

LONDON  
THAMES  
gateway

DEVELOPMENT  
CORPORATION

# Annual Report & Accounts

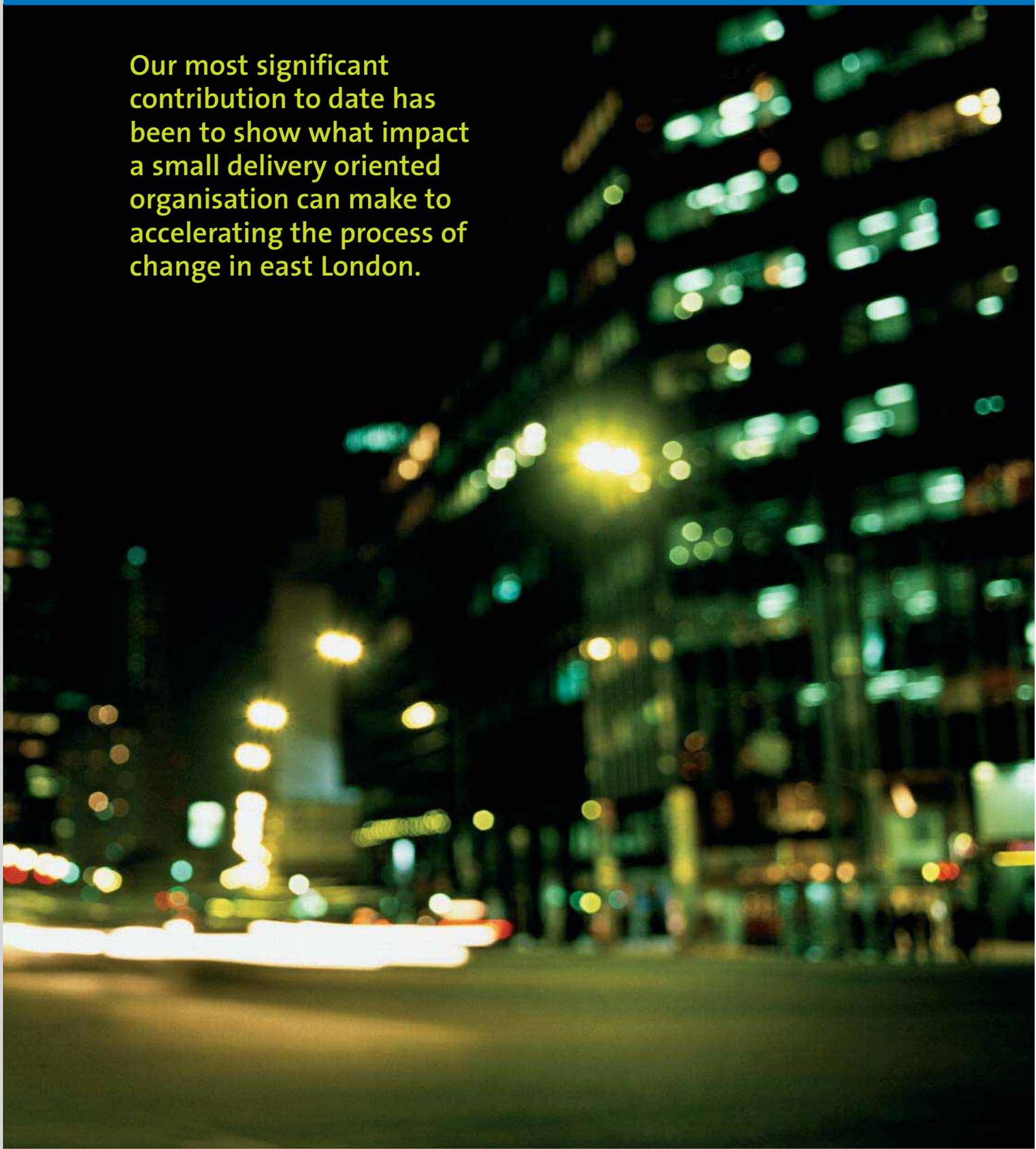
2005/06

Financial Accounts for the period ended 31st March 2006

REGENERATION FOR **EAST LONDON**

London Thames Gateway Development Corporation

Our most significant contribution to date has been to show what impact a small delivery oriented organisation can make to accelerating the process of change in east London.



# London Thames Gateway Development Corporation

## **Annual Report & Accounts 2005/06 Financial Accounts for the period ended 31st March 2006**

Annual Report presented to Parliament in pursuance of Schedule 26,  
Sections 134 and 135 of the Local Government Planning & Land Act 1980.

Ordered by the House of Commons to be printed on 24th July 2006.

# London Thames Gateway Development Corporation Annual Report and Accounts 2005/6



## Contents

1. Annual Report	
▶▶ Foreword by Chairman	2-3
▶▶ Chief Executive's Report	4-7
▶▶ Background Information	8-9
▶▶ Corporate Governance	10-11
2. Management Commentary	
▶▶ Format of the Financial Statements	12
▶▶ Responsibilities of the Accounting Officer	12
▶▶ Employee Relations	12
▶▶ Better Payment Practice Code	13
▶▶ Open Government and Freedom of Information	13
▶▶ Sustainable Development Policy	13
▶▶ Register of Interests	13
▶▶ Auditors	13
3. Remuneration Report	14-15
4. Accounting Officer's Statement on Systems of Internal Control	16-17
5. Audit Certificate	18-19
6. Financial Statements	20-38

# Foreword by the Chairman

Annual Report 2005/06



**These are the second set of accounts from London Thames Gateway Development Corporation ('LTGDC' or the 'Development Corporation'), the organisation set up by the Government to lead the regeneration of two of the most strategically important growth areas in the Thames Gateway – the Lower Lea Valley and London Riverside.**

During the past year we have further consolidated our position as the leading regeneration agency in east London. We have deepened our already effective relationships with the other local, regional and national public sector organisations present in our area. We fully understand their activities, opportunities and challenges, and the best ways to deploy our resources to add value to these work programmes.

We also started to engage with the private sector to understand how best to promote the appeal of our area to developers and investors.

Our mission is to create the market conditions to deliver 40 000 new homes and 28 000 new jobs by 2016 across our two operating zones as part of the Government's Sustainable Communities Plan, whilst improving access to essential services such as transport, health, education and local amenities including public realm and recreation opportunities.

The task is ambitious.

Our operating territory includes land in three out of the top dozen most deprived boroughs in England, and the communities within them are some of the most diverse found anywhere in the world.

Although still relatively new, the Development Corporation has recorded a number of important achievements during the year which, taken together, are starting to build momentum towards the realisation of our goal – a co-ordinated delivery programme to make the Lower Lea Valley and London Riverside better places to live, work and relax.





Our most significant contribution to date has been to show what impact a small delivery oriented organisation can make to accelerating the process of change in east London. We have done this by creating effective partnerships which build on the synergies and avoid areas of duplication, by identifying the gaps in public development policy and making recommendations for change, and by raising aspirations about the potential for what can be achieved with a relatively modest application of resources.

The year ahead is about adding significant further momentum to the delivery process. Our projects next year will cost over seven times more than the ones in 2005/6, and in the year after that over 10 times more. It is these projects which will start to produce dramatic changes to the living and working environment within our two operational areas.

Only then will the communities we are tasked with renewing see the benefits of our work and the private sector begin to realise the true investment potential of the London Thames Gateway.

**LORRAINE BALDRY** *Chairman*

▼ Rt. Hon. David Miliband MP (centre) formally launches London Thames Gateway Development Corporation at Thames Gateway Forum, with Lorraine Baldry and Chief Executive Peter Andrews.



▼ London Thames Gateway Development Corporation's offices at South Quay



# Chief Executive's Report



**During this, the Development Corporation's first full year of operation, my task has been to recruit a team and put in place systems that will enable us to meet our challenging objectives.**

In the first quarter of the year we completed the recruitment of the senior executive team with the appointment of Jim Sneddon, formerly of Grantchester PLC, who joined as Development Director. This followed the earlier appointments of Ian Short as Chief Operating Officer from Lehman Brothers, John Allen as Director of Planning from the Royal Borough of Kingston upon Thames, Martin Venning, as Head of Communications from Tesco and Kevin Whittle as Head of Policy who was seconded in from the Office of the Deputy Prime Minister (ODPM)\*\*.

During the year the executive has recruited staff to all the main posts in the organisation and ensured all our systems are fully operational.

In July, we heard the excellent news that the 2012 Olympic & Paralympic Games were coming to the Lower Lea Valley. There can be little doubt that the Games is a significant boost to the investment prospects of the Lower Lea and east London as a whole and will act as an important catalyst. But with the opportunity has come an additional responsibility – to ensure that the regeneration legacy benefits are delivered within our lifetime by those charged with the tasks.

We are in good form. Recent development activity would suggest our area is already starting to benefit from its proximity to the economic drivers in east London. Canary Wharf is entering a new phase of expansion, boosting demand in the local economy for financial services support industries; there is the imminent opening of the Channel Tunnel Rail Link with a station at Stratford, bringing with it exciting opportunities to strengthen our trade with continental Europe as well as providing fast and direct links to King's Cross/St Pancras; and London City Airport continues to expand, with its new DLR link to Canning Town and beyond.

*We incurred administration expenditure of £3.67m against an administration budget of £3.69m. Programme expenditure of £4.7m was incurred against a programme budget of £5m.*

\*\* Following a Cabinet reshuffle in May 2006, the ODPM was replaced by a new department, the Department for Communities and Local Government (DCLG).



But the big challenge remains. How can we secure the benefits for those already living and working in the area? And how can we make this centre of economic opportunity a genuinely world class location that people with skills will want to be part of?

We started to answer the question in November when we launched our organisation to stakeholders at the Thames Gateway Forum. There, we published our first policy document, "Engines for Growth", setting out our initial ideas for the future regeneration of our area. Based on the feedback we have received, the arrival of the Corporation to lead delivery in our operating areas has been welcomed, especially in the private sector where there was a perceived lack of clarity on the roles and agendas of public sector organisations.



▶▶ Chief Executive Peter Andrews introduces London Thames Gateway Development Corporation to international investors at the MIPIM Conference in Cannes (March 2006)

## Chief Executive's Report *continued*



Our activities have been prioritised to ensure we have had the necessary operating protocols in place with our colleagues in the boroughs and the Greater London Authority (GLA) to discharge our planning responsibilities effectively. On 31st October 2005 we took our full planning powers and established protocols with the London Boroughs of Hackney, Newham, Tower Hamlets, Havering and Barking and Dagenham. Working with these boroughs we subsequently determined 18 strategic planning applications in a timely manner.

We have worked hard to ensure the regeneration needs of our area have been fully reflected in the policies and decision making processes of our colleagues in local, regional and central Government. We have been active in contributing to the creation of master plans and Area Action Plans and we have made representations on a number of key planning policy documents and planning applications at public inquiry.

We have already established excellent working relationships with our partners in the Olympic Delivery Authority (ODA) to start planning the effective integration of the 2012 Olympic & Paralympic Games into surrounding communities. Having our Chairman as a board member of the ODA will help facilitate this work.

The year has seen progress on the development of a regeneration strategy for the Lower Lea Valley which is being developed jointly with the GLA family and the London Development Agency (LDA) with technical input from consultants EDAW and a multi disciplinary support team. The same client group also commissioned a consultancy team lead by Arup to produce a regeneration strategy for London Riverside. Over the coming 12 months these documents will be published for consultation and the results will influence our work programme over the long term.

Our activities for the year concluded in March with two important outcomes. The first was to support our Government colleagues in presenting the unified public agenda for the Thames Gateway region to international investors at the MIPIM conference in Cannes. This unique event is a shop window for the international development community and our first opportunity to introduce the development potential of our area to a range of investors not presently represented in the growth markets of London.

The second signals our intentions for the future – our first major long term project, announced towards the end of the year is a £12 million collaboration with the London Borough of Newham to assist the renewal of 7 000 homes by creating a new town centre and providing improved pedestrian access to the Canning Town transport interchange.



This one project in Canning Town is a good example of the strategic themes of our 2006 Corporate Plan; transport and accessibility, environmental improvements and developing town and neighbourhood centres. This year we delivered initial projects valued at £5m, with an overall planned expenditure in the period 2006-8 approaching £100m.

The next 12 months will be about increasing the pace of delivering policy and strategic planning consensus and physical change against these themes in our area by, for example;

- ▶▶ Starting the delivery of the projects in Canning Town which will allow major regeneration to commence. The master plans for the area will also be agreed in order to fully align the partners and to enable the area to be promoted to potential investors

- ▶▶ Making further strategic property purchases as accelerators to investment by attracting the private sector as partners and creating new clusters in economic growth areas. In 2005/6 for example, we bought the Malthouse in Barking and are working in partnership with the LDA and the borough to make this the focal point of the emerging creative industries in the area.

- ▶▶ London Riverside has also already benefited from a range of projects we have delivered to improve urban spaces. These have included the facilitation of town centre plans in Barking and Rainham and the creation of public art spaces. Further property in the area is likely to be purchased shortly to accelerate development here.

- ▶▶ Developing the plans for a Water City district in east London, by commencing the delivery of a range of accessibility and environmental projects in the Lower Lea Valley such as those already started in the Bow Creek Ecology Park and the East India Dock Basin. Working with the ODA we will be delivering a riverside and green corridor space that connects the Thames River to the Olympic Park via the River Lea in the years to come.

The momentum is starting to gather now and with the continued support of our stakeholders we can look forward with great optimism to achieving even more ambitious outcomes in the near future.

**PETER ANDREWS** *Chief Executive*

## Background information



### Statutory Background

The LTGDC was established under the provisions of Schedule 26, sections 134 and 135 of the Local Government Planning & Land Act 1980 to bring about the regeneration of the Lower Lea Valley and London Riverside.

The LTGDC came into existence on 26th June 2004 as a result of the London Thames Gateway Development Corporation (Area & Constitution) Order, Statutory Instrument 2004 No.1642, and became operational on the appointment of the Chairman and Board members on 1st November 2004.

The LTGDC is the planning authority for relevant applications under the provision of s.149 of the Local Government, Planning & Land Act 1980.

### Aims and Objectives of the Development Corporation

The aim of LTGDC is to promote and deliver sustainable regeneration and growth of the London Thames Gateway within the context of the national policies set out in the Office of the Deputy Prime Minister's Sustainable

Communities Plan, the strategies for the wider Thames Gateway sub-region and the Spatial Development Strategy for Greater London ('London Plan').

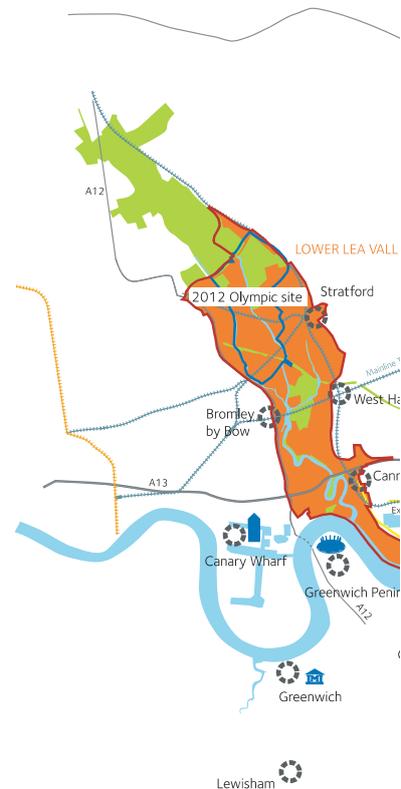
LTGDC's statutory objectives are to:

- ▶▶ Bring land and buildings into effective use
- ▶▶ Encourage the development of existing and new industry and commerce
- ▶▶ Create an attractive environment
- ▶▶ Ensure housing and social facilities are available to encourage people to live and work in the area

In order to pursue these duties the LTGDC has the following powers:

- ▶▶ To acquire, hold, manage, reclaim and dispose of land and other property
- ▶▶ Carry out building and other operations

- ▶▶ Seek to ensure the provision of water, electricity, gas, sewerage and other services
- ▶▶ Generally do anything necessary or expedient to meet this purpose

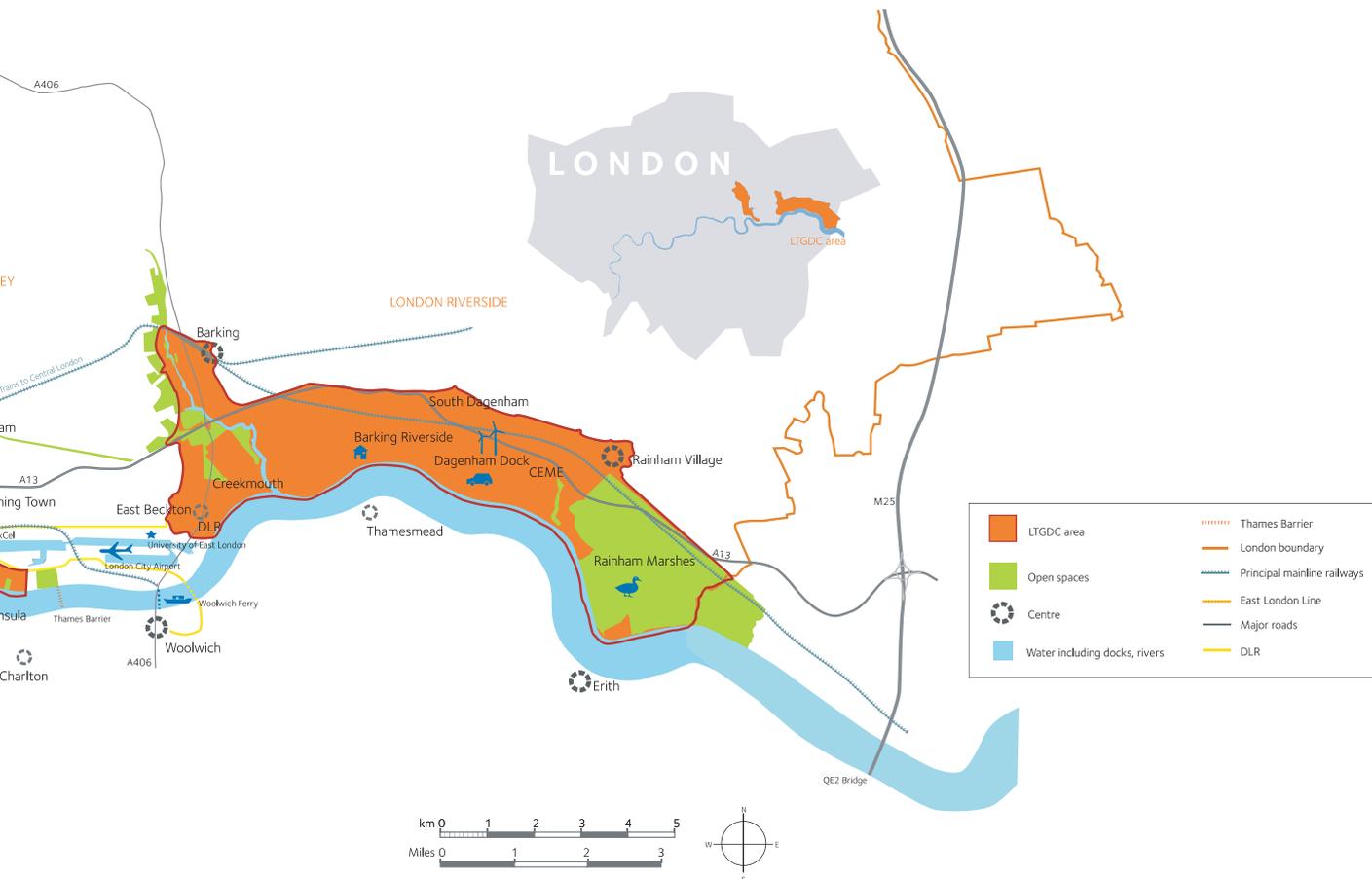




### LTGDC's Operational Area

LTGDC's designated boundary is split into two areas and includes land in six boroughs - the Lower Lea Valley (London boroughs of Hackney, Newham, Tower Hamlets and Waltham Forest), and London Riverside (London boroughs of Barking & Dagenham, Havering and a different part of Newham).

It is a limited life organisation (10 years), wholly financed by the Office of the Deputy Prime Minister with a board of directors appointed by the Secretary of State.



# Corporate Governance



## Statement of Board and Members' Responsibilities

The Chairman and Board members have overall responsibility for the conduct of the business of the Development Corporation, both for ensuring that it meets the statutory responsibilities and for the quality of its management. This includes responsibility for the stewardship of public funds so as to ensure the highest standard of regularity, propriety and value for money from all financial transactions. Members are responsible, subject only to the directions of the Secretary of State and the advice of the Accounting Officer, for determining the Development Corporation's strategy and for agreeing its policies and programmes.

The Financial Memorandum to the Development Corporation, together with the internal delegations set out a number of matters that require specific Board and Departmental approval and authorisation limits. In addition the Board has agreed a Code of Practice for Board Members based on the Cabinet Office guidance.

The Development Corporation has formally appointed a Resources Committee, an Audit & Risk Committee and a Planning Committee.

## Board Composition and Committee Memberships

The Corporation has been established with a Board of 13 members. It is chaired by Lorraine Baldry and John Biggs is the Deputy Chair. The members provide the Development Corporation with a strong connection with the principal stakeholders within the local communities, and the private and public sectors.

### Board Composition and Committee Memberships

Board	Audit	Planning	Resources
Lorraine Baldry ( <i>Chairman</i> )	✓	✓	<i>Deputy Chair</i>
John Biggs ( <i>Deputy Chair</i> )	✓	✓	<i>Chairman</i>
Imtiaz Farookhi	<i>Chairman</i>		✓
Ken Giles	✓		✓
Sid Kallar		✓	
Michael Keith		✓	
Conor McAuley		<i>Deputy Chair</i>	
Guy Nicholson			✓
Atul Patel		✓	
Michael Thorne		<i>Chairman</i>	
Dru Vesty		✓	
Michael White	<i>Deputy Chair</i>		
John Worthington		✓	✓

*The Board met 11 times between 1 April 2005 and 31 March 2006.*



The Board Chairman and Deputy Chair are ex officio members of both the Audit & Risk and Planning Committees, but as indicated below serve as Deputy Chair and Chair of the Resources Committee respectively.

The Resources Committee of the Board is responsible for approving material and contentious expenditure and advising the LTGDC Board on budgets, management systems, financial policies and human resource policies. The Resources Committee met seven times between 1 April 2005 and 31 March 2006.

The Audit & Risk Committee of the Board advises the Accounting Officer and the Board on the adequacy of the Corporation's risk management and internal control arrangements. The Audit & Risk Committee met twice between 1 April 2005 and 31 March 2006.

The primary function of the Planning Committee is to be the decision maker on all planning applications to be determined by the Corporation and applications to be considered by the Mayor or Secretary of State. It considers, and also advises the Board, on strategic planning and planning policy issues and the preparation of planning and regeneration plans and frameworks within the UDC area. It met ten times between 1 April 2005 and 31 March 2006.

### The Executive

The Executive is led by Peter Andrews who is the Chief Executive and Accounting Officer. The Executive is responsible for delivering the strategy set by the Board.

# Management Commentary



## Format of the Financial Statements

The Financial Statements for the year to 31 March 2006 have been prepared in accordance with the Direction on the Annual Accounts issued on 27 March 2006 by the First Secretary of State, with the consent of HM Treasury and in accordance with paragraph 10(3) of schedule 31 to the Local Government, Planning and Land Act 1980.

## Responsibilities of the Accounting Officer

The Accounting Officer for the Office of the Deputy Prime Minister (ODPM) designated the Chief Executive as the Accounting Officer for the Development Corporation. The Accounting Officer's responsibilities include signing of the Development Corporation's Financial Statements and ensuring the propriety and regularity of the public finances for which he is answerable, and the keeping of proper accounting and other records and systems, as set out in the Financial Memorandum to the Development Corporation.

The Chief Executive, as Accounting Officer, states:

- ▶ As far as I am aware, there is no relevant audit information of which the Development Corporation's auditors are unaware; and
- ▶ I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that the Development Corporation's auditors are aware of such information.

## Employee Relations

The Development Corporation is an equal opportunities employer. All applicants are given full and fair consideration and are judged on the merit of their qualifications and experience in relation to the particular requirements of the post.

The Development Corporation aims to promote and maintain good relations with staff through an open management style and with informal and regular consultation at all levels.





### Better Payment Practice Code

The Development Corporation supports the Better Payment Practice Code and aims to pay all undisputed invoices within the due date. For the 12 months to 31 March 2006 95% of undisputed invoices were paid within the due date.

It is the Development Corporation's policy to settle the terms of payment with suppliers when agreeing the terms of each transaction, pay bills in accordance with contract, and ensure that suppliers are aware of the terms of payment.

### Open Government and Freedom of Information

As a public body, the Development Corporation is committed to the principles of open government, customer service information provision and value for money.

The Board of the Development Corporation has agreed to abide by the principles of the Freedom of Information Act 2000, in anticipation of being listed as a body to which the Act applies.

### Sustainable Development Policy

The Development Corporation aims to reduce the impact of its activities on the consumption of natural resources both with the running of the office and the undertaking of development activities.

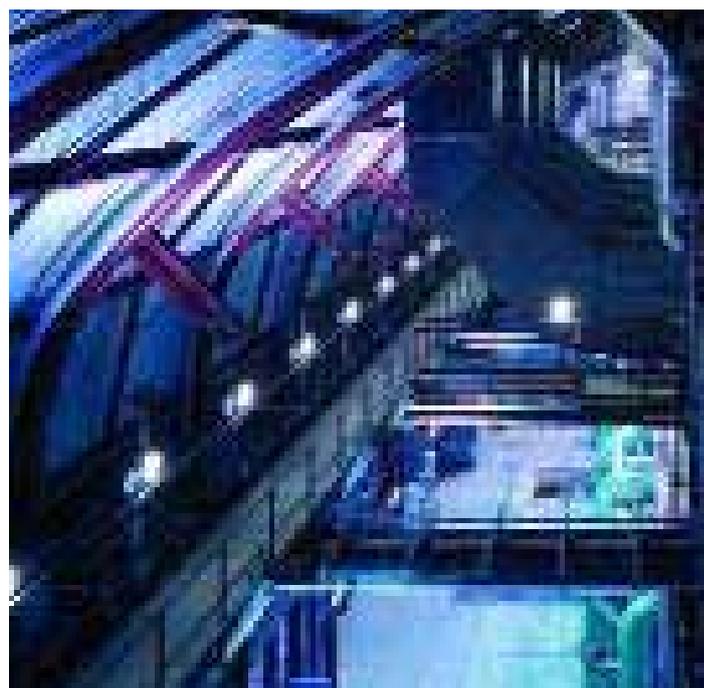
### Register of Interests

A Register of Interests is maintained by the Development Corporation which is open to the public and can be obtained from the Chief Operating Officer.

### Auditors

The Comptroller and Auditor General is the statutorily appointed auditor of the Development Corporation under the Local Government: Planning and Land Act 1980 and the Government Resources and Accounts Act 2000.

The cost of work performed by the auditors in respect of the year ended 31st March 2006 was £12,800.



## REMUNERATION REPORT TO THE ANNUAL ACCOUNTS YEAR ENDED 31ST MARCH 2006

### BOARD MEMBERS' COSTS

	2006 £	2005 £
Salaries	205,594	102,023
Pension Costs	22,386	6,499
Social Security Costs	16,428	7,468
<b>Total Board Costs</b>	<b>£244,408</b>	<b>£115,990</b>

Name	Position	Salary £'000	2006 Benefits in Kind (nearest £100)	Salary £'000	2005 Benefits in Kind (nearest £100)
Lorraine Baldry	Chairman	45-50	-	40-45	-
John Biggs	Deputy Chair	30-35	-	15-20	-
Imtiaz Farookhi	Board Member	10-15	-	0-5	-
Kenneth Giles	Board Member	10-15	-	0-5	-
Sid Kallar	Board Member	10-15	-	0-5	-
Michael Keith	Board Member	10-15	-	0-5	-
Conor McAuley	Board Member	10-15	-	0-5	-
Guy Nicholson	Board Member	10-15	-	0-5	-
Atul Patel	Board Member	10-15	-	0-5	-
Michael Thorne	Board Member	10-15	-	0-5	-
Dru Vesty	Board Member	10-15	-	0-5	-
Michael White	Board Member	10-15	-	0-5	-
John Worthington	Board Member	10-15	-	0-5	-

Included within the Chairman's previous year's salary is an amount of £17,928 paid outside of the payroll of the corporation prior to the payroll being set up

The Chairman and Deputy Chair are entitled to pension benefits through a scheme operated under broadly the same rules as the Local Government Pension Scheme (LGPS). The scheme is unfunded with benefits being paid as they fall due by the sponsor department. The value of the accrued pension benefits payable to the current Chairman and Deputy Chair as at 31 March 2006 have been calculated by the scheme actuary as £22,000.

The Chairman's and Deputy Chair's pension entitlements:

£'000 Name	Real increase in pension at age 65	Real increase in related lump sum at age 65	Accrued annual pension at age 65 at 31 March 2006	Total accrued related lump sum at age 65 at 31 March 2006	Cash equivalent transfer value at 31 March 2005	Cash equivalent transfer value at 31 March 2006	Real increase in CETV after adjustment for inflation market conditions
Lorraine Baldry	0 - 2.5	0 - 2.5	0 - 2.5	0 - 2.5	3	11	6
John Biggs	0 - 2.5	0 - 2.5	0 - 2.5	0 - 2.5	1	7	4

The Chairman and Deputy Chair have a time commitment of two days per week. The remaining board members have a time commitment of 3 days per month.

All Board Members have achieved their committed days either through Board meetings, attendance at other ad hoc meetings or other work as required.

## REMUNERATION REPORT TO THE ANNUAL ACCOUNTS YEAR ENDED 31ST MARCH 2006

## STAFF COSTS

Details of the Key Managers emoluments for the year were as follows:

Name	Position	2006		2005	
		Salary £'000	Benefits in Kind (nearest £100)	Salary £'000	Benefits in Kind (nearest £100)
<b>Peter Andrews</b> (Joined 06/6/2005)	Chief Executive	<b>110-115</b>	-	-	-
<b>Ian Short</b>	Chief Operating Officer	<b>95-100</b>	-	15-20	-
<b>Martin Venning</b>	Head of Communications	<b>65-70</b>	-	10-15	-
<b>John Allen</b> (Joined 18/4/2005)	Director of Policy	<b>90-95</b>	-	-	-
<b>Jim Sneddon</b> (Joined 18/7/2005)	Director of Development	<b>70-75</b>	-	-	-

'Salary' includes gross salary; performance pay or bonuses; recruitment and retention allowances and any other allowances to the extent that they are subject to UK taxation

The Corporation also received the services of Kevin Whittle as Head of Policy from ODPM (seconded from Tower Hamlets Local Authority) for 2005-2006. This service has been valued between £95k-£100k.

Remuneration levels for the Executive Team were agreed with ODPM at the time of hiring. All changes in remuneration take on recommendations of the Senior Salaries Review Body and are approved by the Board and ODPM.

The annual performance related bonuses of the Executive Team were payable up to 10% of base salary and were based on a mix of personal performance against agreed targets and the performance of the Corporation against agreed targets. All payments were approved by the Board.

Appointments are on open-ended service contracts which do not contain any pre-determined compensation on termination of office.

£'000 Name	Real increase in pension at age 65	Real increase in related lump sum at age 65	Accrued annual pension at age 65 at 31 March 2006	Total accrued related lump sum at age 65 at 31 March 2006	Cash equivalent transfer value at 31 March 2005	Cash equivalent transfer value at 31 March 2006	Real increase in CETV after adjustment for inflation market conditions
<b>Peter Andrews</b> <i>Joined 6/6/05</i>	-	-	4,666	13,998	-	53,197	-
<b>Ian Short</b> <i>Joined 1/5/05</i>	-	-	1,033	3,098	-	10,279	-
<b>John Allen</b> <i>Joined 18/4/05</i>	-	-	31,753	95,258	-	475,032	-
<b>Martin Venning</b>	808	2,425	944	2,832	1,297	9,604	8,267

A rate of inflation of 3.1 % has been applied in calculating the annual increase of accrued pension and CETV



**PETER ANDREWS** Chief Executive & Accounting Officer

# Accounting Officer's Statement on Systems of Internal Control



## Scope of Responsibility

As Accounting Officer of the Development Corporation, I have responsibility for maintaining a sound system of internal control that supports the achievement of agreed aims and objectives. I also have responsibility for safeguarding the public funds and the Development Corporation's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

## Accountability Arrangements

The Secretary of State (Deputy Prime Minister) delegated the responsibility to me for the management of the Development Corporation. I am accountable both to the Secretary of State and, in my Accounting Officer role, directly to Parliament.

Arrangements for securing accountability within the Development Corporation are as follows:

### The Board

A Board has been appointed by the Secretary of State in accordance with the Code of Practice for Public Appointments Procedures issued by

the Commissioner for Public Appointments. Board members initial appointments vary between one and three years, and the level of their emoluments is set by the Office of the Deputy Prime Minister.

The Board responsibilities include:

- ▶▶ setting the overall strategic direction of the Development Corporation to ensure that regeneration is achieved, while having regard to the need to ensure the highest standards of regularity, propriety and value for money in the use of public funds;
- ▶▶ directing the Development Corporation in the production of the corporate strategy which will make economic and effective use of public funds;
- ▶▶ representing the Development Corporation in public, promoting its interests and communicating its aims to external stakeholders;
- ▶▶ making full use of any property or commercial experience, special knowledge or other relevant skills of its members in reaching decisions;

- ▶▶ ensuring the Development Corporation's activities conform with legislative requirements and fulfilling the collective responsibility of the Board for the conduct of the Development Corporation's business; and
- ▶▶ ensuring that the Development Corporation achieves maximum value for money from its administrative expenditure. Board members are subject to a Code of Practice which is consistent with the Guidance on Code of Practice for Members of Public Bodies published by the Cabinet Office.

I have regular meetings with the Chairman and Deputy Chair where all relevant risks and control issues are discussed.

## The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- ▶ identify and prioritise the risks to the achievement of the Development Corporation's policies, aims and objectives;
- ▶ evaluate the likelihood of those risks being realised and the impact should they be realised; and
- ▶ manage them efficiently, effectively and economically.

During 2005/6 the Development Corporation finalised internal control systems for the following key areas:

- ▶ Finance
- ▶ HR
- ▶ Project and Programme Management

All of the key systems and controls were reviewed by Internal Audit with the results being presented to the Audit & Risk Committee.

### Capacity to Handle Risk

As Accounting Officer, I have ultimate responsibility for the risk management process. The responsibility for this process on an ongoing basis, is included within the terms of reference of the Audit & Risk Committee. Following the Board's endorsement of a risk management strategy, a risk register was drafted by the Executive and reviewed by the Audit & Risk Committee. The risk register is a live document, updated and reviewed by the Executive regularly.

### The Risk and Control Framework

The risk and control framework has been developed and includes:

- ▶ the identification of risks in relation to the achievement of the Development Corporation's objectives;
- ▶ an assessment of their relative likelihood and impact;
- ▶ the Development Corporation's response to the risks identified, taking into account its level of tolerance to risk; and
- ▶ the review and reporting of risks, ensuring the risk profile is up to date, to gain assurances that the responses are effective and when further action is necessary.

The framework and the risk register have been evaluated by the Development Corporation's internal audit team and overseen by the Audit & Risk Committee.

### Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, and the Executive who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Internal Audit included reviews of financial and related processes, financial governance and a review of project and programme governance. I look to their further assessment of our controls in 2006/7, as part of a process of continuous improvement.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### Significant Control Issues

There are no significant control issues to report on this occasion.

**PETER ANDREWS**

*Chief Executive & Accounting Officer*

# Audit Certificate

The Certificate and Report  
of the Comptroller and  
Auditor General to the  
Houses of Parliament

**I certify that I have audited the financial statements of London Thames Gateway Development Corporation for the year ended 31st March 2006 under the Local Government, Planning and Land Act 1980. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.**

## **Respective Responsibilities of London Thames Gateway Development Corporation Accounting Officer and Auditor**

The London Thames Gateway Development Corporation Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Local Government, Planning and Land Act 1980 and the directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions.

These responsibilities are set out in the Statement of the Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government, Planning and Land Act 1980 and directions made thereunder by the First Secretary of State.

I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if London Thames Gateway Development Corporation has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 16 and 17 reflects London Thames Gateway Development Corporation's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of London Thames Gateway Development Corporation's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent mis-statements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of Audit Opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the London Thames Gateway Development Corporation and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the London Thames Gateway Development Corporation's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material mis-statement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinion

In my opinion:

- ▶▶ the financial statements give a true and fair view, in accordance with the Local Government, Planning and Land Act 1980 and directions made thereunder by the First Secretary of State, of the state of the London Thames Gateway Development Corporation's affairs as at 31st March 2006 and of its deficit for the year then ended;

- ▶▶ the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government, Planning and Land Act 1980 and directions made thereunder by the First Secretary of State; and
- ▶▶ in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The maintenance and integrity of the London Thames Gateway Development Corporation's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



**John Bourn**  
*Comptroller and Auditor General*

**National Audit Office**  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

19th July 2006

# Financial Statements

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

The notes on pages 24 to 32 form an integral part of these annual accounts

	Notes	2006 £'000	2005 £'000
Transfers from Government Grant Reserve	10	180	3
Grant-in-Aid and other income released	2	5,506	1,232
<b>Total Income</b>		<b>5,686</b>	1,235
Capital Grants	3a	2,901	-
Administrative expenditure	3b	3,673	1,235
<b>Total Operating Expenditure</b>		<b>6,574</b>	1,235
<b>Operating (Deficit)</b>		<b>(888)</b>	-
Interest and Other Income	4	217	-
Other Finance Costs	16	(13)	-
Notional cost of capital	5	(16)	-
<b>(Deficit) on ordinary activities before taxation</b>		<b>(700)</b>	-
Taxation		-	-
<b>(Deficit) on ordinary activities after taxation</b>		<b>(700)</b>	-
Add back notional cost of capital	5	16	-
<b>(Deficit)/Surplus for the period</b>		<b>(684)</b>	Nil

All activities above derive from continuing operations.

**Note:** The deficit shown is primarily due to income being shown on a cash basis, as per government accounting, while expenditure is shown on an accrual basis.

**STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31ST MARCH 2006***The notes on pages 24 to 32 form an integral part of these annual accounts*

	2006 £'000	2005 £'000
Actual Return less expected return on pension scheme assets	42	-
Experience Gains and Losses arising on scheme liabilities	(434)	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(148)	-
Actual Loss recognised in SRGL	(540)	-
Increase in Government Grant Resources	1,063	-
Income and Expenditure deficit for the year	(684)	-
<b>Total Gains and Losses since last Annual Report</b>	<b>(161)</b>	-

# Financial Statements

## BALANCE SHEET AS AT 31ST MARCH 2006

The notes on pages 24 to 32 form an integral part of these annual accounts

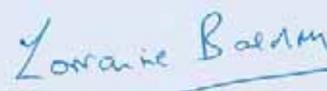
	Notes	2006 £'000	2005 £'000
<b>Fixed Assets</b>			
Tangible assets	6	501	189
Intangible assets	6	29	-
		<b>530</b>	<b>189</b>
<b>Current Assets</b>			
Stock of development assets	7	1,794	-
Debtors	8	96	484
Cash at bank and in hand		2,809	39
<b>Total Current Assets</b>		<b>4,699</b>	<b>523</b>
<b>Creditors</b>			
Amounts payable within one year	9	4,673	523
<b>Total Liabilities</b>		<b>4,673</b>	<b>523</b>
<b>Net Current Assets</b>		<b>26</b>	<b>-</b>
<b>Total Assets excluding Pension Liabilities</b>		<b>556</b>	<b>189</b>
<b>Pension Liabilities</b>	16	<b>528</b>	<b>-</b>
<b>Net assets Including Pension Liabilities</b>		<b>28</b>	<b>189</b>
<b>Reserves</b>			
Government Grant Reserve	10	1,252	189
Income and Expenditure Reserve		(684)	-
Pension Reserve	16	(540)	-
<b>Total Capital Employed</b>		<b>28</b>	<b>189</b>

Signed by the Accounting Officer  
**Peter Andrews**



18th July 2006

Chairman  
**Lorraine Baldry**  
On behalf of the Board



18th July 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006***The notes on pages 24 to 32 form an integral part of these annual accounts*

	Notes	2006 £'000	2005 £'000
Cash receipts from grant-in-aid		7,234	939
Cash payments		3,321	835
<b>Net cash inflow from operating activities</b>	(i)	3,913	104
<b>Returns on investments and servicing of finance</b>			
Interest received and other income		100	-
<b>Capital expenditure</b>			
Payments to acquire fixed assets		(413)	(65)
Payments to acquire development assets		(830)	-
<b>Increase in cash in the period</b>	(ii)	2,770	39

**NOTES TO THE CASH FLOW STATEMENT****(i) Reconciliation of operating (deficit) to net cash inflow from operating activities**

Operating (deficit)	(888)	-
Depreciation charges and revaluation provisions	180	3
Decrease/(Increase) in debtors	480	(484)
Increase in amounts payable within one year	3,078	396
Increase in government grant reserve	1,063	189
Net cash inflow from operating activities	3,913	104

**(ii) Reconciliation of net cash flow to movement in net funds**

Cash at bank and in hand at end of the year	2,809	39
Less: Cash at bank and in hand at beginning of year	39	-
Increase in cash in the year	2,770	39

# Financial Statements

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

### 1. ACCOUNTING POLICIES

The Annual Accounts of the Development Corporation have been prepared according to the Accounts Direction issued by the Secretary of State with consent of HM Treasury.

#### Accounting Convention

The annual accounts have been prepared under the modified historical cost convention. Without limiting the information given, the annual accounts meet the accounting and disclosure requirements of the Companies Act 1985 and best commercial accounting practice, including applicable Accounting Standards as far as those requirements are appropriate, unless specifically adapted to meet the requirements of the Accounts Direction, a copy of which is included from page 33.

In line with Government Accounting Manual section 9.4.3 where the grant in aid is for a significant amount and is designed to meet expenditure accruing at intervals during the financial year, it should be paid by the sponsor body in instalments, in accordance with need. The full grant in aid may not therefore have to be issued by the sponsor department. The income and expenditure account shows the grant in aid income on a cash basis while operating expenditure is shown on an accruals basis. (In 2005/6 this has caused a large deficit to be shown in the Income & Expenditure Account).

#### Tangible Fixed Assets

Tangible fixed assets comprise furniture, fixtures and fittings, carpets and office equipment. Assets are valued at depreciated historic cost, which is not materially different from depreciated replacement cost. It is the Corporation's policy to capitalise individual items where related expenditure exceeds £2,500. Individual items below this value are expended to the Income and Expenditure Account during the period when incurred.

#### Depreciation

Depreciation is provided to write off the cost of tangible fixed assets and intangible assets on a straight line basis over their expected useful lives at the following rates:

#### Tangible Fixed Assets

Computer Equipment and bespoke/non bespoke software development costs - three years  
Furniture and Fittings - seven years

#### Intangible Fixed Assets

Software Licences - three years

#### Government Grants

The Development Corporation's activities are funded by way of grants provided by the ODPM, to cover expenditure incurred in meeting the Corporation's objectives. While grant income in the Income and Expenditure Account is shown as the cash received during the financial year, in line with government accounting, the ODPM provides a budget to cover expenditure incurred within the period i.e. on an accrued basis.

Grant utilised for the purchase of tangible and intangible fixed assets is credited to a grant reserve and released to the income and expenditure account over the expected useful lives of the relevant assets. On the disposal of a fixed asset paid for wholly or in part by government grant, an amount equal to the profit or loss on disposal, or such proportion thereof as is appropriate, is transferred from the grant reserve to the income and expenditure account.

#### Stock of Development Assets

Stock of development assets are included at the lower of estimated replacement cost and estimated net realisable value.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

**Cost of Capital**

The Corporation is required to charge a notional cost of capital against the income and expenditure account to ensure it bears an appropriate charge for the use of capital in the business in the year. The charge is set at a rate of 3.5% of average net assets. After the surplus or deficit for the year reported in the Income and Expenditure Account there is an entry reversing this amount.

**Deferred Taxation**

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered.

Deferred tax assets and liabilities have not been discounted.

**Pensions**

Corporation staff on permanent contracts are entitled to join the Local Government Pension Scheme (LGPS) which is administered by the London Pension Fund Authority. Annual actuarial valuations are sought for this scheme and the costs are accounted for in accordance with FRS17 'Retirement Benefits' as disclosed in Note 16.

**Operating Leases**

Operating lease rentals payable are accounted for in the Income and Expenditure Account on a straight line basis over the term of the lease.

**Value Added Tax**

The Development Corporation is unable to recover input VAT charged on goods and services received and therefore input VAT is charged to the income and expenditure account and balance sheet accordingly.

**2. GRANT IN AID**

Grant-in-aid is receivable from the ODPM to fund revenue expenditure, the purchase of tangible fixed assets and capital projects.

	2006 £'000	2005 £'000
Opening Grant in aid debtor	(484)	-
Grant in aid received from ODPM	7,234	939
Closing grant in aid debtor	-	484
<b>Total Grant in aid receivable</b>	<b>6,750</b>	1,423
Grant in aid released to Government grant reserve	1,244	191
Grant in aid applied to income and expenditure	5,506	1,232
<b>Total Grant in aid utilised</b>	<b>6,750</b>	1,423

No other grants were received from other government departments, EU funds or any other bodies.

# Financial Statements

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

	2006 £'000	2005 £'000
<b>3. OPERATING EXPENDITURE</b>		
a. Capital Grants to Non Profit Organisations	2,701	-
Grants to Non Government Organisations	200	-
	<b>2,901</b>	-
b. Administration Expenditure which comprises:		
Board Members' Costs ( <i>Note 11</i> )	244	116
Staff Salaries ( <i>Note 11</i> )	844	55
Interim, Agency & Temporary Staff	85	225
Travel, Hospitality and Subsistence	156	21
Board & Staff Training, Conferences	82	52
Accommodation and other rental costs	163	142
IT Expenditure	202	223
Consultancy Fees	970	37
Legal, Accountancy and Professional Fees	351	268
External Auditors Remuneration	12	10
Internal Auditors Remuneration	6	-
Depreciation and Amortisation Costs	72	3
Other Costs	125	83
Planning Fees ( <i>Including VAT</i> )	253	-
Development Assets Write Off	108	-
	<b>3,673</b>	1,235
<b>4. INTEREST AND OTHER INCOME</b>		
Bank Interest Received	1	-
Planning Application Fees Received	216	-
	<b>217</b>	-
<b>5. NOTIONAL COST OF CAPITAL</b>		
At 3.5% on average of total assets less total liabilities during the period	16	-

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

	Furniture & Fittings £'000	Software & Computer Equipment £'000	Total £'000
<b>6. TANGIBLE FIXED ASSETS</b>			
<b>Cost</b>			
At 1st April 2005	178	14	192
Additions	246	136	382
At 31st March 2006	424	150	574
<b>Depreciation</b>			
At 1st April 2005	3	-	3
Charge for year	56	14	70
At 31st March 2006	59	14	73
<b>Net Book Value</b>			
At 31st March 2006	365	136	501
At 31st March 2005	175	14	189

Software and computer equipment includes amounts expended on bespoke and non-bespoke IT software development.

**INTANGIBLE ASSETS**

	Software Licences £'000
<b>Cost</b>	
At 1st April 2005	-
Additions	31
At 31st March 2006	31
<b>Depreciation</b>	
Change for year	2
At 31st March 2006	2
<b>Net Book Value</b>	
At 31st March 2006	29
At 31st March 2005	-

# Financial Statements

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

	Stock of Development Assets 2006 £'000
<b>7. STOCK</b>	
<b>Cost</b>	
At 1st April 2005	-
Additions	1,902
At 31st March 2006	1,902
<b>Revaluation</b>	
Revaluation in year	108
<b>Net Book Value</b>	
At 31st March 2006	1,794
At 31st March 2005	-

## 8. DEBTORS

	2006 £'000	2005 £'000
Accrued grant in aid recoverable	-	484
Planning Fees Recoverable	92	-
Other Debtors	4	-
Debtors Written Off	-	-
Provision for bad or doubtful debts	-	-
Prepayments	-	-
	<b>96</b>	484

### DEBTORS - INTRA-GOVERNMENT BALANCES

	2006 £'000	2005 £'000
Debtors due within one year		
Balances with other central government bodies	-	484
Balances with local authorities	-	-
Balances with NHS organisations	-	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	96	-
	<b>96</b>	484

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

	2006 £'000	2005 £'000
<b>9. CREDITORS</b>		
<b>Amounts Falling Due Within One Year</b>		
Trade Creditors	52	199
Accruals	4,577	319
Other tax and social security costs	44	5
	<b>4,673</b>	523
<b>CREDITORS - INTRA-GOVERNMENT BALANCES</b>		
<b>Creditors due within one year</b>		
Balances with other central government bodies	44	5
Balances with local authorities	3,895	-
Balances with NHS organisations	-	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	734	518
	<b>4,673</b>	523
<b>10. GOVERNMENT GRANT RESERVE</b>		
Brought Forward as at 1st April 2005	189	-
Acquisition of tangible and intangible fixed assets	413	192
Less: Depreciation and Amortisation of tangible and intangible assets*	(72)	(3)
Acquisition of Paid Development Assets	830	-
Amounts Written Down on Revaluation of Development Assets*	(108)	-
	<b>1,252</b>	189
* Released to income and expenditure account		
<b>11. STAFF COSTS AND RELATED PARTY TRANSACTIONS</b>		
Full Time and Temporary Staff Costs	543	49
Full Time and Temporary Staff Social Security Costs	76	4
Full Time and Temporary Staff Pension Current Service Cost (Note 17)	46	2
Agency Staff	23	-
Seconded Staff	156	-
<b>Total staff costs</b>	<b>844</b>	55

No employee staff costs have been capitalised during the year.

The Development Corporation employed the following full time equivalent (fte) staff during the year:

Permanent staff	12.8 fte
Agency or temporary staff	1.5 fte
Seconded staff	1.8 fte

Details of board members costs and costs of key managers can be found in the remuneration report on page 14 of the annual report.

# Financial Statements

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

### Related Party Transactions

The Development Corporation is a Non-Departmental Public Body sponsored by the ODPM. The ODPM is regarded as a related party, as are other entities that it sponsors.

During the year the following payments for contract works were made on an arms length basis to organisations considered related by nature of common directorships as per the Disclosure of Registered Interests on page 37:

London Development Agency	£357,078
London Borough of Barking & Dagenham	£10,000
London Borough of Newham	£58,538
University of East London	£270

### 12. FINANCIAL INSTRUMENTS

Under Treasury Guidance, the provisions of Financial Reporting Standard 13 are deemed to apply to the Development Corporation. Under those provisions disclosures are required in respect of the financial instruments (financial assets and financial liabilities) maintained by the Corporation, the risks associated with them and the Corporation's approach to that risk.

Except for short term debtors and creditors the only financial instrument maintained by the Development Corporation is cash held on current account.

At the Balance Sheet date cash balances were £2,809,295 (2005 - £39,471). The only risk is the exposure to interest rate fluctuations, which is regarded as minimal due to the level of accruals at the year end.

### 13. KEY PERFORMANCE INDICATORS

The Development Corporation is currently in discussion with ODPM on appropriate performance indicator targets.

### 14. OPERATING LEASES

As at 31st March 2006, the Development Corporation was committed to making annual rental payments in respect of the following:

	Land and Buildings £'000	IT Support £'000
<b>Operating lease expiring</b>		
Between 1-2 years	-	45
After 5 years	123	-
	123	45

The Development Corporation had no finance leases during the period.  
The IT support contract was terminated on 4th May 2006 and a new provider contracted.

### 15. STATEMENT OF LOSSES AND SPECIAL PAYMENTS

The Development Corporation had no special payments or losses during the year.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

## 16. DEFINED BENEFIT PENSION SCHEME

Most of the Development Corporation's employees belong to the Local Government Pension Scheme, a defined benefit statutory pension scheme.

The most recent full actuarial valuation of that scheme was undertaken on 31st March 2004, however in order for the Corporation to ascertain its own actuarial liabilities under the scheme, a valuation for FRS 17 purposes was undertaken as at 31st March 2006.

The following financial information and statistical data has been compiled in accordance with FRS 17 requirements:

**Financial Assumptions**

The financial assumptions used for the purposes of the FRS 17 calculations as at 31st March 2005 and 31st March 2006 are shown in the table below.

Assumptions as at	31-Mar-06 (% p.a.)	Real (% p.a.)	31-Mar-05 (% p.a.)	Real (% p.a.)
Price increases	3.1%	-	2.9%	-
Salary increases	4.6%	1.5%	4.4%	1.5%
Pension increases	3.1%	-	2.9%	-
Discount rate	6.0%	2.8%	6.5%	3.5%

**Fair Value and Expected Return on Assets**

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 (ie as at 31st March 2006 for the year to 31st March 2007).

The expected returns as at 31st March 2005 and 31st March 2006 are shown in the table below.

Asset Class	Expected Return at 31 Mar 2006 (% p.a.)	Asset Class	Expected Return at 31 Mar 2005 (% p.a.)
Equities	7.3%	Equities	7.7%
Target return funds	6.0%	Bonds	4.8%
Alternative assets	6.5%	Property	5.7%
Cash	4.6%	Cash	4.8%

**Balance Sheet**

Net Pension Liability as at	31 Mar 2006 £'000	31 March 2005 £'000
Estimated Employer Assets	607	3
Present Value of Scheme Liabilities	(1,135)	(3)
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities	(1,135)	(3)
Net Liability	(528)	-

# Financial Statements

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

### Movement in Surplus/Deficit During Year

	Year to 31 March 2006 £(000)
Surplus/(deficit) at beginning of the year	-
Current Service Cost	(46)
Employer contributions	71
Contributions in respect of Unfunded benefits	-
Other income	-
Other outgoing (eg expenses, etc)	-
Past service costs	-
Impact of settlements and curtailments	-
Net return on assets	(13)
Actuarial gains/(losses)	(540)
Surplus/(deficit) at the end of year	(528)

### Analysis of amount charged to operating profit

#### Amount Charged to Operating Profit

	Period to 31 March 2006 £(000)	Period to 31 March 2006 (% of Payroll)
Service Cost	46	10.0%
Past Service Costs	-	-
Curtailement and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total Operating Charge	46	10.0%

#### Projected Amount Credited to Other Finance Income

	Period to 31 March 2006 £(000)	Period to 31 March 2006 (% of Payroll)
Expected Return on Employer Assets	19	4.2%
Interest on Pension Scheme Liabilities	(32)	(7.0%)
Net Return	(13)	(2.8%)
Net Revenue Account Cost	59	12.8%

### Analysis of Amount Recognised in Statement of Recognised Gains and Losses (SRGL)

	Year to 31 March 2006 £'000
Actual return less expected return on pension scheme assets	42
Experience gains and losses arising on the scheme liabilities	(434)
Changes in financial assumptions underlying the present value of the scheme liabilities	(148)
Actuarial gain/(loss) in pension plan	(540)
Increase/(Decrease) in irrecoverable Surplus from Membership	-
Fall and Other Factors	-
Actuarial Gain/(Loss) Recognised in SRGL	(540)

**ACCOUNTS DIRECTION FOR THE YEAR ENDED 31ST MARCH 2006**

**ACCOUNTS DIRECTION GIVEN BY THE FIRST SECRETARY OF STATE WITH THE CONSENT OF THE TREASURY, IN ACCORDANCE WITH PARAGRAPH 10(3) OF SCHEDULE 31 TO THE LOCAL GOVERNMENT, PLANNING AND LAND ACT 1980**

1. The annual accounts of London Thames Gateway Development Corporation (hereafter in this accounts direction referred to as “the Corporation”) shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end, subject to this requirement, the annual accounts for the year 2005/2006 and for subsequent years shall be prepared in accordance with:
  - (a) the accounting and disclosure requirements given in Government Accounting and in Government Financial Reporting Manual issued by the treasury (“the FReM”) as amended or augmented from time to time, and subject to Schedule 1 to this direction;
  - (b) any other relevant guidance that the Treasury may issue from time to time;
  - (c) any other specific disclosure requirements of the First Secretary of State;

Insofar as these requirements are appropriate to the Corporation and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the First Secretary of State and the Treasury in which case the exception shall be described in the notes to the accounts.
2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the First Secretary of State and further explanations of Treasury requirements are set out in Schedule 2.
3. This direction shall be reproduced as an appendix to the annual accounts.
4. This direction replaces that dated 9th February 2005.

Signed by authority of the First Secretary of State



30th March 2006

An Officer in the Office of the Deputy Prime Minister

# Financial Statements

## ACCOUNTS DIRECTION FOR THE YEAR ENDED 31ST MARCH 2006

### SCHEDULE 1

1. Stocks and work-in-progress shall be included in the balance sheet at the lower of estimated replacement cost and estimated net realisable value.
2. Central government grants used to pay for fixed assets, stocks or work-in-progress shall be credited to a grant reserve. This is different from the requirement in accounting standards that such grants must be credited to deferred income.
3. With one exception, revaluation gains on fixed assets, stocks or work-in-progress, to the extent that the assets were financed by central government grants, shall be taken to the grant reserve in the balance sheet, without passing through the income and expenditure account. To the extent that the assets were financed by funds from other sources, revaluation gains shall be taken to the revaluation reserve in the balance sheet. This is different to the requirement of the Companies Act that all revaluation gains must be taken to one separate reserve.

The exception is that any revaluation gain that reverses a previous revaluation loss should be taken to the income and expenditure account to the extent that the previous loss was itself taken to the income and expenditure account.

4. On the disposal of a fixed asset, stock or work-in-progress, any amount in the grant reserve relating to the assets shall be transferred directly to the general reserve in the balance sheet, without passing through the income and expenditure account.
5. On the disposal of a fixed asset financed wholly by central government grants, the profit or loss on disposal shall be offset in the income and expenditure account by an equal and opposite amount transferred to or from the general reserve. Where central government grants were only used to finance a part of the cost of the asset, the amount of the transfer to or from the general reserve shall be reduced in proportion.
6. The annual accounts shall each be signed and dated by the Chairman on behalf of the board members, and by the Accounting Officer.

## ACCOUNTS DIRECTION FOR THE YEAR ENDED 31ST MARCH 2006

## SCHEDULE 2 - ADDITIONAL DISCLOSURE REQUIREMENTS

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraph 1 of this direction.

## 1. The notes to the annual accounts

- (a) An analysis of grants from:
  - (i) Government Departments;
  - (ii) European Union funds;
  - (iii) Other sources identified as to each source;
- (b) For grants from the Office of the Deputy Prime Minister, the following information shall also be shown:
  - (i) the amount that the Corporation is entitled to receive for the year;
  - (ii) the amount received during the year;
  - (iii) the amount released to the income and expenditure account for the year;
  - (iv) the amount used to acquire or improve fixed assets in the year;
  - (v) movements on amounts carried forward in the balance sheet.

And the note should make it possible to reconcile any of the amounts in (i) to (v) above, to each of the other amounts;

- (c) an analysis of grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income.
- (d) details of employees, other than board members, showing:
  - (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Corporation, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)
  - (ii) the total amount of loans to employees;
  - (iii) employee costs during the year, showing separately:-
    - (1) wages and salaries;
    - (2) early retirement costs;
    - (3) social security costs;
    - (4) contributions to pension schemes;
    - (5) payments for unfunded pensions;
    - (6) other pension costs;
    - (7) amounts recoverable for employees on secondment or loan to other organisations;

The above analysis shall be given separately for the following categories

- (i) employed directly by the Corporation
- (ii) on secondment or loan to the Corporation
- (iii) agency or temporary staff
- (iv) employee costs that have been capitalised);
- (e) an analysis of liquid resources, as defined by accounting standards;
- (f) in the note on debtors, prepayments and payments on account shall each be identified separately;
- (g) a statement of debts written off and movements in provisions for bad and doubtful debts;

# Financial Statements

## ACCOUNTS DIRECTION FOR THE YEAR ENDED 31ST MARCH 2006

### SCHEDULE 2 - ADDITIONAL DISCLOSURE REQUIREMENTS (continued)

#### 1. The notes to the annual accounts (continued)

- (h) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Corporation's operations.
- \* (i) Particular, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Corporation), between the Corporation and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:
- (i) transactions and balances of £5,000 and below are not material
  - (ii) parties related to board members and key managers are as notified to the Corporation by each individual board member or key manager
  - (iii) the following are related parties:
    - (1) subsidiary and associated companies of the Corporation
    - (2) pensions funds for the benefit of employees of the Corporation or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds)
    - (3) board members and key managers of the Corporation
    - (4) members of the close family of board members and key managers
    - (5) companies in which a board member or a key manager is a director
    - (6) partnerships and joint ventures in which a board member or a key manager is a partner or venturer
    - (7) trusts, friendly societies and industrial and provident societies in which a board member or a key manager is a trustee or committee member
    - (8) companies, and subsidiaries of companies, in which a board member or a key manager has a controlling interest
    - (9) settlements in which a board member or a key manager is a settlor or beneficiary
    - (10) companies, and subsidiaries of companies, in which a member of the close family of a board member or of a key manager has a controlling interest
    - (11) partnerships and joint ventures in which a member of the close family of a board member or of a key manager is a partner or venturer
    - (12) settlements in which a member of the close family of a board member or of a key manager is a settlor or beneficiary
    - (13) the Office of the Deputy Prime Minister, as the sponsor department for the Corporation.

For the purposes of this sub-paragraph:

- (i) A key manager means a member of the Corporation's management board.
- (ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.
- (iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at Corporation meetings of the company.

*\*Note to Schedule 2 paragraph 1(i): under the Data Protection Act 1998 and the Human Rights Act 1998, the Corporation needs to obtain consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, or if for any other reason information is not available this shall be stated in the note.*

**DISCLOSURE OF REGISTERED INTERESTS BY BOARD MEMBERS**

The following interests have been properly declared for the period to 31st March 2006:

**Board Members****Lorraine Baldry – Chairman**

*St Ives Plc – Non-Exec Director (resigned 8th Feb 2006)*  
*Inventa Partners Ltd – Non-Executive Director*  
*Central London Partnership – Non-Exec Director*  
*The FM Company Plc – Non-Exec Director (resigned 28th Feb 2006)*  
*Olympic Delivery Authority – Board member (commenced April 2006)*

**John Biggs – Board Member**

*London Assembly – Elected Member for City & East London*  
*London Development Agency – Appointed Board Member and Deputy Chair*  
*London Riverside Ltd – Director*  
*Tower Hamlets Co-operative Development Agency – Shareholder of Company Limited by Guarantee*  
*GMB (Trade Union) – Member*  
*AMICUS (Trade Union) – Member*  
*Labour Party – Member*  
*Co-operative Party – Member*

**Imtiaz Farookhi – Board Member**

*NHBC and subsidiary companies – Director*  
*BBA (British Board of Agreement) – Director*  
*SEEDA – Director*  
*CNLIS – Chairman – Non Executive Director*

**Ken Giles – Board Member**

*Greater Manchester Passenger Transport Exec. - Non-Exec Director*  
*Coventry University – Business Adviser*  
*Pearce Signs – Non-Exec Director (Resigned During Year)*  
*Luton BC – Consultant*  
*DTI/Automotive Academy – Consultant (Contract completed during 2005/06)*  
*Oxford NHS Lift Co – Non-Exec Chairman*  
*Concept Design Group – Non Executive Chairman*

**Sid Kallar – Board Member**

*London Borough of Barking and Dagenham- Councillor*  
*Robert Clack School – Vice Chair*  
*Jo Richardson Community School – Vice Chair*  
*The Adult College of Barking and Dagenham - Chair*  
*Association of Local Government – Member*  
*Member of Dagenham political branch of the Co-op*

**Michael Keith – Board Member**

*London Borough of Tower Hamlets - Leader (Until May 2006)*  
*Thames Gateway London Partnership - Chairman (Until May 2006)*  
*Rich Mix Cultural Foundation – Trustee*  
*Invest in Thames Gateway (Gateway to London) – Director*  
*Business Development Centre - Director*  
*Centre for Urban & Community Research Goldsmiths University – Director*  
*Association of University Teachers – Member*  
*British Sociological Association – Member*  
*Urban London Design – Board Member*

**Conor McAuley – Board Member**

*Royal Docks Management Authority Ltd – Non-Exec Director*  
*Gateway to London Ltd – Non-Exec Director*  
*Newham Primary Care Trust – Non-Exec Director*  
*DSP Charitable trust – Trustee*  
*London Borough of Newham – Councillor*

**Guy Nicholson – Board Member**

*Thames Gateway London Partnership – Board Member and Exec Committee Member*  
*Greater London Enterprise – Local Authority Nominee*  
*ALG Economic Development Steering Group – Local Authority Nominee*  
*London European Programmes Committee – Committee Member*  
*London Borough of Hackney – Elected Member for Chatham Ward*  
*Shoreditch Trust NDC – Board Member*  
*City Fringe Single Programme Partnership – Board Member and Vice Chair*  
*ALG Transport and Environment Committee – Committee Member (Resigned May 2006)*  
*Cultural Industries Development Agency – Board Member*  
*Hackney Empire Ltd – Board Member*  
*Labour Party – Member*  
*East London Sport and Physical Activity Partnership – Board Member (March 2006)*  
*Community Union – Member (October 2005)*  
*Tour East – Member (Feb 2006)*

**Atul Patel – Board Member**

*ASRA Greater London Housing Association Ltd – Employee*  
*Royal Victoria Docks Development Co Ltd – Director*  
*HFHA/Walpole Ltd – Director*

**Michael Thorne – Board Member**

*University of East London - Employee*  
*Broadway Theatre Barking – Board Member*  
*Learning Skills Network (LSN) – Board Member*  
*Board of Governors of Newham College of Further Education*

**Dru Vesty – Board Member**

*Estea Limited – Own (consultancy) Company*  
*Tower Homes Ltd – Industrial and Provident Society – Shareholding Member*  
*Opus Property Services (UK) Ltd – Non-Exec Director (Resigned 2005/06)*  
*Lande Holst Ltd – Director (Resigned 2005/06)*  
*London and Quadrant Housing Trust Project – Appraisal Committee*

**Michael White – Board Member**

*Groundwork East London – Non-Exec Director*  
*London Borough of Havering – Elected Leader of Council*

**John Worthington – Board Member**

*DEGW – Co-Founder, Shareholder, Employee*  
*Building futures (CABE/RIBA) Advisory Committee – Chairman (2003-2005)*  
*University of Sheffield – Graham Willis Professorship*  
*Pembroke College Cambridge – Visiting Scholar*  
*Urban Design Group – Trustee*  
*Regeneration Through Heritage (Prince's Foundation) – Advisory Group*

Printed in the UK for The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office  
5398816 07/06

Our operating territory includes land in three out of the top dozen most deprived boroughs in England, and the communities within them are some of the most diverse found anywhere in the world.



**LONDON  
THAMES  
gateway**

DEVELOPMENT  
CORPORATION

REGENERATION FOR **EAST LONDON**

London Thames Gateway Development Corporation

9th Floor, South Quay Plaza 3, 189 Marsh Wall, London E14 9SH

Tel: 0207 517 4730 Fax: 0207 517 4776

[www.ltgd.org.uk](http://www.ltgd.org.uk)



Published by TSO (The Stationery Office) and available from:

**Online**

[www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline Lo-call 0845 7 023474

E-mail [book.orders@tso.co.uk](mailto:book.orders@tso.co.uk)

Textphone 0870 240 3701

**TSO Shops**

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

**TSO Accredited Agents**

(see Yellow Pages)

*and through good booksellers*

ISBN 0-10-294276-5



9 780102 942767