



## **STATEMENT OF ACCOUNTS**

**2010/11**

**C.W.BURROWS**  
**CHIEF FINANCE OFFICER**

**Dr. N.M. STONE**  
**CHIEF EXECUTIVE**



## STATEMENT OF ACCOUNTS

2010/11

### CONTENTS

<b>SECTION</b>		<b>PAGE</b>
1	Explanatory Foreword	1
2	Statement of Responsibilities	6
3	Movement in Reserves Statement	7
4	Comprehensive Income and Expenditure Statement	8
5	Balance Sheet	9
6	Cash Flow Statement	10
7	Notes to the Accounts	11
8	Annual Governance Statement	45
9	Independent Auditor's Report (TBC)	49

## STATEMENT OF ACCOUNTS 2010/11

### 1. EXPLANATORY FOREWORD

#### Introduction

1. This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (2010 ). For financial reporting purposes a National Park Authority is regarded as a local authority. The 2010/11 Code is the first to be based on the adoption of International Financial Reporting Standards ( IFRS ) for public sector accounting in the UK. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority.
2. The introduction of the 2010 Code has made it necessary to re-state the 2009/10 Statement of Accounts (and the Balance sheet as at 1 April 2009) in line with the IFRS requirements for comparative purposes. This has proved to be a substantial and challenging piece of work.
3. The Authority was created and given powers under the Environment Act 1995 and came into existence on 1 April 1997. The Act sets out two primary purposes for the Authority:
  - To conserve and enhance the natural beauty , wildlife and cultural heritage of the National Park area
  - To promote opportunities for understanding and enjoyment of the National Park's special qualities.
4. The Authority also has a duty to seek to foster the social and economic well-being of local communities in the National Park and is the Planning Authority under the Town and Country Planning Acts for the National Park area.

#### Financial Performance

5. Information relating to our financial performance for the year ended 31 March 2011 is contained in the following statements:
  - Movement in Reserves Statement ( page 7 );  
This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves.
  - Comprehensive Income and Expenditure Statement ( page 8 );  
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
  - Balance Sheet ( page 9 )  
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognized by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority; and

- Cash Flow Statement ( page 10 )

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

6. The Resources and Performance Committee considered and agreed the detailed budget for 2010/11 at its meeting on 2 March 2010, which it recommended to and was approved by the Authority at its meeting on 20 April 2010. The main source of income of the budget is a National Park Grant from the Department for Environment, Food and Rural Affairs ( DEFRA ) the notified amount of which was £4,177,453 which included an earmarked Sustainable Development Fund of £200,000. The approved budget was constructed with four elements:
  - A Core Budget with expenditure of £3,675,003 and income of £407,550 giving a net requirement of £3,267,453;
  - A discretionary budget of involving expenditure of £764,000 and income of £84,000 giving a net requirement of £680,000;
  - An earmarked Sustainable Development Fund of £200,000; and
  - A planned underspend of £30,000 to be taken to the General Fund Balance.
7. However, following the announcement by the Chancellor on 24 May 2010 of planned savings in public spending, the National Park Grant was reduced by £198,873. It was decided that this in-year reduction should be covered by the use of reserves and the planned underspending rather than reduce the budget that had been approved for the delivery of services in accordance with the Business Plan based on the priorities of the Authority.
8. The Resources and Performance Committee considered a revised budget and reviewed the Core and Discretionary elements of the budget at its meeting on 9 November 2010 and agreed that the forecast underspending, which was anticipated to be in excess of £60,000, should be transferred at the year end to the General Fund to help alleviate the anticipated future financial pressures as a result of the outcome of the Government's Comprehensive Spending Review.
9. The key financial outcomes for the year ended 31 March 2011 are:
  - Transfers from reserves to support spending during the year amounted to £168K and transfers to reserves to meet known commitments at 31 March 2011 amounted to £764K. The significant transfers to reserves related to the funding allocated in the year towards the Dulverton Undergrounding Project ( £40K ), Woodland Management Works (£55K), the Upgrading works at the Pinkery Centre ( £70K ), the Toilet Upgrading Programme ( £58K ), the Lynmouth National Park Centre Project ( £133K ), and the balance on the Sustainable Development Fund for grants that had been approved and committed and for which claims will be submitted in due course ( £104K ),
  - On an operational basis the management accounts show the outturn for the year compared with the revised budget produces a surplus of £8K.

The reconciliation between this surplus and that shown in the Comprehensive Income and Expenditure Account is as follows:

	£000	£000
<b>Net Surplus as shown in the Comprehensive Income &amp; Expenditure Account</b>		<b>(2,611)</b>
<i>Non Cash Transactions</i>		
Depreciation charges	(107)	
IAS19 Pensions transactions	1,898	
Donated assets recognised as income in CIES	221	
Loss on disposal of fixed assets	(4)	
Net transfers to reserves	596	
Rounding	(1)	
<b>Management Accounts Budget Surplus</b>		<b>(8)</b>

- The lower level of surplus achieved compared with the forecast of the revised budget is due to the acceptance of a number of voluntary redundancies at 31 March 2011 costing £70K and the savings from these posts will form part of the Authority's response to the reductions in funding as a result of the Government's Spending Review.
- The Comprehensive Income and Expenditure Account includes £400K secured from the Department of Energy and Climate Change for low carbon projects in communities across the Park. These projects were completed in the year to meet the grant requirements.
- The Balance sheet shows that the net worth of the Authority at 31 March 2011 is £10,372K , an increase when compared with 31 March 2010 of £2,644K . However it is important to note that most of the Authority's moorland estate ( £3,110K at the last valuation ) was purchased with funding from the National Heritage Memorial Fund so that ' it will belong to the British People for ever ' . As a consequence the land may only be disposed of by conveyance to the National Trust or other suitable approved body for no consideration.
- The significant item relating to the increase in net worth relates to the revaluation of the Authority's local government pension scheme obligations to the Somerset County Council Pension Fund, which saw the Authority's deficit decrease from £5,855K at 31 March 2010 to £3,957K at 31 March 2011, a reduction of £1,898K. Full details of the Pension Scheme revaluation etc are set out in Note 34.
- The Balance Sheet also includes the transfer to the Authority by North Devon District Council of the Lynmouth Pavilion for redevelopment as a National Park Centre at a nominal sum of £1 although this has been included under Property Assets at a valuation of £150K.
- The Authority remains debt free at 31 March 2011 and has no borrowing plans.

#### **Financial Outlook**

10. The Authority has an excellent record in managing its financial affairs within its resources and in 2010/11 has again not only kept within budget but has achieved a small surplus. It has earmarked reserves totaling £3,020K and a General Fund balance of £345K at 31 March 2011 which is consistent and in line with its forward financial planning.

11. Following the completion by the Government of its Comprehensive Spending Review, DEFRA notified the Authority of its confirmed allocation of National Park Grant for 2011/12 and provided indicative levels of grant for 2012/13, 2013/14 and 2014/15. When compared with the original figure for 2010/11 the Authority is facing a real terms reduction of 33% by 2014/15 after allowing for modest effects of inflation. The Authority's response to this incremental reduction in National Park Grant for each financial year until 2014/15 comprises four main programmes:

- Implementation of initial changes in management and organisational structure to refocus the organisation to the key communities of the National Park;
- Completion of a review of the National Park Management Plan looking forward to 2017;
- Exploration of options for other ways of achieving Authority objectives and priorities including through delegation, partnership working, joint delivery, shared services and closer working with businesses, voluntary and community organisations; and
- Implementation of a revised organisational structure to be adopted by July 2012 based on new service priorities and in line with the revised National Park Management Plan and the new financial environment

12. The Medium Term Financial Plan approved by the Resources and Performance Committee on 1 March 2011 was based on the resource assumptions notified by DEFRA and the Committee was mindful that it would be beneficial to be able provide short term support should any changes in the level of National Park Grant occur.

13. The financial strategy that underpins the Medium Term Financial Plan is:

- To carry out an annual review of the financial assumptions on which the Plan is based;
- To continuously review the essential services provided by the Core Budget with the objectives of reducing costs wherever possible and improving service delivery within existing costs;
- To maximize earned income or reduce costs wherever possible;
- To explore all opportunities to lever in external funding or enter into joint working or partnership arrangements to deliver the priorities of the National Park Management Plan
- To continue with the policy of a presumption to the non-filling of staff vacancies that arise and explore the alternative delivery options;
- To ensure that spending on projects that are dependent upon external funding only proceed when funding has been formally confirmed;
- To maintain the general Fund balance at a level of approximately £300K to give some flexibility; and
- To use the reserves held to provide short term support in covering any reduction in National Park Grant

14. Despite the reductions in National Park Grant that have occurred and those that are planned as a result of the Comprehensive Spending Review for the period to 2014/15 the Authority is in a reasonable financial position through prudent financial management and forward planning with clear and robust plans to meet National Park Management Plan targets and objectives. It is aware that the Organisational Review that is underway is critical to the achievement of the required reductions to the Core element of the Budget and this is planned to be completed by 2012/13.

Charles Burrows  
Chief Finance Officer  
June 2011

**STATEMENT OF ACCOUNTS 2010/11****2. STATEMENT OF RESPONSIBILITIES****2.1 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 Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

**2.2 The Chief Finance Officer's Responsibilities**

The Chief Finance Officer 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: A Statement of Recommended Practice (the CODE).

In preparing this Statement of Accounts, the Chief Finance Officer 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 Chief Finance Officer 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.

**2.3 Declaration of the Chief Finance Officer:**

**I certify that this Statement of Accounts gives a true and fair view of the financial position of Exmoor National Park Authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.**

**C W Burrows**

**Chief Finance Officer: .....**      **Date: 16 June 2011**

**Movement in Reserves Statement**  
**For the year ended 31 March 2011**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which 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. The Net Increase/Decrease before the Transfers to Earmarked Reserves Line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	424	2,176	2,600	5,231	7,831
<b>Movement in reserves during 2009/10</b>					
Surplus or (deficit) on the provision of services	(648)	-	(648)	-	(648)
Other Comprehensive Income and Expenditure	577	-	577	-	577
<b>Total Comprehensive Income and Expenditure</b>	<b>(71)</b>	<b>-</b>	<b>(71)</b>	<b>-</b>	<b>(71)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	262	-	262	(262)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>191</b>	<b>-</b>	<b>191</b>	<b>(262)</b>	<b>(71)</b>
Transfers to/from Earmarked Reserves (Note 9)	(247)	247	-	-	-
<b>Increase/Decrease in 2009/10</b>	<b>(56)</b>	<b>247</b>	<b>191</b>	<b>(262)</b>	<b>(71)</b>
<b>Balance at 31 March 2010</b>	<b>368</b>	<b>2,423</b>	<b>2,791</b>	<b>4,969</b>	<b>7,760</b>
<b>Movement in reserves during 2010/11</b>					
Surplus or (deficit) on the provision of services	1,442	-	1,442	-	1,442
Other Comprehensive Income and Expenditure	1,169	-	1,169	-	1,169
<b>Total Comprehensive Income and Expenditure</b>	<b>2,611</b>	<b>-</b>	<b>2,611</b>	<b>-</b>	<b>2,611</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(2,038)	-	(2,038)	2,039	1
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,038)</b>	<b>-</b>	<b>(2,038)</b>	<b>2,039</b>	<b>1</b>
Transfers to/from Earmarked Reserves (Note 9)	(596)	596	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>(23)</b>	<b>596</b>	<b>573</b>	<b>2,039</b>	<b>2,612</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>345</b>	<b>3,019</b>	<b>3,364</b>	<b>7,008</b>	<b>10,372</b>

**Comprehensive Income and Expenditure Statement**  
**For the year ended 31 March 2011**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from National Park Grant. The Authority receives National Park Grant to cover expenditure in accordance with regulations; this may be different from the accounting cost;

2009/10				2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,088	(236)	852	Conservation of Natural Environment	755	(260)	495
746	(366)	380	Conservation of Cultural Heritage	359	(98)	261
701	(178)	523	Recreation Management	336	(165)	171
857	(170)	687	Promoting Understanding	863	(167)	696
-	-	-	Promoting Understanding - Exceptional costs of donated assets recognised as income	-	(221)	(221)
998	(23)	975	Rangers, Estate Team & Volunteers	977	(6)	971
531	(77)	454	Development Management	533	(80)	453
660	(308)	352	Policy & Community	815	(678)	137
328	(13)	315	Corporate Management	333	(10)	323
-	-	-	Exceptional Item: IAS 19 Past Service Cost	-	(1,086)	(1,086)
-	-	-	Non distributed costs	-	-	-
<b>5,909</b>	<b>(1,371)</b>	<b>4,538</b>	<b>Cost of Services</b>	<b>4,971</b>	<b>(2,771)</b>	<b>2,200</b>
-	-	-	Other Operating Expenditure (Note 10)	4	-	4
194	(58)	136	Financing and Investment Income and Expenditure (Note 11)	632	(460)	172
-	(4,026)	(4,026)	Taxation and Non-Specific Grant Income (note 12)	-	(3,818)	(3,818)
		<b>648</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>(1,442)</b>
		(3,573)	Surplus or deficit on revaluation of Property, Plant and Equipment assets (note 13)			-
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		2,996	Actuarial gains/losses on pension assets/liabilities (note 34)			(1,169)
		<b>(577)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(1,169)</b>
		<b>71</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>(2,611)</b>

**Balance Sheet**  
**For the year ended 31 March 2011**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
7,950	10,859	Property, Plant & Equipment	13	10,999
-	-	Investment Property		-
3	-	Intangible Assets		-
-	-	Assets Held for Sale		-
-	-	Long Term Investments		-
-	18	Long Term Debtors	16	18
<b>7,953</b>	<b>10,877</b>	<b>Long Term Assets</b>		<b>11,017</b>
-	-	Short Term Investments		-
-	-	Assets Held for Sale		-
109	86	Inventories	15	78
301	441	Short Term Debtors	16	93
2,537	2,664	Cash and Cash Equivalents	17	3,699
<b>2,947</b>	<b>3,191</b>	<b>Current Assets</b>		<b>3,870</b>
(64)	-	Cash and Cash Equivalents	17	(107)
-	-	Short Term Borrowing		-
(318)	(453)	Short Term Creditors	18	(451)
-	-	Provisions		-
-	-	Liabilities in Disposal Groups		-
<b>(382)</b>	<b>(453)</b>	<b>Current Liabilities</b>		<b>(558)</b>
-	-	Long Term Creditors		-
-	-	Provisions		-
-	-	Long Term Borrowing		-
(2,687)	(5,855)	Other Long Term Liabilities	34	(3,957)
-	-	Donated Assets Account		-
-	-	Capital Grants Receipts in Advance		-
<b>(2,687)</b>	<b>(5,855)</b>	<b>Long Term Liabilities</b>		<b>(3,957)</b>
<b>7,831</b>	<b>7,760</b>	<b>Net Assets</b>		<b>10,372</b>
2,600	2,792	Usable Reserves	19, 9	3,364
5,231	4,968	Unusable Reserves	20	7,008
<b>7,831</b>	<b>7,760</b>	<b>Total Reserves</b>		<b>10,372</b>

**Cash Flow Statement**  
**For the year ended 31 March 2011**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the authority generates and uses 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 of the Authority are funded by way of grant income or from the recipients of services provided by the Authority. Investing Activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicating claims on future cash flows by providers of capital (ie borrowing) to the Authority.

<b>2009/10 £000</b>		<b>2010/11 £000</b>
	<b>Revenue Activities</b>	
	<i>Cash Outflows:</i>	
2,793	Employment Costs	2,660
2,423	Other Operating Costs	2,014
<b>5,216</b>		<b>4,674</b>
	<i>Cash Inflows:</i>	
(3,866)	National Park Grant	(3,779)
(1,153)	Fees and Charges	(1,137)
(217)	SDF Grant	(200)
-	DECC – Low Carbon Communities Challenge Grant	(404)
(161)	Planning Delivery Grant/Climate Change - CLG	(39)
<b>(5,397)</b>		<b>(5,559)</b>
<b>(181)</b>	<b>Net Cash (Inflow)/Outflow from Revenue</b>	<b>(885)</b>
<b>(58)</b>	<b>Net Cash Flows from operating activities (note 21)</b>	<b>(43)</b>
<b>48</b>	<b>Net Cash Flows from Investing Activities (note 22)</b>	<b>-</b>
<b>-</b>	<b>Net Cash Flows from Financing Activities (note 23)</b>	<b>-</b>
<b>(191)</b>	<b>Net increase in Cash and Cash Equivalents</b>	<b>(928)</b>
2,473	Cash and Cash Equivalents at the beginning of the reporting period	2,664
<b>2,664</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>3,592</b>

## STATEMENT OF ACCOUNTS 2010/11

### NOTES TO THE ACCOUNTS

#### Note 1: IFRS Accounting Policies

##### i **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 which require accounts 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Regulations.

##### ii **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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Small amounts outstanding at year end are treated on a payments basis. In total, these do not have a material effect on the years accounts.

iii **Cash and Cash Equivalents (note 17)**

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 no more than three months 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's cash management.

iv **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 Authority's financial performance.

v **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors (note 7)**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi **Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

vii **Employee Benefits (note 34)**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the

Non Distributed Costs 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 or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable at the year-end.

#### Post Employment Benefits

Most employees of the Authority are members of the following pension scheme:

- The Local Government Pensions Scheme, administered by Somerset County Council (SCC).

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Authority.

#### *The Local Government Pension Scheme*

**The Local Government Scheme is accounted for as a defined benefits scheme:**

- The liabilities of the SCC pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond (iBoxx AA rated over 15 year corporate bond index).
- The assets of SCC pension fund attributable to the Authority are included in the Balance Sheet at their fair values.
  - 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 one 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 Authority, based on an 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 or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits – debited or credited to the Surplus of 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 assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the SCC pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

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

#### *Discretionary Benefits*

The Authority 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 any 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.

#### Viii **Events After the Balance Sheet Date (note 6)**

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

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

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

*Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years.

The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

*Financial Assets*

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

If the Authority were to take a loan this means that the amount presented in the Balance Sheet would be the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a loan to a voluntary organisation at less than market rate (soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest which will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### Available-for-Sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### x **Government Grants and Contributions (notes 7, 28)**

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must 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 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.

**xi Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or 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 (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 line(s) 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 line(s) 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.

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 in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £5,000) the Capital Receipts Reserve.

**xii Inventories and Long Term Contracts (note 15)**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the (FIFO/weighted average) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**xiii Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Authority with other ventures that involve the use of the assets and resources of the venturer rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venture with the assets being used to obtain benefits for the venture. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xiv **Leases (note 31)**

Leases are classified 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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

*Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

*Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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 (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

*Finance Leases*

Where the Authority grants a financing lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance

Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to in the Movement in Reserves Statement. (When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve).

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

#### *Operating Leases*

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## xv **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 *Best Value Accounting Code of Practice 2010/11 (BVACOP)*. 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 Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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

#### 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 Authority and the cost of the item can be measured reliably. 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:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are 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.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in 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 for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### Disposals and Non-Current Assets Held for Sale

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 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 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.

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £5,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriate to the Reserve from the General Fund Balance in the Movement in Reserve Statement.

The written-off value of disposals is not a charge against National Park Grant, 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.

## xvii **Provision, Contingent Liabilities and Contingent Assets (note 35)**

### Provisions

Provisions are made where an event has taken place that gives the Authority 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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 authority 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 authority. 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.

## xviii **Reserves (notes 8,9,19,20)**

The Authority sets aside specific amounts as reserves for future 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 National Park Grant for the expenditure.

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

## xiv **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.

## Note 2: Accounting Standards that have been issued but have not yet been adopted

FRS 30 Heritage Assets – (Appendix C of the 2011/12 code) represents the sole accounting standard which has not yet been adopted within the 2010/11 Code.

## Note 3: Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce the levels of service provision.

## Note 4: Assumptions about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £2k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £257K. However the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pension liability had increased by £34 as a result of experience.

Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £111k. A review of significant balances suggested that an impairment of doubtful debts was not required. However, in the current economic climate it is not certain that no allowance would be suitable.	If collection rates were to deteriorate, it may be prudent to establish an impairment of doubtful debts which would require £1k for every percentage point of the debtors balance at 31 March 2011.
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#### **Note 5: Material Items of Income and Expenditure**

Two items are disclosed separately as exceptional items under cost of services within the Comprehensive Income and Expenditure Statement which are material in nature. Firstly £221K within the Promoting Understanding Income line relating to the donated assets of Lynmouth Pavilion £150K (acquired for £1 from NDDC) and the Pinkery wind turbine £71K (funded through DECC grant) – this entry is treated as income and represents the gain to the Authority on receipt of the assets. The second line is titled IAS 19 past service cost £1,086K and represents capitalised gain from the change in pension increase policy from RPI to CPI calculated by the Authority's actuary.

#### **Note 6: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 16 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **Note 7. Transition to International Financial Reporting Standards (IFRS)**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

#### **Short-term accumulating compensated absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

<b>Opening 1 April 2009 Balance Sheet</b>	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
Creditors	(283)	(35)
Accumulated Absences Account	0	35

<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
Creditors	(418)	(35)
Accumulated Absences Account	0	35

### **Leases**

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or building element of the lease being accounted for as an operating lease where it was previously treated as a finance lease, or vice versa.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The authority does not hold any Finance Leases that would be construed as operating leases under the Code.

### **Government Grants – Revenue**

Under the Code, grants and contributions for specific revenue purposes are recognised as income in full when any conditions relating to them are met. Previously, specific revenue grants were matched to expenditure with any unspent element being accrued as income in advance.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended to remove creditor balances where conditions do not remain un-met and create creditor balances where they do.

### **Government Grants – Capital**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

All transactions relating to Government Grants deferred previously in 2009/10 have been removed:

<b>Opening 1 April 2009 Balance Sheet</b>	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Government Grants Deferred	(63)	63
Capital Adjustment Account	(7,853)	(63)
<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Government Grants Deferred	-	-
Capital Adjustment Account	(7,280)	-
<b>2009/10 Comprehensive Income and Expenditure Statement</b>	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Natural Environment	842	10
Cultural Heritage	378	3
Recreation Management	518	5
Promoting Understanding	674	13
Rangers, Estates & Volunteers	960	15
Development Management	441	13
Forward Planning	348	4
Corporate & Democratic Core	314	-
Non Distributed Costs	-	-

#### **Note 8: 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.

	<b>Usable Reserves</b>			<b>Movement in Unusable Reserves £000</b>
	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	
<i>Adjustments primarily involving the Capital Adjustment Account:</i>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	120	-	-	(120)
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	4	-	-	(4)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Capital Expenditure charged against the General Fund	(296)	-	-	296
<b>Total</b>	<b>(172)</b>	<b>-</b>	<b>-</b>	<b>172</b>
<i>Adjustments primarily involving the Revaluation Reserve:</i>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	31	-	-	(31)
<b>Total</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>(31)</b>
<i>Adjustments primarily involving the Pensions Reserve:</i>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 34)	(1,595)	-	-	1,596

Employer's pensions contributions and direct payments to pensioners payable in the year	(302)			302
<b>Total</b>	<b>(1,897)</b>			<b>1,898</b>
<b>Total Adjustments</b>	<b>(2,038)</b>			<b>2,039</b>

2009/10

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<i>Adjustments primarily involving the Capital Adjustment Account:</i>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	190	-	-	(190)
Revaluation losses on Property Plant & Equipment	493	-	-	(493)
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	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Capital Expenditure charged against the General Fund	(48)	-	-	48
<b>Total</b>	<b>635</b>	<b>-</b>	<b>-</b>	<b>(635)</b>
<i>Adjustments primarily involving the Revaluation Reserve:</i>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Revaluation Gains	(3,573)	-	-	3,573
Charges for depreciation and impairment of non-current assets	32	-	-	(32)
<b>Total</b>	<b>(3,541)</b>	<b>-</b>	<b>-</b>	<b>3,541</b>
<i>Adjustments primarily involving the Pensions Reserve:</i>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 34)	3,519	-	-	(3,519)
Employer's pensions contributions and direct payments to pensioners payable in the year	(351)			351
<b>Total</b>	<b>3,168</b>			<b>(3,168)</b>
<b>Total Adjustments</b>	<b>262</b>			<b>(262)</b>

## Note 9: Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011
<b>Earmarked Reserves:</b>							
A1: Archaeology Projects	40	(30)	-	10	-	28	38
A2: Archaeology Air Photography	2	-	-	2	-	-	2
A3: Historic Environment Record	17	-	-	17	-	1	18
A4: Monument Management Scheme	6	-	-	6	-	-	6
A7: Conservation Areas	5	-	28	33	-	23	56
A7a: Dulverton Undergrounding	-	-	-	-	-	40	40
A8: Exmoor Farmsteads	5	-	-	5	-	-	5
A9: Driver Farm	43	-	27	70	-	-	70
A10: Farm Conservation Scheme	4	-	-	4	-	-	4
A12: Pony Reserve	5	(2)	-	3	(2)	-	1
A13: Porlock Bay Management Strategy Plan	3	-	-	3	-	-	3
A14: Sustainable Renewable Fund	5	-	-	5	-	-	5
A15: Deer Monitoring Study	59	(34)	-	25	-	-	25

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011
A18: Dark Skies Reserve	4	(2)	-	2	(2)	-	-
A19: Blackpitts	41	(41)	-	-	-	-	-
A20: Paddons Wood	30	-	-	30	-	-	30
A21: Woodland Mgt Reserve	-	-	40	40	-	55	95
A22: Moorland Unit Mapping	-	(2)	35	33	-	-	33
B1: National Park Centre Assessments	5	(5)	-	-	-	2	2
B2: Car parks	10	-	-	10	-	5	15
B3: Caremoor for Exmoor	19	-	5	24	(3)	-	21
B5: Rights of Way Improvement	21	-	-	21	-	-	21
B6: Quest Project	5	-	-	5	-	-	5
B7: Toilet Upgrade Programme	38	-	18	56	-	58	114
B8: Local Information Points	1	-	-	1	-	-	1
B10: Information Reserve	2	-	-	2	-	-	2
B11: Pinkery Upgrade	-	-	38	38	-	70	108
B12: Education	12	-	4	16	-	-	16
B13: Volunteers Fund	2	-	3	5	(2)	-	3
B14: Rights of Way	9	-	33	42	(7)	12	47
B15: Equipment Replacement & Renewal – FST	5	(5)	-	-	-	21	21
C1: Local Development Framework	33	-	125	158	(35)	31	154
C2: Development of Planning Service	196	-	-	196	-	39	235
C3: Community Grants – Valley of Rocks	14	-	-	14	-	-	14
C4: Community Grants – Winsford	7	-	-	7	-	-	7
C5: Sustainable Development Fund	261	(20)	-	241	0	104	345
C6: Carbon Neutral National Park	12	-	-	12	-	-	12
D1: Accommodation Changes	70	(40)	16	46	(12)	-	34
D2: Community Grants Fund	7	(2)	-	5	-	-	5
D4: Continuing IEG	108	(10)	12	110	(4)	-	106
D5: Aerial Photography	21	-	-	21	-	-	21
D6: Equipment	35	(19)	26	42	-	5	47
D8: National Park Management Plan	2	-	2	4	-	2	6
D10: Legal Support	20	(4)	-	16	-	-	16
D12: Transitional Costs (SCR)	52	(29)	-	23	(40)	34	17
D13: Member Training	4	-	4	8	-	-	8
D14: Training Fund	22	(3)	-	19	-	6	25
D15: Exmoor House Extension	30	-	-	30	-	-	30
D16: National Parks 60 <sup>th</sup> Anniversary	25	(6)	-	19	-	-	19
D17: Released Reserves	-	(35)	125	90	(18)	3	75
D19: ENPA Carbon Neutrality	-	-	52	52	-	45	97
D20: Simonsbath Sewerage System	-	-	-	-	-	10	10
E1: Natural England Conservation Grant Scheme	9	-	-	9	-	-	9
E2: National Mapping programme	11	(1)	-	10	-	3	13
E3: Ancient Woodland Project	43	-	-	43	(10)	-	33
E4: EMLP	140	(24)	42	158	-	18	176
E5: MIRE	57	(34)	-	23	(11)	-	12
E6: Sawmill Project	12	-	-	12	-	-	12
E7: England's Past for Everyone	8	(1)	-	7	-	-	7
E8: River Jelly Lichen Survey	9	(4)	-	5	-	-	5
E9: WSMR	66	(61)	30	35	(22)	-	13
E10: Exmoor Books	11	-	-	11	-	-	11
E11: Larcombe Wood Fund	2	-	-	2	-	-	2
E12: Dunster Action Plan	50	-	6	56	-	10	66
E13: Rural Housing Enabler	58	-	15	73	-	8	81
E14: Lynmouth Pavilion	163	-	159	322	-	133	455
MP: Major Projects Reserve	222	(183)	-	39	-	-	39
<b>Total Earmarked Reserves</b>	<b>2,176</b>	<b>(596)</b>	<b>843</b>	<b>2,423</b>	<b>(168)</b>	<b>764</b>	<b>3,019</b>
<b>General Fund Balance:</b>	<b>424</b>	<b>(56)</b>	<b>-</b>	<b>368</b>	<b>(23)</b>	<b>-</b>	<b>345</b>

#### Note 10: Other operating expenditure

2009/10 £000		2010/11 £000
-	(Gains)/Losses on the disposal of non-current assets	4
-	<b>Total</b>	<b>4</b>

#### Note 11: Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
194	Pensions interest cost and expected return on pensions assets	215
(58)	Interest receivable and similar income	(43)
<b>136</b>	<b>Total</b>	<b>172</b>

## Note 12: Taxation and non specific grant incomes

2009/10 £000		2010/11 £000
(4,026)	Non-ring fenced government grants	(3,818)
-	Capital Grants and contributions	-
(4,026)	<b>Total</b>	(3,818)

## Note 13: Property, Plant and Equipment

### Movements on Balances

	Land & Buildings £000	Intangible Assets £000	Vehicles, Plant & Equipment £000	Total £000
<b>Cost or Valuation 1 April 2010</b>	<b>11,900</b>	-	<b>580</b>	<b>12,480</b>
Additions	75	-	-	75
Derecognition – disposals	-	-	(6)	(6)
Donated Assets	150	-	71	221
<b>Cost or Valuation 31 March 2011</b>	<b>12,125</b>	-	<b>645</b>	<b>12,770</b>
<b>Accumulated depreciation 1 April 2010</b>	<b>(1,214)</b>	-	<b>(407)</b>	<b>(1,621)</b>
Depreciation written out to the Revaluation Reserve	(32)	-	-	(32)
Accumulated Depreciation on disposal	-	-	2	2
Depreciation Charge	(50)	-	(70)	(120)
<b>Total Depreciation at 31 March 2011</b>	<b>(1,296)</b>	-	<b>(475)</b>	<b>(1,771)</b>
<b>Net Book Value at 1 April 2010</b>	<b>10,686</b>	-	<b>173</b>	<b>10,859</b>
<b>Net Book Value at 31 March 2011</b>	<b>10,829</b>	-	<b>170</b>	<b>10,999</b>

### Comparative Movements in 2009/10

	Land & Buildings £000	Intangible Assets £000	Vehicles, Plant & Equipment £000	Total £000
<b>Cost or Valuation 1 April 2009</b>	<b>8,336</b>	<b>9</b>	<b>527</b>	<b>8,872</b>
Additions	-	-	76	76
Derecognition – disposals	(9)	-	(23)	(32)
Impairments	(493)	-	-	(493)
Revaluations	3,573	-	-	3,573
<b>Cost or Valuation 31 March 2010</b>	<b>11,407</b>	<b>9</b>	<b>580</b>	<b>11,996</b>
<b>Accumulated depreciation 1 April 2009</b>	<b>(642)</b>	<b>(6)</b>	<b>(271)</b>	<b>(919)</b>
Depreciation written out to the Revaluation Reserve	(32)	-	-	(32)
Accumulated Depreciation on disposal	-	-	4	4
Depreciation Charge	(47)	(3)	(140)	(190)
<b>Total Depreciation at 31 March 2010</b>	<b>(721)</b>	<b>(9)</b>	<b>(407)</b>	<b>(1,137)</b>
<b>Net Book Value at 1 April 2009</b>	<b>7,694</b>	<b>3</b>	<b>256</b>	<b>7,953</b>
<b>Net Book Value at 31 March 2010</b>	<b>10,686</b>	-	<b>173</b>	<b>10,859</b>

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings: 50-80 years
- Vehicles, Plant, Furniture and Equipment: 5-10 years

## Revaluations

The Authority carries out a Quinquennial valuation on all significant Fixed Assets. The quinquennial valuation was carried out externally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The last quinquennial valuation was carried out on the 1/4/2009.

## Note 14: Financial Instruments

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Authority's cash balances and short term investments disclosed in the Balance Sheet are as follows:

Financial Assets:

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
2,521	Comingled Fund	3,663
143	Cash in hand and at bank	-
360	Debtors	93
<b>3,024</b>	<b>Total</b>	<b>3,756</b>

Financial Liabilities:

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
-	Bank Overdraft	(69)
(446)	Creditors	(448)
<b>(446)</b>	<b>Total</b>	<b>(517)</b>

Interest and Investment Income:

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
58	Interest Income	43
<b>58</b>	<b>Total</b>	<b>43</b>

Financial assets and liabilities are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining life of the instrument using the following assumptions:

- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount
- The fair value of cash deposits is taken to be the cash balance as at 31 March

**Note 15: Inventories**

	2009/10 £000		2010/11 £000		Total	Total
	Stock at National Park Centres	Stock in Central Warehouse	Stock at National Park Centres	Stock in Central Warehouse	2009/10 £000	2010/11 £000
Balance outstanding at start of year	15	94	20	67	109	87
Purchases	31		46		31	46
Recognised as an expense in year	(48)		(55)		(48)	(55)
Written off balances	(5)		-		(5)	-
<b>Balance Outstanding at year-end</b>	<b>20</b>	<b>67</b>	<b>17</b>	<b>61</b>	<b>87</b>	<b>78</b>

**Note 16: Debtors**

31 March 2010 £000		31 March 2011 £000
18	Long Term Debtor – North Devon Plus	18
39	Sales Ledger	21
20	Government Debtors	17
276	Year End Accruals	31
81	Payments in Advance	-
23	Accrued Interest	23
1	Cyclescheme Debtors	1
<b>458</b>	<b>TOTAL</b>	<b>111</b>

**Note 17: Cash and Cash Equivalents**

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

31 March 2010 £000		31 March 2011 £000
2	Cash Held by the Authority	2
142	Bank Current Accounts	(73)
2,521	Co-mingled fund held by Somerset County Council	3,663
<b>2,665</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,592</b>

**Note 18: Creditors**

31 March 2010 £000		31 March 2011 £000
(411)	Sundry Creditors – Revenue Only	(413)
(7)	Receipts in advance	(3)
(35)	Accumulated Absences	(35)
<b>(453)</b>	<b>Total</b>	<b>(451)</b>

**Note 19: Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movements in Reserves Statement and Note 9.

## Note 20: Unusable Reserves

31 March 2010 £000		31 March 2011 £000
3,578	Revaluation Reserve	3,547
7,280	Capital Adjustment Account	7,452
(5,855)	Pensions Reserve	(3,957)
(35)	Accumulated Absences Account	(35)
<b>4,968</b>	<b>Total Unusable Reserves</b>	<b>7,007</b>

### Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

2009/10 £000			2010/11 £000
<b>37</b>	<b>Balance at 1 April</b>		<b>3,578</b>
3,573	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of Services	-	
<b>3,573</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>-</b>
(32)	Difference between fair value depreciation and historical cost depreciation	(31)	
-	Accumulated gains on assets sold or scrapped	-	
<b>(32)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(31)</b>
<b>3,578</b>	<b>Balance at 31 March</b>		<b>3,547</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gain and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000
<b>7,853</b>	<b>Balance at 1 April</b>	<b>7,280</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(128)	Charges for depreciation and impairment of non-current assets	(120)
(493)	Revaluation losses on Property, Plant and Equipment	-
-	Amortisation of intangible assets	-
-	Revenue expenditure funded from capital under statute	-
-	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	(4)
<b>7,232</b>		<b>7,156</b>
-	Adjusting amounts written out of the Revaluation Reserve	-
-	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	-
<b>Capital financing applied in the year:</b>		
-	Use of the Capital Receipts Reserve to finance new capital expenditure	-
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
48	Capital Expenditure charged against the General Fund	296
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>7,280</b>	<b>Balance at 31 March</b>	<b>7,452</b>

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits

in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
<b>(2,687)</b>	<b>Balance at 1 April</b>	<b>(5,855)</b>
(2,996)	Actuarial gains or (losses) on pensions assets and liabilities	1,169
(523)	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	(659)
351	Employer's pensions contributions and direct payments to pensioners payable in the year	302
-	Exceptional Item – Capitalised gain on change in pension increase policy from RPI to CPI	1,086
<b>(5,855)</b>	<b>Balance at 31 March</b>	<b>(3,957)</b>

#### 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.

2009/10 £000			2010/11 £000
<b>(35)</b>	<b>Balance at 1 April</b>		<b>(35)</b>
-	Settlement or cancellation of accrual made at the end of the preceding year	-	
-	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.		-
<b>(35)</b>	<b>Balance at 31 March</b>		<b>(35)</b>

#### Note 21: Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(58)	Interest received	(43)
-	Interest Paid	-
-	Dividends received	-

**Note 22: Cash Flow Statement – Investing Activities**

2009/10 £000		2010/11 £000
76	Purchase of property, plant and equipment, investment property and intangible assets	-
-	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(28)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
-	Proceeds from short-term and long-term investments	-
-	Other receipts from investing activities	-
<b>48</b>	<b>Net cash flows from investing activities</b>	<b>-</b>

**Note 23: Cash Flow Statement – Financing Activities**

2009/10 £000		2010/11 £000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
-	Repayment of short and long-term borrowing	-
-	Other payments for financing activities	-
-	<b>Net cash flows from financing activities</b>	<b>-</b>

**Note 24: Amounts reported for resource allocation decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Resources and Performance Committee on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and 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 services.

The income and expenditure of the Authority's principal services recorded in the budget reports for the year 2010/11 is as follows:

Service Income and Expenditure	Conservation & Land Management £000	Corporate Services £000	Information & Access £000	Planning & Community Services £000	Sustainability & Economy Unit £000	Total £000
<b>Income</b>	<b>(364)</b>	<b>(3,940)</b>	<b>(290)</b>	<b>(142)</b>	<b>(604)</b>	<b>(5,340)</b>
Employee expenses	466	1,147	570	434	81	2,698
Other Service Expenses	562	822	512	93	645	2,634
<b>Total Expenditure</b>	<b>1,028</b>	<b>1,969</b>	<b>1,082</b>	<b>527</b>	<b>726</b>	<b>5,332</b>
<b>Net Expenditure</b>	<b>664</b>	<b>(1,971)</b>	<b>792</b>	<b>385</b>	<b>122</b>	<b>(8)</b>

Comparative figures 2009/10

Service Income and Expenditure	Conservation & Land Management £000	Corporate Services £000	Information & Access £000	Planning & Community Services £000	Sustainability & Economy Unit £000	Total £000
<b>Income</b>	<b>(602)</b>	<b>(4,268)</b>	<b>(201)</b>	<b>(168)</b>	<b>(221)</b>	<b>(5,460)</b>
Employee expenses	558	1,137	597	437	64	2,793
Other Service Expenses	827	877	555	97	256	2,612
<b>Total Expenditure</b>	<b>1,385</b>	<b>2,014</b>	<b>1,152</b>	<b>534</b>	<b>320</b>	<b>5,405</b>
<b>Net Expenditure</b>	<b>783</b>	<b>(2,254)</b>	<b>951</b>	<b>366</b>	<b>99</b>	<b>(55)</b>

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

This reconciliation shows how figures in the analysis of service income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
<b>Net expenditure in the Service Analysis</b>	<b>(55)</b>	<b>(8)</b>
Net expenditure in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	509	(1,653)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	4,084	3,861
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>4,538</b>	<b>2,200</b>

**Note 25: Members Allowances**

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

<b>2009/10 £000</b>		<b>2010/11 £000</b>
37	Special Responsibility Allowance	39
55	Basic Allowance	54
34	Allowance for mileage	23
<b>126</b>	<b>TOTAL</b>	<b>116</b>

**Note 26: Officers' Remuneration**

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

	Salary, Fees and Allowances  £000	Expense Allowance  £000	Total Remuneration (excl. pension contribution)  £000	Pension Contribution  £000	Total Remuneration including pension contribution £000
<b>Chief Executive</b>					
2010/11	77	1	78	11	89
2009/10	77	1	78	11	89

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

<b>2009/10 Number of employees</b>	<b>Remuneration band</b>	<b>2010/11 Number of employees</b>
-	£50,000 - £54,999	-
-	£55,000 - £59,999	-
-	£60,000 - £64,999	1
-	£65,000 - £69,999	-
-	£70,000 - £74,999	-
1	£75,000 - £79,999	1

**Note 27: External Audit Costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

<b>2009/10 £000</b>		<b>2010/11 £000</b>
22	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	21
<b>22</b>	<b>Total</b>	<b>21</b>

## Note 28: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
National Park Grant – DEFRA	3,866	3,779
Planning Development Grant, Climate Change and Adaptation Grant - CLG	161	39
<b>Total</b>	<b>4,027</b>	<b>3,818</b>
<b>Credited to Services</b>		
Sustainable Development Fund – DEFRA	218	200
Low Carbon Community Challenge – DECC	-	404
Natural Mapping Programme – English Heritage	31	30
Monument Management Scheme – English Heritage	-	5
Heritage Gateway – English Heritage	-	1
Historic Environment Records Office – English Heritage	15	8
SHINE – Natural England	-	5
EWGS – Forestry Commission	74	67
Woodland Grant – Forestry Commission	3	-
WGS – Forestry Commission	4	-
West Somerset Mineral Railway – Heritage Lottery	312	39
Moorland Landscape Partnership – Heritage Lottery	17	17
Coast Path – Natural England	24	24
Single Payment Scheme – RPA	4	17
<b>Total</b>	<b>702</b>	<b>817</b>

## Note 29: Related Parties

The Authority is required to disclose 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 operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### *Central Government*

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants. Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

### *Members*

Members of the Authority have direct control over the Authority's financial and operating policies. The Authority's Standing Orders requires members to declare their interests in related parties in a register of interests. In addition members are asked to declare separately any transactions with the Authority. The only item which requires disclosure is that a member of the Authority is the Chairman and Director of a Publishing Company with which the Authority conducts business. Sales by DAA Halsgrove Ltd to ENPA for 2010/11 were £2k (2009/10 - £3k) with an outstanding balance of £0K at 31/3/11 (£0K at 31.03.10)

## Officers

Officers of the Authority are bound by the Authority's Code of Conduct which seeks to prevent related parties exerting undue influence over the Authority. Senior Officers are required to declare any transactions with the Authority. No transactions have been disclosed.

### Note 30: Capital Expenditure and Capital 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 Authority remains Debt Free throughout the periods contained in this Statement of Accounts and therefore does not have incurred expenditure yet to be financed.

	2009/10 £000	2010/11 £000
<i>Capital Investment</i>		
Property, Plant & Equipment	76	296
<i>Sources of finance</i>		
Capital Receipts	(28)	
Government Grants and other contributions		(221)
Sums set aside from revenue	(48)	(75)

### Note 31: Leases

#### Finance Leases

The Authority does not hold any Lease considered to be a Finance Leases as either Leasee or lessor

#### Operating Leases

The Authority has entered into leases in relation to land holdings in prior years. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	23	19
	<b>23</b>	<b>19</b>

The Authority leases out property for the fulfilment of National Park Purposes. The future annual minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	24	1
Later than one year and not later than five years	28	34
Later than five years	23	50
	<b>75</b>	<b>85</b>

### Note 32: Impairment Losses

The Authority has not recognised any impairment losses during 2010/11. During 2009/10 the Authority recognised an impairment loss of £493k in relation to Land and Buildings revalued as part of Quinquennial valuations.

### Note 33: Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11 incurring liabilities of £70k (£0 in 2009/10), this was payable to 3 officers who took voluntary redundancy as part of the Authority's rationalisation of services.

### Note 34: Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

The Authority participates in a post employment scheme:

- The Local Government Pension Scheme, administered locally by Somerset County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

#### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid out as pensions. However, the charge we are required to make 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 Movements in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
• Current Service Cost	329	444
• Past Service Costs	-	(1,086)
• Settlements and Curtailments	-	-
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	476	632
• Expected return on scheme assets	(282)	(417)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>523</b>	<b>(427)</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• Actuarial Gains and Losses	2,996	(1,169)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3,519	(1,596)
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,519)	1,596
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employer's contributions payable to scheme	302	351

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £1,169K (2009/10 Loss of £2,996).

#### Assets and Liabilities in Relation to Post-Employment Benefits

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

	2009/10 £000	2010/11 £000
<b>Opening Balance at 1 April</b>	<b>6,927</b>	<b>11,987</b>
Current Service Cost	329	444
Interest Cost	476	632
Contributions by scheme participants	134	127
Actuarial (gains) and losses	4,238	(1,631)
Benefits Paid	(97)	(238)
Past Service Costs		(1,086)
Unfunded pension payments	(20)	(20)
<b>Closing Balance at 31 March</b>	<b>11,987</b>	<b>10,215</b>

Reconciliation of fair value of the scheme (plan) assets:

	2009/10 £000	2010/11 £000
<b>Opening Balance at 1 April</b>	<b>4,240</b>	<b>6,132</b>
Expected rate of return	282	417
Actuarial gains and (losses)	1,242	(462)
Employer Contributions (including unfunded)	351	302
Contributions by scheme participants	134	127
Estimated Benefits Paid	(117)	(258)
<b>Closing Balance at 31 March</b>	<b>6,132</b>	<b>6,258</b>

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.

The estimated return on scheme assets in the year was 5.8% (2009/10: 35%).

#### Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Defined Benefit Obligation	(8,633)	(7,572)	(6,927)	(11,987)	(10,215)
Scheme assets	6,407	5,780	4,240	6,132	6,258
Surplus (Deficit)	(2,225)	(1,793)	(2,687)	(5,855)	(3,957)
Experience adjustments on Scheme liabilities	-	220	-	-	428
Percentage of liabilities	0.0%	2.9%	0.0%	0.0%	4.2%
Experience adjustments on Scheme assets	342	(1,146)	(1,902)	1,242	(462)
Percentage of assets	5.3%	-19.8%	-44.9%	20.3%	-7.4%
Cumulative Actuarial Gains and Losses	835	1,373	699	(2,297)	(1,128)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £3,957k has a substantial impact

on the net worth of the authority as recorded in the Balance Sheet, resulting in the overall balance of £10,372k. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Authority in the year to 31 March 2012 is £268k.

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The LGPS liabilities have been assessed by Barnett and Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation as at 1 April 2010.

The principal assumptions used by the actuary have been:

	2009/10 £000	2010/11 £000
<i>Long-term expected rate of return on assets in the scheme</i>		
Equity Investments	7.8%	7.7%
Gilts	4.5%	4.4%
Other Bonds	5.5%	5.5%
Property	6.9%	6.8%
Cash	3.0%	3.0%
Total	7.1%	7.1%
<i>Mortality assumptions</i>		
Longevity at 65 for current pensioners:		
• Men	19.8	19.8
• Women	22.5	23.9
Longevity at 65 for future pensioners:		
• Men	20.4	21.9
• Women	23.1	25.8
Rate of Inflation (RPI/CPI)	3.9%/ n/a	3.5%/ 2.7%
Rate of increase in salaries	5.4%	5.0%
Rate of increase in pensions	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2009/10 %	2010/11 %
Equities	72%	74%
Gilts	7%	6%
Other Bonds	11%	12%
Property	8%	7%
Cash	2%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### **Note 35: Contingent Liabilities**

The Authority has made payments totalling £55k for conservation management agreements which fall within the European Union's definition of "State Aid" in relation to farming support. Advice received by the Authority is that these payments require retrospective approval from the EU and that the Department for Environment, Food and Rural Affairs has submitted an application to that effect. Should this approval not be forthcoming, this may result in a liability for the authority to repay government funding it has received in support of these payments. It is not possible at the time of these accounts to identify the expected timing of approval for these payments nor the likely outcome of the application.

### **Note 36: Nature and Extent of Risks Arising from Financial Instruments**

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

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Chief Finance Officer, under policies approved by the Authority. The Authority has adopted the CIPFA Code of Practice for Treasury Management and as part of this approves an annual Treasury Management Strategy and Practices which sets out the policies on borrowing, investment, credit risk and interest rate exposure.

- **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Authority's Annual Investment Strategy and investment solely within the Somerset County Council Co-mingled Fund.

- **Liquidity Risk**

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available when needed. Surplus cash is invested using an overnight clearing system operated by Somerset County Council .

All trade and other payables are due to be paid in less than one year. The Authority currently has no borrowings and so there is no significant current or future risk that it will be unable to raise finance to meet its commitments under financial instruments.

- **Market Risk**

The Authority is currently debt free and does not have any investments in equity shares or financial assets or liabilities denominated in foreign currencies.

- **Interest Risk**

In terms of short-term cash investments, the variable rate of interest earned on surplus funds moves during the year and any assumptions in annual budgets are made cautiously based on current market and treasury forecasts. A 1% movement in interest rates would result in £30,000 more or less than budget if investments were held for a year.

## ANNUAL GOVERNANCE STATEMENT

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

- 1.1 Exmoor National Park Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Exmoor National Park Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Chief Executive, Exmoor House, Dulverton, TA22 9HL. This statement explains how the Authority has complied with the code and also meets the requirements of regulations 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

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

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and the leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies and aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 A governance framework has been in place at Exmoor National Park Authority for the year ended 31 March 2011 and up to the date of approval of the annual business plan and statement of accounts.

### 3. **The Governance Framework**

#### 3.1 The key elements of the governance framework include:

- A National Park Management Plan that contains a vision, priorities and a corporate strategy to meet National Park purposes.
- An annual review of the Authority's priorities as contained in the National Park Management Plan.
- The production of a Medium Term Financial Plan taking account of the anticipated level of National Park Grant.
- The production of an annual business plan that includes data on performance and objectives both achieved and planned.
- Committee papers that are linked to National Park Management Plan or Business Plan objectives and in compliance with equality and human rights legislation.
- A Scheme of Delegation which sets out the functions and workings of the Authority and the powers delegated to Committees and the Chief Executive.
- Formal codes of conduct which define the standards of personal behaviour of members and staff. The model code for Members was adopted on 3 July 2007.
- Standing orders, a scheme of delegation and financial regulations are in place.
- Responsibility for audit matters has been delegated to the Resources and Performance Committee.
- The Solicitor and Monitoring Officer has a statutory responsibility supported by the Chief Finance Officer and financial regulations to ensure the legality of transactions, activities and arrangements the Authority enters into.
- Complaints procedures and a whistle-blowing policy are in place for members of the public, members, staff or contractors.
- Training, briefing and induction programmes are carried out for members.
- A staff performance and development review process is in place which identifies training and development needs.
- Wide consultation takes place with interested parties and an Exmoor Consultative and Parish Forum meets to engage with the community and a Local Access Forum considers access and rights of way issues. Numerous diverse organisations are represented on these consultative mechanisms.
- Extensive arrangements are in place for partnership working on a range of projects. Partnership working is crucial to the achievement of the priorities set out in the National Park Management Plan.

#### 4. **Review of Effectiveness**

- 4.1 Exmoor National Park Authority has responsibility for conducting at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive and Heads of Section within the Authority who have responsibility for the development and maintenance of the governance environment, the annual report on internal audit, and by the Annual Governance Report of the external auditors.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is:
- The adoption of an updated Code of Corporate Governance in 2009 with an annual review by the Resources and Performance Committee carried out by the Authority's Solicitor and Monitoring Officer to ensure compliance with the Code and audited by the Chief Finance Officer.
  - Standing orders, the scheme of delegation and financial regulations which are periodically reviewed, updated and approved. Revised contract standing orders were approved during 2009 and changes to Standing Orders approved in 2010.
  - Delegation to the Resources and Performance Committee for performance management including sustainability and the business planning and performance framework.
  - Annual reports to the Resources and Performance Committee in respect of internal audit which is a contracted service, and from the external auditor appointed by the Audit Commission.
  - Annual reports to the Resources and Performance Committee on risk management, performance indicators and treasury management.
  - A Standards Committee is in place which makes an annual report to the Authority.
  - An internal audit service is contracted via Somerset County Council from the South West Audit Partnership. An annual work programme is agreed with the Chief Finance Officer and the internal auditors produce an annual report covering their activities.
  - The continuing implementation and review of the Improvement Plan which emanated from the performance assessment carried out during 2005/06.
- 4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Resources and Performance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**5. Significant governance issues**

5.1 In general the governance and internal control systems within the Authority are working effectively and have been reviewed by the Solicitor and Monitoring Officer and the Chief Finance Officer and are independently validated by the internal and external auditors.

5.2 During 2011/12 the Authority will be:

- Continuing to oversee progress in achieving the Management Plan targets and the accountability of the Authority and other lead organisations through a National Park Management Plan Implementation Board.
- Continuing with individual Members performing the role of 'Lead Member' in respect of specified Management Plan subject areas.
- Conducting a review of the National Park Management Plan covering the period 2012-2017.
- Preparing for a National Park Authority Performance Assessment, in common with the other English National Park Authorities, which is programmed to be carried out in October 2012.
- Responding to and implementing the outcome of the review by Defra during 2010/11 of the governance arrangements for the National Park Authority.
- Reviewing all services and spending to ensure that the Authority operates within its reduced resources as a result of the Government's Public Spending Review covering four years to 2014/15.
- Taking into account any requirements of the Localism Bill, which was first published on 13 December 2010, that are applicable to National Parks.
- Reviewing Standing Orders, the Scheme of Delegation and the Financial Regulations.
- Continuing to develop customer service standards and culture.
- Monitoring and ensuring compliance through service plans for all the essential services that the Authority provides.

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

**Signed** .....

Dr N M Stone  
Chief Executive

.....

W J Dyke  
Chairman

**Date 1<sup>st</sup> March 2011**