited 2011/12 Statement of Accounts). The Greater London Authority will account for the transfer in the 2012/13 accounts.

Homes and Communities Agency (HCA)

The Localism Act 2011 empowered the Mayor to carry on housing investment activities in the London region and on 1 April 2012 the Greater London Authority and Homes and Communities Agency Transfer Scheme 2012 transferred the property, assets, liabilities and certain staff of the Homes and Communities Agency's London region to the Greater London Authority and GLA Land and Property, a subsidiary of the Greater London Authority.

London Thames Gateway Development Corporation (LTGDC)

On 16 April 2012, the London Thames Gateway Development Corporation (Transfer of Property, Rights and Liabilities) (Greater London Authority) Order 2012 (SI 2012 No 872) transferred the property, assets, liabilities and certain staff of LTGDC's London region (excluding the Olympic Park and surrounding areas) to the Greater London Authority. This transfers responsibilities for regeneration and economic development for the Thames Gateway region to the Mayor.

London Legacy Development Corporation (LLDC)

The London Legacy Development Corporation is a mayoral development corporation, created using powers given to the Mayor of London in the Localism Act 2011, and its purpose is to manage the ongoing regeneration and development of the Olympic Park and surrounding areas of east London.

The LLDC was created on 9 March 2012 and on 1 April 2012 the property, assets, liabilities and staff of the Olympic Park Legacy Corporation transferred to the LLDC.

The LLDC is a subsidiary of the Authority and will be consolidated in the Authority's group accounts from 2012/13 onwards.

48. Contingent Liabilities and Assets – GLA Group

The contingent liabilities of each significant group entity is disclosed below:

GLA

As at the 31 March 2011 the Authority had no contingent liabilities or assets.

LDA

Contingent Liabilities

The LDA had contingent liabilities where there are a number of claims which are subject to commercial negotiations. Whilst negotiations are ongoing the LDA will not disclose the quantum or timing of any possible settlement as this could prejudice its or, its successor body, the GLA's, commercial position.

The LDA also had contingent liabilities for a number of Section 106 agreements. These are agreements with the planning authorities, supplemental to development agreements with delivery partners, that facilitate provision of infrastructure and services that the planning authority requires as a result of the development proposal. These agreements sometimes required the LDA to make financial contributions to the cost of providing these infrastructures or services. Uncertainty about the LDA's liabilities depended on obtaining and implementing planning consent amongst a number of other conditions. The amount of expenditure required to settle these obligations cannot be assessed with any certainty.

Contingent Assets

Lease receivables from a lease with Excel Exhibition Centre have been derecognised in the Balance Sheet (see note 3) and treated as a contingent asset. As the lease has a remaining life of 187 years before it is due to expire and the annual lease receivable is based on the corresponding annual turnover of the centre the value of the lease is uncertain. The net present value of the estimated cash flows is considered to be between £7m and £20m.

The LDA continually monitored its business activities to identify contingent assets for inclusion in its accounts and as part of its governance procedures.

LFEPA

As at the 31 March 2011 LFEPA had no contingent liabilities or assets.

MOPAC

August 2011 Riot Damage Claims

There may be additional costs in relation to the Riot (Damages) Act 1886 arising from the riots in London in August 2011. Under the Act the MOPAC is liable to pay for certain losses caused by damage or destruction of buildings, and damage, destruction or theft of their contents which have occurred in the course of a riot in London (excluding the City). Although the Home Office has agreed to reimburse the MOPAC with the cost of claims from persons who were uninsured, and other government assistance may be agreed in respect of claims from insurers, the MOPAC is aware that a number of law suits have commenced against the MOPAC. These suits are testing the limits of the Riot Damages Act as to what extent the MOPAC is liable to recompense organisations and individuals financially affected by the riots. An estimate of the costs is not disclosed as the costs are difficult to estimate accurately at present, when the final number and value of claims and the extent of government assistance is unknown.

Injury pensions

There is a possible legal challenge following recent decisions by the Administrative Court and Court of Appeal. A liability will arise for the MOPAC if a legal challenge is made and the court rules in favour of retired police officers who have requested to have their injury pensions reinstated to their original levels. An estimate of the costs (legal costs and potential claims) has not been disclosed as it is very difficult to estimate, when the exact number of challenges is unknown.

TfL

The impact of contingent liabilities on TfL's financial performance, liquidity or financial position is not considered to be material.

Guarantees

Section 160 of the Greater London Authority Act 1999 sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL gave the guarantee under section 160(1) of the Greater London Authority Act 1999.

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for termination of the underlying contract, when termination occurs during the life of the contract, breakage cost and other contractual costs which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed. For the avoidance of doubt, these amounts may not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

Approximate maximum amount of debt available for drawdown under the relevant debt facilities as part of the:

	£m
Agreement with City Link	502
Agreement with Canary Wharf Properties (Crossrail) Limited	500
Agreement with QW Rail Leasing Ltd	290
Agreement with PADCo and EDF Energy Powerlink Ltd	168
Agreement with Pittville Leasing Limited	51
Agreement with APSLL	4

TfL also guarantees LU termination obligations under the Northern line train service Contracts and the Jubilee Line Agreement. Unlike the agreements listed above, the contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL acts as a guarantor in respect of Tube Lines (Finance) Plc's external borrowings which have a nominal value of £75m (2011 £1,592m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the Greater London Authority Act 1999.

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 for the Greater London Authority and its Functional Bodies to be paid to the Greater London Authority, which then passes them on to the Functional Bodies.

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
		Income		
(2,380)		Area Based Grant	0	
(278,824)		Development Grants	(217,103)	
(13,431)		Fire Grants	(21,938)	
(1,760,461)		Police Grants	(1,637,880)	
(3,165,789)		Transport Grant	(3,272,231)	
	(5,220,885)			(5,149,152)
	(48,136)	General GLA Grant		(63,419)
	(148,677)	Revenue Support Grant		(271,418)
	(1,023,881)	Distribution from Non Domestic Rate Pool		(878,084)
	<u>(6,441,579)</u>	Total Income		<u>(6,362,073)</u>
		Expenditure		
	50,516	Greater London Authority	63,419	
	278,824	London Development Agency	217,103	
	273,005	London Fire & Emergency Planning Authority	273,596	
	2,673,445	Metropolitan Police Authority & Mayor's Office for Policing and Crime	2,535,724	
	3,165,789	Transport for London	3,272,231	
	<u>6,441,579</u>	Total Expenditure		<u>6,362,073</u>

Business Rates Supplement Revenue Account

The Business Rate Supplement Revenue Account reflects the statutory obligation for levying authority's to maintain a separate BRS Revenue Account. The account details the income raised from the levy imposed on non-domestic ratepayers to raise money to fund the Crossrail construction project and expenditure incurred in relation to this project.

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
	0	Balance as at 1 April		0
		REVENUES (INCOME)		
(226,604)		Amounts transferable by billing authorities as calculated under the BRS regulations gross of billing authority administrative expenses	(233,680)	
(1,732)		Interest receivable (in respect of the Crossrail BRS and related balances)	(1,572)	
	(228,336)	Total Income		(235,252)
		EXPENDITURE		
		Administrative expenses Incurred by billing authorities in respect of the collection and enforcement of a BRS:		
759		Initial administrative expenses (first year set up costs)	0	
1,129		Further administrative expenses (ongoing collection allowance)	1,012	
692		Other expenditure (including interest on refunds to ratepayers)	1,019	
2,580		Sub total Billing Authority Administrative Expenses	2,031	
		Expenditure Incurred by the GLA in respect of the Crossrail Project:		
998,356		Transport Payments to Transport for London in respect of the Crossrail project	871,644	
32,115		Interest payable	58,344	
280		Other expenses	1,828	
(804,994)		Transfers to/(from) the General Fund (Deficit on BRS account)	(698,595)	
	228,336	Total Expenditure		235,252
	0	Balance as at 31 March		0

49. Crossrail Business Rate Supplement

The power to levy a Business Rate Supplements (BRS) was introduced in the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities 'to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development'. In London the only local authority empowered to levy a BRS is the Greater London Authority.

How the Crossrail BRS Is Calculated and Collected

The BRS is applied at a rate of 2p (or 2 per cent of the rateable value) on non domestic rating assessments on the local rating list in London with a rateable value above £55,000 and is collected on behalf of the GLA by the 33 London billing authorities (the 32 London boroughs and the Common Council of the City of London) the same bills as general business rates (NNDR). Reliefs for the BRS (e.g. for charitable organisations) operate on the same basis and the same percentage rate as for National Non Domestic Rates.

On the basis of the final returns received in respect of 2011/12 billing authorities determined having regard to the BRS regulations that they had collected BRS gross revenue of £233.7m of which the GLA was due to receive £231.7m after allowing for borough collection costs and other adjustments of £2.0 m.

During 2011/12 £871.6m was payable to Transport for London in respect of the Crossrail BRS in line with the conditions set out in the final prospectus of which £1.6m remained to be paid at the year end. This expenditure is recognised as revenue expenditure financed by capital under statute – and written out through the capital adjustment account - and reported as transport expenditure in the Consolidated income statement.

The GLA also incurred interest payable on its borrowing of £58.3m and £1.6m of interest was receivable on the balances held in respect of the BRS.

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 2011 to 31 March 2012.

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.

Budget Requirement

The amount the 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.

Collection Fund

A fund administered by each London Borough Council and the City of London Corporation. 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 (LDA)** was responsible for economic development, regeneration and promoting competitiveness and employment in London. The LDA was abolished on 31 March 2012.
- **London Fire & Emergency Planning Authority (LFEPA)** responsible for providing an efficient and effective fire brigade and emergency planning service for London
- **Mayor’s Office for Policing and Crime (MOPAC)** was established under the Police Reform and Social Responsibility Act (2011), which reformed the accountability of police services and replaced the Metropolitan Police Authority with an elected individual. The MOPAC is headed by the Mayor or, by his nomination, the appointed statutory Deputy Mayor for Policing and Crime. This means that the Mayor is directly accountable for policing performance in London, except the City of London which has its own police force provided by the Corporation of London.
- **Transport for London (TfL)** 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.

GLA Grant

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

IAS 19 Employee Benefits

The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

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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